

Registered number
3104203

GTC Pipelines Limited

Report and Financial Statements

31 December 2012

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COMPANIES HOUSE

GTC Pipelines Limited
Company Information

Directors

N Shaw
C Linsdell
J Dale

Secretary

C Mumford

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge
United Kingdom

Registered office

Energy House
Woolpit Business Park
Woolpit
Bury St Edmunds
Suffolk
IP30 9UP

Registered number

3104203

GTC Pipelines Limited

Directors' Report

The directors present their report and audited financial statements for the year ended 31 December 2012

Results and dividends

The loss for the year, after taxation, amounted to £7,305,701 (2011 £9,130,212) The directors do not recommend the payment of a dividend (2011 - £nil)

Principal activity and review of business

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 period 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

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 of part of fixed price contracts 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

Government has issued guidance on smart metering, intending to complete a rollout to 27 million homes by 2020 Energy suppliers will be responsible for delivering smart metering to domestic and smaller non-domestic consumers in Great Britain and are expected to make arrangements with the providers of smart metering services The programme is being led by the Department of Energy and Climate Change and Office of Gas and Electricity Markets Successful trials to provide smart metering services have led to 'business as usual' practice, installing smart meters where requested by the energy suppliers. At the end of 2012 the company had 6,573 advanced data meters fitted with contracts to fit a further 22,604 GTC Pipelines Limited's residual investment in any meter removed before it reaches the end of its useful life is recovered via an early replacement charge

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 annual report and accounts Further details regarding the adoption of the going concern basis can be found in Note 1 of the financial statements

Social, environmental and ethical policy

The company is a member of the Brookfield Utilities UK (BUUK) 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, requires compliance with any relevant international and national, legal or regulatory framework

GTC Pipelines Limited

Directors' Report (Continued)

Directors

The following persons served as directors throughout the year, unless otherwise stated and to the date of this report

N Shaw

C Linsdell

J Dale

- appointed May 2012

The company has Directors' and Officers' liability insurance to provide against liability in respect of proceedings brought forward by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Directors' responsibilities

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 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, 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.

Auditor

An elective resolution was passed on 19 January 1998 dispensing with the requirement to appoint an auditor annually. This election was in force immediately before 1 October 2007. Therefore Deloitte LLP are deemed to continue as auditor.

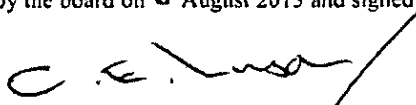
Directors' statement as to disclosure of information to the auditor

The directors who were members of the board at the time of approving the Directors' report is listed on page 1. Having made enquiries, the directors confirm that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of the directors' report of which the company's auditor is 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 auditor is 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.

This report was approved by the board on 8 August 2013 and signed on its behalf



C Linsdell
Director

**Independent Auditor's Report
to the members of GTC Pipelines Limited**

We have audited the financial statements of GTC Pipelines Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 17. 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 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 auditor

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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 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.



Stuart Henderson
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge
United Kingdom

July 2013
8 August

GTC Pipelines Limited
Profit and Loss Account
for the year ended 31 December 2012

	Notes	2012 £	2011 £
Turnover	2	32,134,833	28,505,586
Cost of sales - other		(13,494,938)	(13,161,345)
Cost of sales - exceptional item	3	(1,417,387)	(2,812,160)
Gross profit		<u>17,222,508</u>	<u>12,532,081</u>
Administrative expenses		(5,783,813)	(5,626,516)
Operating profit	4	<u>11,438,695</u>	<u>6,905,565</u>
Interest receivable		4,100	4,913
Interest payable	6	(19,408,795)	(16,283,562)
Loss on ordinary activities before taxation		<u>(7,966,000)</u>	<u>(9,373,084)</u>
Tax on loss on ordinary activities	7	660,299	242,872
Loss for the financial year	14	<u>(7,305,701)</u>	<u>(9,130,212)</u>

Turnover and operating profit are wholly derived from continuing operations

The company has no recognised gains or losses other than the loss for the two financial years and accordingly has not prepared/presented a statement of recognised gains and losses

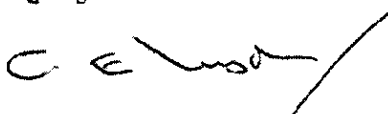
The notes on pages 8 to 13 form part of these financial statements

GTC Pipelines Limited
Balance Sheet
as at 31 December 2012

	Notes	£	2012 £	£	2011 £
Fixed assets					
Intangible assets	8		30,000,000		32,250,000
Tangible assets	9		<u>211,362,167</u>		<u>196,427,584</u>
			241,362,167		228,677,584
Current assets					
Debtors amounts due within one year	10	7,147,679		6,305,700	
Debtors amounts due after more than one year	10	13,697,640		16,126,624	
Cash at bank and in hand		<u>351,694</u>		<u>835,178</u>	
		21,197,013		23,267,502	
Creditors: amounts falling due within one year	11	<u>(20,075,488)</u>		<u>(22,426,330)</u>	
Net current assets			<u>1,121,525</u>		<u>841,172</u>
Total assets less current liabilities			242,483,692		229,518,756
Creditors: amounts falling due after more than one year	12		(288,813,768)		(268,543,131)
Net liabilities			<u>(46,330,076)</u>		<u>(39,024,375)</u>
Capital and reserves					
Called up share capital	13		1,000		1,000
Profit and loss account	14		<u>(46,331,076)</u>		<u>(39,025,375)</u>
Shareholders' deficit	14		<u>(46,330,076)</u>		<u>(39,024,375)</u>

The financial statements of GTC Pipelines Limited, registered number 3104203, were approved by the Board of Directors and authorised for issue on 8 August 2013
They were signed on its behalf by

C Linsdell
Director



The notes on pages 8 to 13 form part of these financial statements

GTC Pipelines Limited
Notes to the Accounts
for the year ended 31 December 2012

1 Accounting policies

Basis of accounting

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding period. The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Going concern

The Company forms part of the group of companies known as Brookfield Utilities UK ("BUUK" the "group") of which the ultimate parent undertaking is Brookfield Infrastructure Partners L.P. At 31 December 2012, the group was dependent on funding provided by Convertible Loan Notes redeemable in 2044 and external debt facilities maturing in tranches between November 2014 and November 2017. As a result this funding cannot be recalled within 12 months from the date of signing of the accounts.

In April 2013, the group successfully completed a private placement of Senior Secured Notes denominated in US\$ (US\$300m) and GBP (£400m) with maturity dates ranging from 2023 to 2033.

All companies within the BUUK group have given assurances that loans in existence at the balance sheet date will not be recalled within a period of one year from the date of signing of the accounts, unless a company is in a position to make repayment. 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.

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 undertaking.

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.

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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.

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 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.

GTC Pipelines Limited
Notes to the Accounts
for the year ended 31 December 2012

2 Turnover

Turnover represents the amounts receivable from the supply of goods and services during the year, net of Value Added Tax. Transportation income is recognised when services are provided and are rendered based upon usage during that period. All turnover and loss before taxation, by origin and destination, was attributable to the UK.

3 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 6 years since the purchase. The adjustment of £1,417,387 (2011: £2,812,160) has been made to reduce the value of the tangible fixed asset debtor in the Balance Sheet and has been written off to the Profit and Loss Account.

4 Operating Profit

	2012 £	2011 £
Operating profit is stated after charging		
Depreciation of owned fixed assets	6,645,591	6,052,047
Amortisation of goodwill	2,250,000	2,250,000
Auditor's remuneration for other services pursuant to legislation	2,233	4,000

Auditor's remuneration for the group as a whole has been included in the financial statements of The Gas Transportation Company Limited, a fellow subsidiary company.

5 Directors' emoluments and staff costs

The directors received no emoluments in the year (2011: £nil). 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 services undertaken by employees of the immediate parent company, The Gas Transportation Company Limited.

6 Interest payable

	2012 £	2011 £
Interest payable to immediate parent undertaking	19,408,795	16,283,562

7 Tax

	2012 £	2011 £
(a) Tax on loss on ordinary activities		
The tax credit is made up as follows		
Current tax		
Group relief credit in respect of the current year	(660,299)	(241,547)
Adjustments to prior periods	-	(1,325)
Total current tax credit (note 7(b))	(660,299)	(242,872)

GFC Pipelines Limited
Notes to the Accounts
for the year ended 31 December 2012

7 Tax (continued)

(b) Factors affecting tax credit

The tax assessed on the loss on ordinary activities for the year differs from the blended standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are reconciled below:

	2012 £	2011 £
Loss on ordinary activities before tax	(7,966,000)	(9,373,084)
Loss on ordinary activities multiplied by blended standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	(1,951,670)	(2,483,867)
Effects of:		
Expenses not deductible for tax purposes/(income not taxable)	1,316,532	1,415,084
Capital allowances for period in (excess)/deficit of depreciation	(25,161)	827,236
Adjustments to tax charge in respect of previous periods	-	(1,325)
Current tax charge for period	(660,299)	(242,872)

(c) Factors that may affect future tax charges

The Finance Act 2012, which provides for a reduction in the main rate of corporation tax from 24% to 23% effective from 1 April 2013, was substantively enacted on 3 July 2012. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

The Government intends to enact future reduction in the main tax rate down to 21% effective from 1 April 2014 and to 20% by 1 April 2015. As these tax rates were not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with IFRS 21 as it is a non-adjusting event occurring after the reporting period.

At 31 December 2012, the Company had a deferred tax asset amounting to £1,390,747 (2011: £2,354,714). Enil (2011: £535,419) in respect of unutilised tax losses and £1,390,747 (2011: £1,819,295) relating to timing differences for property plant and equipment. We estimate that the future tax rate change to 20% would further reduce our UK deferred tax asset to £1,209,345. This has not been recognised as it is not probable that the asset will be utilised in the foreseeable future against taxable income.

8 Intangible fixed assets

£

Goodwill

Cost

At 1 January 2012 and 31 December 2012 45,000,000

Amortisation

At 1 January 2012 12,750,000

Provided during the year 2,250,000

At 31 December 2012 15,000,000

Net book value

At 31 December 2012 30,000,000

At 31 December 2011 32,250,000

Goodwill is being written off in equal annual instalments over its estimated economic life of 20 years.

GTC Pipelines Limited
Notes to the Accounts
for the year ended 31 December 2012

9 Tangible fixed assets

	Infrastructure assets
Cost	£
At 1 January 2012	224,442,630
Additions	21,757,838
Disposals	(266,460)
At 31 December 2012	<u>245,934,008</u>
Depreciation	
At 1 January 2012	28,015,046
Charge for the year	6,645,591
On disposals	(88,796)
At 31 December 2012	<u>34,571,841</u>
Net book value	
At 31 December 2012	<u>211,362,167</u>
At 31 December 2011	<u>196,427,584</u>

10 Debtors

	2012	2011
	£	£
Amounts due within one year		
Trade debtors	152,512	203,587
Tangible fixed asset debtor	1,236,435	1,319,580
Amounts owed by immediate parent company	257,768	257,768
Amounts owed by fellow subsidiary undertakings	2,340,376	1,789,199
Prepayments and accrued income	3,160,588	2,735,566
	<u>7,147,679</u>	<u>6,305,700</u>
Amounts due in more than one year		
Tangible fixed asset debtor	<u>13,697,640</u>	<u>16,126,624</u>

Amounts owed by the immediate parent company and by fellow subsidiary undertakings are interest free, unsecured and repayable on demand

11 Creditors: amounts falling due within one year

	2012	2011
	£	£
Trade creditors	299,338	293,477
Amounts owed to fellow subsidiary undertakings interest bearing	994,439	936,793
Amounts owed to fellow subsidiary undertakings non-interest bearing	13,591,318	17,445,233
Other taxes and social security costs	1,602,231	457,406
Other creditors	3,400,888	3,120,349
Accruals and deferred income	187,274	173,072
	<u>20,075,488</u>	<u>22,426,330</u>

Interest bearing amounts owed to fellow subsidiary undertakings, bear interest between 6.0% and 7.13% per annum
All amounts are unsecured and repayable on demand

GTC Pipelines Limited
Notes to the Accounts
for the year ended 31 December 2012

12 Creditors, amounts falling due after one year

	2012	2011
	£	£
Amounts owed to immediate parent company interest bearing	256,653,768	236,383,131
Amounts owed to immediate parent company non-interest bearing	32,160,000	32,160,000
	<u>288,813,768</u>	<u>268,543,131</u>

Interest bearing amounts owed to fellow subsidiary undertakings, bear interest between 7.10% and 7.16%. All amounts are unsecured and repayable after one year.

13 Called up share capital

	2012	2011
	£	£
Allotted, called up and fully paid 1000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

14 Reconciliation of movement in shareholders' deficit and movement on reserves

	Called up share capital	Profit and loss account	Total shareholders' Deficit	Total shareholders' Deficit
	£	£	2012 £	2011 £
At 1 January	1,000	(39,025,375)	(39,024,375)	(29,894,163)
Loss for the financial year	-	(7,305,701)	(7,305,701)	(9,130,212)
At 31 December	<u>1,000</u>	<u>(46,331,076)</u>	<u>(46,330,076)</u>	<u>(39,024,375)</u>

15 Commitments and contingent liabilities

	2012	2011
	£	£
Capital commitments Contracted for but not provided for	<u>79,973,088</u>	<u>63,536,838</u>

Included within the capital commitments is £14,934,075 of tangible fixed asset debtor (2011 £17,446,204) (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.

16 Related party transactions

As 100% of 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 wholly owned group undertakings that would otherwise be required under Financial Reporting Standard 8 'Related Party Disclosures'.

GTC Pipelines Limited
Notes to the Accounts
for the year ended 31 December 2012

17 Ultimate parent undertaking

The company's immediate parent undertaking is GPL Investments Ltd, a company incorporated in England and Wales. The Company's ultimate parent undertaking is Brookfield Infrastructure Partners L.P., which is registered in Bermuda.

The smallest group in which the results of the Company are consolidated is Prime IEG Australia No 1 Pty Limited, which is incorporated in Australia, and the largest group in which the results of the Company are consolidated is Brookfield Infrastructure Partners L.P.

Brookfield Infrastructure Partners L.P.'s accounts can be obtained from Brookfield Infrastructure Partners L.P., Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda.