Company Number 3104203

GTC PIPELINES LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

GTC PIPELINES LIMITED

Directors	MRS D C MORGAN, F C A (resigned 31 October 2011)
	N E SHAW, B Sc (Hons) C Eng, MIGEM
	C E LINSDELL, F C C A , M B A
Secretary	Simon Lee
Auditor	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

The Directors submit their report and financial statements for the year ended 31 December 2011 The comparative period is the period 1 July 2010 to 31 December 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 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

Turnover was £28,505,586 for the year ended 31 December 2011 (1 July 2010 to 31 December 2010 £14,136,373) Operating profit for the year was £6,905,565 (1 July 2010 to 31 December 2010 £5,030,414) Losses after interest and taxation were £9,130,212 (1 July 2010 to 31 December 2010 £2,674,893)

The balance sheet on page 7 of the financial statements shows that the net liabilities of the Company have increased from £29,894,163 to £39,024,375 Details of amounts owed to the parent company are shown in note 11 on page 13

The Directors do not recommend the payment of a dividend (1 July 2010 to 31 December 2010 £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

Government has issued guidance on smart metering, intending to complete a rollout to 27 million homes by 2019 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 lead to 'business as usual' practice, installing smart meters where requested by the energy suppliers At the end of 2011 the company had 981 smart meters fitted with contracts to fit a further 7,000 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 Interest is payable to fellow group undertakings and the immediate parent company and are at fixed rates of interest The parent company entered into a bank facility to provide group funding and that facility matures in January 2013 The parent company has commenced discussions with its bankers and no matters have been drawn to its attention to suggest that renewal may not be on acceptable terms

REPORT OF THE DIRECTORS (continued)

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 auditor

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 auditor is 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 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

Directors

The names of the Directors who served the Company during the year and at the date of this report, unless otherwise stated, 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 period 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

Directors' responsibilities statement (continued)

- 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

Auditor

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 an auditor annually This election was in force immediately before 1 October 2007 Therefore Deloitte LLP are deemed to continue as auditor

Signed on behalf of the Board of Directors

C E Linsdell
Director
25 April 2012

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GTC PIPELINES LIMITED

We have audited the financial statements of GTC Pipelines Limited for the year ended 31 December 2011 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 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 annual 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 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 2011 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

26 April 2012

GTC PIPELINES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	1 January 2011 to 31 December 2011	1 July 2010 to 31 December 2010 As restated
		£	£
TURNOVER	1 (v)	28,505,586	14,136,373
Cost of sales - other		(13,161,345)	(6,027,442)
Cost of sales - exceptional item	2	(2,812,160)	(56,421)
GROSS PROFIT		12,532,081	8,609,131
Administrative expenses		(5,626,516)	(3,022,096)
OPERATING PROFIT		6,905,565	5,030,414
Interest receivable and similar income	5	4,913	6,158
Interest payable and similar charges	6	(16,283,562)	(7,711,379)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(9,373,084)	(2,674,807)
Tax credit / (charge) on loss on ordinary activities	7	242,872	(86)
LOSS FOR THE FINANCIAL YEAR / PERIOD	13	(9,130,212)	(2,674,893)

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 year and preceding financial period

The notes on pages 8 to 14 form part of these financial statements

GTC PIPELINES LIMITED

BALANCE SHEET AT 31 DECEMBER 2011

	Note	31 December 2011 £	31 December 2010 £
FIXED ASSETS			
Intangible assets	8	32,250,000	34,500,000
Tangible assets	9	196,427,584	184,132,910
		228,677,584	218,632,910
CURRENT ASSETS			
Debtors			
-due within one year	10	6,305,700	5,895,482
- due after one year	10	16,126,624	20,392,005
Cash at bank and in hand		835,178	962,022
		23,267,502	27,249,509
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(22,426,330)	(21,503,701)
NET CURRENT ASSETS		841,172	5,745,808
TOTAL ASSETS LESS CURRENT LIABILITIES		229,518,756	224,378,718
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(268,543,131)	(254,272,881)
NET LIABILITIES		(39,024,375)	(29,894,163)
CAPITAL AND RESERVES			
Called up share capital	12	1,000	1,000
Profit and loss account	13	(39,025,375)	(29,895,163)
SHAREHOLDER'S DEFICIT	14	(39,024,375)	(29,894,163)

The financial statements of GTC Pipelines Limited, registered number 3104203, were approved by the Board of Directors and authorised for issue on 25 April 2012

These were signed on its behalf by

C E Linsdell
Director

The notes on pages 8 to 14 form part of these financial statements

GTC PIPELINES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2011

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 the group of companies known as Brookfield Utilities UK ("BUUK") of which the ultimate parent undertaking is Brookfield Infrastructure Partners L P The BUUK group is dependent on funding support provided by Prime Infrastructure Holdings Limited, a fellow group undertaking, 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 GPL Investments Limited Facility Agreement The Company has received assurances from the directors of GPL 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

The Company meets its day to day working capital requirements by cash generated through the normal course of business Although, the Company has net liabilities due to amounts owed to the immediate parent company and fellow group undertakings, the Company has received assurances from the immediate parent company and 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 undertaking

GTC PIPELINES LIMITED

NOTES TO THE ACCOUNTS (continued)

1 ACCOUNTING POLICIES (continued)

(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

(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

(vii) Prior Year Restatement

An amount of £556,621 has been reclassified from administrative expenses to cost of sales to more accurately reflect the substance of the expense This has no impact of the net position of the profit and loss account or the balance sheet

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 £2,812,160 (1 July 2010 to 31 December 2010 £56,421) 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

	1 January 2011 to 31 December 2011	1 July 2010 to 31 December 2010
Loss on ordinary activities before taxation is stated after charging	£	£
Depreciation on tangible fixed assets	6,052,047	2,846,423
Amortisation on intangible assets	2,250,000	1,125,000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	-	-
Fees payable to the Company's auditor - pursuant to legislation	4,000	-

The fees payable to the Company's auditor for the audit of the annual accounts of £4,589 (1 July 2010 to 31 December 2010 £4,900) in the current year and prior period were borne by The Gas Transportation Company Limited, a fellow group undertaking The fees payable to the Company's auditor for other services pursuant to legislation were borne by The Gas Transportation Company Limited in the prior period

4 DIRECTORS AND EMPLOYEES

The Company had no employees in either the current year or preceding period All services are provided by The Gas Transportation Company Limited No remuneration was paid to the Directors during the year (1 July 2010 to 31 December 2010 £nil) for their services to the Company

GTC PIPELINES LIMITED

NOTES TO THE ACCOUNTS (continued)

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	1 January 2011 to 31 December 2011 £	1 July 2010 to 31 December 2010 £
Interest receivable on bank deposits	4,913	6,158

6 INTEREST PAYABLE AND SIMILAR CHARGES

	1 January 2011 to 31 December 2011 £	1 July 2010 to 31 December 2010 £
Interest payable on loans from group undertakings	16,283,562	7,711,379

7 TAX ON LOSS ON ORDINARY ACTIVITIES

	1 January 2011 to 31 December 2011 £	1 July 2010 to 31 December 2010 £
a) ANALYSIS OF (CREDIT) / CHARGE IN THE YEAR / PERIOD		
Group relief surrendered - current year / period	(241,547)	(802)
Group relief received-prior year	(1,325)	888
Total current tax (credit) /charge (note 7b)	(242,872)	86
Deferred Tax		
Origination and reversal of timing differences	-	-
Total tax (credit)/charge on loss on ordinary activities	(242,872)	86

b) FACTORS AFFECTING TAX (CREDIT) / CHARGE FOR THE YEAR / PERIOD

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

	1 January 2011 to 31 December 2011 £	1 July 2010 to 31 December 2010 £
Loss on ordinary activities before tax	(9,373,084)	(2,674,807)
Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 26 5% (1 July 2010 to 31 December 2010 28'	(2,483,867)	(748,946)
Effects of		
Adjustment to previous years	(1,325)	888
Expenses not deductible for tax purposes	1,415,084	333,815
Depreciation in excess of capital allowances	827,236	414,329
Current tax (credit) / charge for the year / period (note 7a)	(242,872)	86

7 TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

c) FACTORS AFFECTING TAX (CREDIT) / CHARGE IN THE FUTURE

In March 2011, the UK Government announced a reduction in the standard rate of UK corporation tax to 26% effective 1 April 2011 This rate reduction was substantively enacted in March 2011 In March 2012, the UK Government announced the main rate of UK corporation tax would reduce to 24% with effect from 1 April 2012, with subsequent 1% reductions annually to 22% by April 2014 These changes were substantively enacted on 26 March 2012 The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted

At 31 December 2011, the Company had a deferred tax asset amounting to £2,354,714 (31 December 2010 £2,463,862), £535,419 (31 December 2010 £579,097) in respect of unutilised tax losses and £1,819,295 (31 December 2010 £1,884,765) 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

8 INTANGIBLE FIXED ASSETS

	Goodwill
	£
Cost	
At 1 January 2011 and 31 December 2011	45,000,000
	£
Amortisation	
At 1 January 2011	10,500,000
Charge for the year	2,250,000
At 31 December 2011	12,750,000
Net book value at 31 December 2011	32,250,000
Net book value at 31 December 2010	34,500,000

GTC PIPELINES LIMITED

NOTES TO THE ACCOUNTS (continued)

9 TANGIBLE FIXED ASSETS

	Networks, mains and meters £
Cost	
At 1 January 2011	206,211,011
Additions	18,624,499
Disposals	(392,880)
At 31 December 2011	224,442,630
Depreciation	
At 1 January 2011	22,078,101
Charge for the year	6,052,047
Disposals	(115,102)
At 31 December 2011	28,015,046
Net book value at 31 December 2011	196,427,584
Net book value at 31 December 2010	184,132,910

10 DEBTORS

	31 December 2011 £	31 December 2010 £
Amounts falling due within one year		
Trade debtors	203,587	234,398
Amounts due from fellow group undertakings	1,789,199	1,514,780
Amounts due from immediate parent company	257,768	257,768
Tangible fixed asset debtor	1,319,580	1,375,772
Prepayments and accrued income	2,735,566	2,512,764
	6,305,700	5,895,482
Due after one year		
Tangible fixed asset debtor	16,126,624	20,392,005

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

11 CREDITORS

	31 December 2011	31 December 2010
	£	£
Amounts falling due within one year		
Trade creditors	293,477	244,309
Other taxes and social security	457,406	385,834
Other creditors	3,120,349	3,456,429
Accruals and deferred income	173,072	220,341
Amounts due to fellow group undertakings interest bearing	936,793	882,632
Amounts due to fellow group undertakings non-interest bearing	17,445,233	16,314,156
	22,426,330	21,503,701
Amounts falling due after more than one year		
Amounts due to immediate parent company interest bearing	236,383,131	222,112,881
Amounts due to immediate parent company non-interest bearing	32,160,000	32,160,000
	268,543,131	254,272,881

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 CALLED UP SHARE CAPITAL

	31 December 2011	31 December 2010
	£	£
Allotted, called-up and fully paid		
1,000 ordinary shares of £1 each	1,000	1,000

13 PROFIT AND LOSS ACCOUNT

	£
At 1 January 2011	(29,895,163)
Loss for the financial year	(9,130,212)
At 31 December 2011	(39,025,375)

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S DEFICIT

	1 January 2011 to 31 December 2011 £	1 July 2010 to 31 December 2010 £
Loss for the financial year / period	(9,130,212)	(2,674,893)
Opening shareholder's deficit	(29,894,163)	(27,219,270)
Closing shareholder's deficit	(39,024,375)	(29,894,163)

15 COMMITMENTS AND CONTINGENT LIABILITIES

There were no contingent liabilities at the year end (31 December 2010 £nil)

	31 December 2011 £	31 December 2010 £
Capital Commitments		
Contracted for but not provided for	63,536,838	61,242,636

Included within the capital commitments is £17,446,204 of tangible fixed asset debtor (31 December 2010 £21,767,777) (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 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'

17 ULTIMATE PARENT UNDERTAKING

The Company's immediate parent company is GPL Investments Limited, 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
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