Company Number 3104203

GTC PIPELINES LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

GTC PIPELINES LIMITED

Directors	MRS D C MORGAN F C A
	N F SHAW B Sc (Hons) C Eng MIGEM
	C F LINSDELL F C C A M B A
Secretary	SIMON LEE
Auditors	Deloitte LLP Cambridge United Kingdom
Registered Office	Energy House Woolpit Business Park Woolpit Bury St Edmunds Suffolk IP30 9UP

GTC PIPELINES LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2010

The Directors submit their report and financial statements for the year ended 30 June 2010

Business review and principal activities

The Company is a Gas Transporter licensed by Ofgem and undertakes the adoption and operation of gas pipeline networks to housing and industrial developments There have not been any significant changes in the Company's principal activities in the year under review The Directors are not aware at the date of this report of any likely major changes in the Company s activities in the next year

As shown in the Company s profit and loss account on page 5 the Company's sales have increased by 6% over the prior year Operating profit has increased from £6 813 731 to £9 005 327 Losses after interest and taxation have decreased from £5 703 157 to £5 439 586 after allowing for the exceptional loss in the year

The balance sheet on page 6 of the financial statements shows that the net liabilities of the Company have increased from £21 779 681 to £27 219 270 Details of amounts owed to the parent company are shown in note 11 on page 11

The Directors do not recommend the payment of a dividend (2009 £nil)

Principal risks and uncertainties

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

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

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

Risks to regulated revenues are generally low as the Relative Price Control (RPC) system offers a high degree of predictability of revenues for a period of 20 years after a gas connection is installed The RPC system also helps to mitigate against the effects of inflation via an annual adjustment to recognize movements in retail prices

Interest is payable to fellow group undertakings and the immediate parent company and are at fixed rates of interest

Environment

The Company recognises the importance of its environmental responsibilities and it is the Company s policy to take full account of the environmental implications of its operations and to protect the natural environment The Company aims to comply with the spirit as well as the letter of environment legislation and approved codes of practice It aims to assess the likely environmental effects of planned projects and operations and maintain throughout its operations standards of environmental protection reflecting best industry practice

Employees

The Company does not have any employees with all licence obligations carried out by The Gas Transportation Company Limited a fellow group undertaking

Going Concern

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

Disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this report confirms that

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
(b) the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Directors

The names of the Directors who served the Company during the year and at the date of this report are given on page 1

Directors' responsibilities statement

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). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. 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, 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Directors' indemnities

The Company has made qualifying third party indemnity provision for the benefit of its Directors by way of Directors' and Officers' liability insurance. This was in force during the financial year and remains in force at the date of this report

Auditors

Pursuant to Sections 379A and 386 of the Companies Act 1985, an elective resolution was passed on 19 January 1998 dispensing with the requirement to appoint auditors annually. This election was in force immediately before 1 October 2007. Therefore Deloitte LLP are deemed to continue as auditors

Signed on behalf of the Board of Directors

C E Tinsdell
Director
19 October 2010

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF GTC PIPELINES LIMITED

We have audited the financial statements of GTC Pipelines Limited for the year ended 30 June 2010 which comprise the Profit and Loss Account the Balance Sheet and the related notes 1 to 18 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company s members those matters we are required to state to them in an 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

As explained more fully in the Directors Responsibilities Statement the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board s (APB s) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company s circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the Directors and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

give a true and fair view of the state of the Company's affairs as at 30 June 2010 and of its loss for the year then ended,
have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us or
- the financial statements are not in agreement with the accounting records and returns or
- certain disclosures of directors remuneration specified by law are not made or
- we have not received all the information and explanations we require for our audit

R. Knights

21.10 2010.

Richard Knights (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Cambridge United Kingdom

GTC PIPELINES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 £	2009 £
TURNOVER	1 (x)	27 112 109	25 464,548
Cost of sales - other		(10 997 079)	(10 142 756)
Cost of sales - exceptional item	2	(1 084 026)	(2 150 769)
GROSS PROFIT		15 031 004	13 171,023
Administrative expenses		(6 025 677)	(6 357,292)
OPERATING PROFIT		9 005 327	6 813 731
Interest receivable and similar income	5	11 619	46,138
Interest payable and similar charges	6	(12 456 130)	(13 631 603)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(3 439 184)	(6 771,734)
Tax (charge) / credit on loss on ordinary activities	7	(2 000 402)	1 068 577
LOSS FOR THE FINANCIAL YEAR	14	(5 439 586)	(5 703,157)

All of the Company's operations are classed as continuing

No statement of total recognised gains and losses has been included as there are no recognised gains and losses other than the loss for the current and preceding financial years

The notes on pages 7 to 12 form part of these financial statements

GTC PIPELINES LIMITED

BALANCE SHEET AT 30 JUNE 2010

	Note	2010 £	2009 £
FIXED ASSETS			
Intangible assets	8	35 625 000	37 875 000
Tangible assets	9	178 251 333	169 097,105
		213 876 333	206 972 105
CURRENT ASSETS			
Debtors	10	6 252 609	9 703,618
- due after one year	10	21 249 511	21 827,411
Cash at bank and in hand		6 323 980	2 220,142
		33 826 100	33 751,171
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(23 749 019)	(20 571 926)
NET CURRENT ASSETS		10 077 081	13 179 245
TOTAL ASSETS LESS CURRENT LIABILITIES		223 953 414	220 151 350
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(251 172 684)	(241 931,034)
NET LIABILITIES		(27 219 270)	(21 779 684)
CAPITAL AND RESERVES			
Called up share capital	13	1 000	1,000
Profit and loss account	14	(27 220 270)	(21 780,684)
SHAREHOLDER'S DEFICIT	15	(27 219 270)	(21 779,684)

The financial statements of GTC Pipelines Limited registered number 3104203 were approved by the Board of Directors and authorised for issue on 19 October 2010

These were signed on its behalf by

C E Linsdell
Director
19 October 2010

The notes on pages 7 to 12 form part of these financial statements

GTC PIPELINES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2010

1 ACCOUNTING POLICIES

The significant policies adopted in the preparation of the accounts are as follows

(i) Basis of Presentation

These financial statements have been prepared on a consistent basis with previous years using the historical cost convention and comply with applicable United Kingdom accounting standards

The Company forms part of a group of companies (IEG group) of which the ultimate parent company is Prime Infrastructure Holdings Limited (PIH) The IEG group is dependent on funding support provided by PIH with a repayment date for this funding of 1 June 2015 As a result this funding cannot be recalled within 12 months from the date of signing of the accounts

In addition the Company acts as a guarantor under the GPI Investments Limited Facility Agreement The Company has received assurances from the Directors of GPI Investments Limited (GIL) that its forecasts taking account of reasonably possible changes in trading performance show that GIL should meet its debt covenants for the forthcoming year

Although the Company has net liabilities the Company has received assurances from the immediate parent company and the fellow group undertakings that the loans will not be recalled within a period of one year from the date of signing of the accounts The Company meets its day to day working capital requirements by cash generated through the normal course of business The Company s forecasts taking account of reasonably possible changes in trading performance show that the Company should have adequate resources to continue in operational existence for the foreseeable future Thus the Directors are of the opinion that the Company can continue to adopt the going concern basis in preparing the financial statements

(ii) Tangible Fixed Assets

Tangible fixed assets are stated at cost less depreciation and provision for impairment Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of fixed assets on the straight-line basis over their estimated useful lives The rates in use are

Networks mains and meters - At rates varying between 2 5% and 5 0% per annum

(iii) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full in respect of timing differences arising from the recognition of gains and losses for tax purposes in different periods from those in which they are included in the financial statements Provisions are made at rates expected to apply when they crystallise based on laws which have been enacted or substantially enacted at the balance sheet date

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

(iv) Cash Flow Exemption

The Company is exempt from producing a cash flow statement under Financial Reporting Standard 1 "Cash Flow Statements" on grounds that a consolidated cash flow statement is included in the financial statements of its ultimate parent company

(v) Turnover

Sales represent the value of goods and services supplied by the Company excluding sales taxes The origination and destination of all turnover is within the United Kingdom Sales of goods are recognised when goods are delivered and title has passed Transportation income is recognised when services are provided and are rendered based upon usage during that period

GTC PIPELINES LIMITED

NOTES TO THE ACCOUNTS (continued)

1 ACCOUNTING POLICIES (continued)

(vi) Goodwill

Goodwill representing the excess of the fair value consideration given over the fair values of the net assets acquired is capitalised and is amortised on a straight line basis over its useful economic life which is estimated to be 20 years

2 EXCEPTIONAL ITEM

In April 2006 GTC Pipelines Limited purchased from Utility Grid Installations Limited and The Gas Transportation Company Limited, fellow group undertakings their portfolios of completed gas networks and the order books representing contracted gas connections at that time for the total sum of £223 000 008 The Directors of GTC Pipelines Limited have reviewed the purchased order book acquired and written off balances relating to connections which are not considered likely to materialise This adjustment is equivalent to less than 1% of the overall purchase volume and arises due to change in physical site layouts and other events in the new housing market over the 4 years since the purchase The adjustment of £1 084 026 (2009 £2 150 769) has been made to reduce the value of Payments In Advance in the Balance Sheet and has been written off to the Profit and Loss Account

3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after	2010 £	2009 £
Depreciation on tangible fixed assets	5 641 740	4 669,418
Amortisation on intangible assets	2 250 000	2 250,000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	-	-
Fees payable to the Company's auditors - pursuant to regulation	-	-

The fees payable to the Company's auditors for the audit of the annual accounts of £4 833 (2009 £3 193) in the current and prior year were borne by The Gas Transportation Company Limited a fellow group undertaking The fees payable to the Company's auditors for other services pursuant to regulation is £1 900 (2009 £1 648) were also borne by The Gas Transportation Company Limited in both the current and prior year

4 DIRECTORS AND EMPLOYEES

The Company had no employees in either the current or preceding year All services are provided by The Gas Transportation Company Limited No remuneration was paid to the Directors during the year (2009 £nil) for their services to the Company

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £	2009 £
Interest receivable on bank deposits	11 619	46,138

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £	2009 £
Interest payable on loans from group undertakings	12 456 130	13 631,603

7 TAX ON LOSS ON ORDINARY ACTIVITIES

	2010	2009
	£	£
a) ANALYSIS OF CHARGE / (CREDIT) IN THE YEAR		
Group relief received-current year	1 699 673	1 070,487
Group relief received-prior year	24 613	454 457
Total current tax (note 7b)	1 724 286	1 524,944
Origination and reversal of timing differences (note 12)	276 116	(1 524 467)
Adjustments to previous periods	-	(1 069,054)
Total deferred tax	276 116	(2 593,521)
Total tax charge / (credit) on loss on ordinary activities	2 000 402	(1 068 577)

b) FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows

	2010	2009
Loss on ordinary activities before tax	(3 439 184)	(6 771 734)
Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 28% (2009 28%)	(962 972)	(1 896,086)
Effects of		
Adjustment to previous years	24 613	454 457
Current year tax losses not recognised	149 000	426 920
Expenses not deductible for tax purposes	1 236 274	1 442,106
Depreciation in excess of capital allowances	1 277 371	1 097 547
Current tax charge for the year (note 7a)	1 724 286	1 524,944

c) FACTORS AFFECTING TAX CREDIT IN THE YEAR

In June 2010 the UK Government announced that it would introduce legislation that would reduce the corporation tax rate to 27% with effect from 1 April 2011 This legislation was substantively enacted in July 2010 The effective tax rate for the year ended 30 June 2011 is expected to reduce accordingly

8 INTANGIBLE FIXED ASSETS

	Goodwill
	£
Cost	
At 1 July 2009 and 30 June 2010	45 000 000
	£
Amortisation	
At 1 July 2009	7 125 000
Charge for the year	2 250 000
At 30 June 2010	9 375,000
Net book value at 30 June 2010	35 625,000
Net book value at 30 June 2009	37 875 000

9 TANGIBLE FIXED ASSETS

	Networks mains and meters £
Cost	
At 1 July 2009	182 690,509
Additions	14 797,505
Disposals	(1 920)
At 30 June 2010	197 486,094
Depreciation	
At 1 July 2009	13 593 404
Charge for the year	5 641,740
Disposals	(383)
At 30 June 2010	19 234 761
Net book value at 30 June 2010	178 251,333
Net book value at 30 June 2009	169 097 105

10 DEBTORS

	2010 £	2009 £
Amounts falling due within one year		
Trade debtors	327 421	244,886
Amounts due from fellow group undertakings	1 490 172	2 055 464
Amounts due from immediate parent company	257 768	257 768
Tangible fixed asset debtor	1 811 949	4 524,871
Prepayments and accrued income	2 365 296	2 344,513
Deferred tax asset (note 12)	-	276,116
	6 252 609	9 703,618
Due after one year		
Tangible fixed asset debtor	21 249 511	21 827 411

Amounts due from fellow group undertakings are non-interest bearing unsecured and repayable on demand
Amounts due from the immediate parent company are non-interest bearing unsecured and repayable on demand

11 CREDITORS

	2010	2009
	£	£
Amounts falling due within one year		
Trade creditors	253 522	240 433
Other taxes and social security	396 565	349,958
Other creditors	4 021 088	3 056 374
Accruals and deferred income	234 682	212,056
Amounts due to fellow group undertakings interest bearing	951 186	2 984,559
Amounts due to fellow group undertakings non-interest bearing	17 891 976	13 728,546
	23 749 019	20 571 926
Amounts falling due after more than one year		
Amounts due to immediate parent company interest bearing	219 012 684	209 771 034
Amounts due to immediate parent company non-interest bearing	32 160 000	32 160,000
	274 921 703	262 502,960

Amounts due to fellow group undertakings interest bearing bear interest between 6 0% and 6 3% per annum, are unsecured and are repayable on demand

Amounts due to fellow group undertakings non-interest bearing are unsecured and repayable on demand

Amounts due to immediate parent company bears interest between 0% and 7 97% per annum and is unsecured The loan and related interest is repayable in January 2013

12 DEFERRED TAX ASSET

	£
At 1 July 2009	(276 116)
Charge to profit and loss account (note 7)	276 116
At 30 June 2010 (note 10)	-

	2010	2009
	£	£
Deferred tax provided in the accounts is as follows -		
Tax losses available	-	(426 920)
Capital allowances in excess of depreciation	-	150,804
	-	(276 116)

At 30 June 2010 the Company had a deferred tax asset amounting to £1 727 543 (2009 £276 116) £600,545 (2009 £426 920) in respect of unutilised tax losses and £1 126 998 (2009 liability of £150 804) relates to timing differences for property plant and equipment This has not been recognised as it is not probable that the asset will be utilised in the foreseeable future against taxable income

13 CALLED UP SHARE CAPITAL

	2010	2009
	£	£
Authorised		
1 000 ordinary shares of £1 each	1 000	1,000
Allotted called-up and fully paid		
1 000 ordinary shares of £1 each	1 000	1,000

GTC PIPELINES LIMITED

NOTES TO THE ACCOUNTS (continued)

14 PROFIT AND LOSS ACCOUNT

	£
At 1 July 2009	(21 780 684)
Loss for the financial year	(5 439 586)
At 30 June 2010	(27 220 270)

15 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S DEFICIT

	2010 £	2009 £
Loss for the financial year	(5 439 586)	(5 703,157)
Opening shareholder's deficit	(21 779 684)	(16 076,527)
Closing shareholder's deficit	(27 219 270)	(21 779,684)

16 COMMITMENTS AND CONTINGENT LIABILITIES

There were no contingent liabilities at the year end (2009 £nil)

	2010 £	2009 £
Capital Commitments		
Contracted for but not provided for	57 807 139	44 604,933

Included within the capital commitments is £23 061 460 of tangible fixed asset debtor (2009 26 352 282) (note 10) This relates to the payment in advance for incomplete networks contracted within the intercompany agreement for sale and purchase of gas pipeline networks dated 28 April 2006

17 RELATED PARTY TRANSACTIONS

As all the issued share capital of the Company is owned by a group whose consolidated financial statements are publicly available it is not required to disclose transactions with other group undertakings that would otherwise be required under Financial Reporting Standard 8 'Related Party Disclosures'

18 ULTIMATE PARENT COMPANY

The Company's immediate parent company is GPI Investments Limited a company registered in England and Wales The Company's ultimate parent company is Prime Infrastructure Holdings Limited which is a company registered in Australia The smallest group in which the results of the Company are consolidated is Prime IEG Australia No 1 Pty Limited (formerly BBI IFG Australia No 1 Pty Limited) which is incorporated in Australia, and the largest group in which the results of the Company are consolidated is Prime Infrastructure Holdings Limited Prime Infrastructure Holdings Limited's accounts can be obtained from

Prime Infrastructure Holdings Limited
Level 26
135 King Street
Sydney
NSW 2000
Australia