

Registration number: 02528816

# Quadrant Pipelines Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

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## **Quadrant Pipelines Limited**

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## **Quadrant Pipelines Limited**

### **Company Information**

<b>Directors</b>	C Linsdell D Corney K Johnston J Trounson N Hindle
<b>Company secretary</b>	C Mumford
<b>Registered office</b>	Synergy House Woolpit Business Park Woolpit Bury St Edmunds Suffolk IP30 9UP
<b>Auditors</b>	Deloitte LLP Statutory Auditor London United Kingdom

## **Quadrant Pipelines Limited**

### **Strategic Report for the Year Ended 31 December 2020**

The Directors present their Strategic Report, annual report and audited financial statements for the year ended 31 December 2020. The Directors, in preparing this Strategic Report, have complied with s414c of the Companies Act, 2006.

#### **Principal activity**

The principal activity of the Company is the ownership and operation of gas distribution infrastructure in the UK.

#### **Fair review of the business**

The profit for the year, after taxation, amounted to £391,944 (2019: profit of £509,776). At the year-end the Company had net assets of £3,540,135 (2019: net assets of £3,648,191).

The Company operates as part of the BUUK Infrastructure Group ('BUUK', the 'Group') and the Directors of the Group do not consider individual entities in the Group to have individual key performance indicators (KPIs). The Group's results are considered as a whole, and details of the performance can be found in the consolidated group financial statements prepared by BUUK Infrastructure No 2 Limited.

In preparing the financial statements the Directors have followed the cost model for accounting for infrastructure assets. In the Directors' opinion the fair value of those infrastructure assets, which is an approximation for the replacement cost to purchase them, would be £12.8m at 31 December 2020.

#### **Principal risks and uncertainties**

The Company is part of the BUUK Infrastructure Group, owned by BUUK Infrastructure (Jersey) Limited. The principal risks and uncertainties facing the Group and the entity are:

##### *Regulatory*

The Group operates in stable and transparent regulated utility markets in the UK. The Group is not aware of any proposed changes impacting the existing regulatory frameworks in which it operates. Any such change could have either a positive or negative impact on our future business prospects.

##### *Health, Safety and Environmental*

The Group operates a comprehensive Health, Safety and Environmental framework to ensure that, as far as possible, it eliminates risk to its employees, customers and the environment. The Group has an excellent track record in this regard and has culturally aligned itself to continually improve its performance in this area.

Gas networks are designed, built, operated and maintained in compliance with the Gas Safety (Management) Regulations Safety Case as approved by the Health and Safety Executive.

##### *Liquidity and Interest Rates*

The Group has a policy of seeking to have a number of sources of funds at any given time to meet its liquidity needs, as well as maintaining a balanced maturity profile to minimise, as far as possible, peaked repayments and refinancing risk. Debt facilities are arranged with appropriate financial and operating covenants, ensuring that management has the necessary flexibility in the operation of its business. The majority of the Group's existing debt has an unexpired term exceeding 10 years and is subject to a fixed interest rate.

##### *Cash flow risk*

The Group uses derivative financial instruments to manage certain exposures to fluctuations in interest rates, inflation rates and exchange rates. The Group does not hold any speculative financial instruments.

##### *Credit risk*

Whilst the Group is dependent on a number of large customers, the credit risk from the failure of those customers is limited by regulatory regimes. The Group takes appropriate measures to reduce credit risk to a manageable level and has strict procedures to manage credit risk relating to trade receivables.

## **Quadrant Pipelines Limited**

### **Strategic Report for the Year Ended 31 December 2020 (continued)**

#### **Principal risks and uncertainties (continued)**

##### **COVID-19**

The Directors have considered the expected impact of COVID-19 on future periods. As a company which owns and operates gas distribution infrastructure assets within the BUUK Group, the potential impact of COVID-19 on the Company is considered the same as for the Group as a whole.

As at the date of the approval of this report the Group had £350m of undrawn committed facilities, of which £113.8m is available for general corporate purposes and £236.2m is linked to future capital expenditure. This availability of facilities and the performance of the Group in 2020, combined with the nature of the Group's activities, as discussed below, has led the Directors to the conclusion that it is unlikely the Group would be unable to meet its obligations as they fall due. The Group's business model and financing structure are resilient and there is a strong order book in place for the provision of new connections in the future.

The Group's core business activity is the ownership and operation of infrastructure assets, supplying essential services of gas, electricity, water, fibre, waste water and district heat. The transportation revenues from this activity are highly stable and predictable and are currently underpinned by a supportive regulatory framework. These revenues are expected to remain stable and continue to generate positive cash flows. This has been demonstrated by the Group's performance during 2020, which has seen the Group maintain a strong EBITDA position and remain cash generative despite the impact of the COVID-19 pandemic.

Additionally, BUUK undertakes the construction of new infrastructure assets to be owned and operated by the Group. Construction activity levels were reduced in the early stages of the year due to the suspension of works by some housebuilders on some new housing sites, however this has steadily recovered throughout the year, with new connections now close to pre-COVID levels. As construction levels continue to increase the Directors are committed to ensuring BUUK retains the resources necessary to meet this demand, implementing procedures and policies to make it practical and safe to do so.

The Directors have also undertaken a series of stress test financial models at group level over the impact of COVID-19. The key uncertainty and area of judgement in this modelling is construction activity levels. BUUK has based its assumptions on a reference scenario published by the UK Government's independent forecaster, the Office for Budget Responsibility ("OBR") on 25 November 2020, evidence from operations undertaken by the Group and detailed understanding of the industry. Under the OBR scenario and all other reasonably possible scenarios, the Group can continue to meet its obligations as they fall due. Further details of this can be found in the Going Concern section of note 2.

#### **Social, environmental and ethical policy**

The Company is a member of the BUUK Infrastructure 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. In addition, the Group has maintained registration of ISO 14001 environmental accreditation.

## Quadrant Pipelines Limited

### Strategic Report for the Year Ended 31 December 2020 (continued)

#### Health and safety

The Directors are committed to achieving high standards of health and safety in the Group's business activities for employees and customers alike. Policies and procedures are established to maintain continued provision of safe and healthy working conditions compliant with statutory requirements and appropriate codes of practice.

#### Equal opportunities

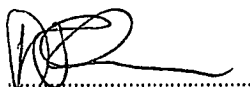
A fair and equal opportunities culture is operated throughout the Group. Employment opportunities, whether in the recruitment, training or promotion of employees, are granted on merit irrespective of race, colour, religion, national origin, age, gender, disability or sexual orientation.

Full consideration and equal opportunities are given to employment applications from disabled persons with due regard to the requirements of the job. Where existing employees become disabled every effort is made to provide opportunities for continued employment within the Group supported with training and development as appropriate.

#### The Future of Heat

The UK Government's Committee for Climate Change has proposed that an approach deploying hybrid heat pumps in homes connected to the gas grid will enable greater reductions in near-term emissions from buildings and provide a route, with hydrogen, to reach very low emissions by 2050. They identify this route as a low regrets step and they say that whilst early deployment of hybrid heat pumps would predominantly be expected to be in combination with natural gas boilers, in the longer-term hydrogen could displace this fossil fuel use. While not without challenges, this would enable the energy system to reach very low emissions. BUUK therefore expect its existing gas infrastructure assets will continue to be an essential part of the supply of heat for decades to come.

Approved by the Board on 21 June 2021 and signed on its behalf by:



D Corney  
Director

## **Quadrant Pipelines Limited**

### **Directors' Report for the Year Ended 31 December 2020**

The Directors present their report and the financial statements for the year ended 31 December 2020.

Principal risks and uncertainties are discussed within the Strategic Report.

As a subsidiary company within the BUUK Group, the Company has taken the disclosure exemption in relation to Streamlined Energy and Carbon Reporting ("SECR") where disclosure is made within a parent company's group accounts. These SECR disclosures can be seen in the consolidated financial statements of BUUK Infrastructure No 2 Limited.

#### **Directors of the Company**

The Directors who held office during the year and to the date of this report, unless stated otherwise, were as follows:

C Linsdell

D Corney

K Johnston

J Trounson

The following director was appointed after the year end:

N Hindle (appointed 14 April 2021)

#### **Dividends**

During the year interim dividends were approved and paid of £500,000 (2019: £3,500,000). The Directors do not recommend the payment of a final dividend (2019: £Nil).

#### **Employee involvement**

The Directors recognise the integral importance of their employees in achieving Group success. Employee involvement in the development of the business is encouraged through an open and honest working environment, effective communication of business objectives and performance and actively seeking the opinions and concerns of the wider business team. In April 2020 the Group was recognised as a 'Best Super Large Workplace' by Great Places to Work which reflects the Group's commitment to the importance of its employees.

#### **Future developments**

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. The Directors are satisfied that the Company is well placed to continue to perform satisfactorily during the coming year.

#### **Going concern**

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue to adopt the going concern basis in preparing the annual report and financial statements. The directors have received assurances that the company will have access to the BUUK Group's financial resources for a period of at least one year from the date of signing of the financial statements, that companies in the BUUK Group will not demand repayment of any inter-company debt where the company does not have the financial resources to effect such payment, and that this financial support will be sufficient for the company to continue to trade and meet its obligations as they fall due.

Further details regarding the adoption of the going concern basis can be found in Note 2 of the financial statements.

## **Quadrant Pipelines Limited**

### **Directors' Report for the Year Ended 31 December 2020 (continued)**

#### **Directors' liabilities**

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.

#### **Disclosure of information to the auditors**

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

#### **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), including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland". 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:

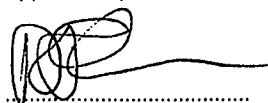
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

#### **Reappointment of auditors**

Deloitte LLP has indicated its willingness to continue in office and a resolution to reappoint them as the Company's auditor will be put to the forthcoming Annual General Meeting.

Approved by the Board on 21 June 2021 and signed on its behalf by:



D Corney  
Director



## **Quadrant Pipelines Limited**

### **Independent Auditor's Report to the Members of Quadrant Pipelines Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of Quadrant Pipelines Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Accounting Policies; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## **Quadrant Pipelines Limited**

### **Independent Auditor's Report to the Members of Quadrant Pipelines Limited (continued)**

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Responsibilities of Directors**

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

## **Quadrant Pipelines Limited**

### **Independent Auditor's Report to the Members of Quadrant Pipelines Limited (continued)**

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Companies Act 2006 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the terms of the license from the company's regulator Ofgem.

We discussed among the audit engagement team including relevant internal specialists such as tax and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

#### **Report on other legal and regulatory requirements**

##### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

## **Quadrant Pipelines Limited**

### **Independent Auditor's Report to the Members of Quadrant Pipelines Limited (continued)**

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

#### **Use of our report**

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.



.....  
Andrew Lowes (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

24 June 2021

# Quadrant Pipelines Limited

## Income Statement for the Year Ended 31 December 2020

	Note	2020 £	2019 £
Turnover		876,998	899,370
Cost of sales		<u>(114,537)</u>	<u>(138,629)</u>
Gross profit		762,461	760,741
Administrative expenses		<u>(308,718)</u>	<u>(292,284)</u>
Operating profit	3	453,743	468,457
Interest receivable and similar income	4	<u>36,681</u>	<u>156,570</u>
Profit before tax		490,424	625,027
Taxation	7	<u>(98,480)</u>	<u>(115,251)</u>
Profit for the financial year		<u><u>391,944</u></u>	<u><u>509,776</u></u>

The above results were derived from continuing operations.

No separate Statement of Comprehensive Income has been presented because the Company has no items of comprehensive income other than the profit for the financial year.

The notes on pages 14 to 22 form an integral part of these financial statements.

**Quadrant Pipelines Limited**

(Registration number: 02528816)

**Statement of Financial Position as at 31 December 2020**

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Tangible assets	8	2,563,799	2,618,937
<b>Current assets</b>			
Debtors	9	1,148,550	1,201,727
Cash at bank and in hand		709	8,832
		1,149,259	1,210,559
Creditors: Amounts falling due within one year	10	(96,174)	(136,261)
<b>Net current assets</b>		<u>1,053,085</u>	<u>1,074,298</u>
<b>Total assets less current liabilities</b>		3,616,884	3,693,235
Provisions for liabilities	11	(76,749)	(45,044)
<b>Net assets</b>		<u>3,540,135</u>	<u>3,648,191</u>
<b>Capital and reserves</b>			
Called up share capital	12	3,000,002	3,000,002
Profit and loss account		540,133	648,189
<b>Total equity</b>		<u>3,540,135</u>	<u>3,648,191</u>

Approved and authorised by the Board on 21 June 2021 and signed on its behalf by:



D Corney  
Director

The notes on pages 14 to 22 form an integral part of these financial statements.

# Quadrant Pipelines Limited

## Statement of Changes in Equity for the Year Ended 31 December 2020

	At 1 January 2019	Profit for the year	Dividends	At 31 December 2019	
	3,000,002	-	-	3,000,002	
Share capital	£	£	£	£	
Profit and loss	3,638,413	509,776	(3,500,000)	648,189	
Profit and loss account	£	£	£	£	
Total	6,638,415	509,776	(3,500,000)	3,648,191	
	At 1 January 2020	Profit for the year	Dividends	At 31 December 2020	
	3,000,002	-	-	3,000,002	
Share capital	£	£	£	£	
Profit and loss	648,189	391,944	(500,000)	540,133	
Profit and loss account	£	£	£	£	
Total	3,648,191	391,944	(500,000)	3,540,135	

Notes

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The notes on pages 14 to 22 form an integral part of these financial statements.

## **Quadrant Pipelines Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020**

#### **1 General information**

The company is a private company limited by share capital, incorporated in the United Kingdom and registered in England and Wales.

The address of its registered office and principal place of business is:

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

These financial statements were authorised for issue by the Board on 21 June 2021.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Basis of preparation**

These financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.'

The financial statements are presented in Pounds Sterling, which is also the functional currency.

##### **Summary of disclosure exemptions**

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to members of a group where consolidated financial statements are publicly available. Exemptions have been taken in relation to the presentation of a cash flow statement, certain financial instruments and remuneration of key management personnel.

##### **Name of parent of group**

These financial statements are consolidated in the financial statements of BUUK Infrastructure No 2 Limited.

The financial statements of BUUK Infrastructure No 2 Limited may be obtained from Synergy House, Woolpit Business Park, Windmill Avenue, Woolpit, Bury St Edmunds, Suffolk, IP30 9UP.



## Quadrant Pipelines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 2 Accounting policies (continued)

##### Going concern

The Company forms part of the Group headed by BUUK Infrastructure (Jersey) Limited ("BUUK") of which the ultimate parent undertaking is Brookfield Asset Management Inc. The funding required to finance the activities of BUUK's subsidiaries is organised and managed on a centralised basis on behalf of all members of the Group.

The Group is cash generative and holds a Baa2 (investment grade) rating from Moody's. The rating was reconfirmed by Moody's in May 2020. At the date of approval of the financial statements the Group has undrawn committed facilities of £350m with a syndicate of banks, of which £113.8m is available for general corporate purposes and £236.2m is linked to future capital expenditure. These facilities were renewed in 2019 and are due to expire on 18 September 2024.

The Group has Senior Secured Loan notes denominated in GBP (£1,510m) and US\$ (\$300m). The loan notes incur a fixed rate of interest and cross currency interest rate swaps have been taken out to fix the US\$ denominated interest and capital repayments. The Group's borrowings have an average remaining maturity of c.10.8 years with maturity dates ranging from 2023 to 2048.

In light of the COVID-19 pandemic the Group has undertaken a series of stress test financial models to assess the Group's ability to meet obligations as they fall due for a period of at least 12 months from the date of this report. Based on existing financing facilities, the Group has sufficient cash available to meet its obligations under all reasonably possible scenarios modelled.

The most likely scenario modelled by the Group is in line with a reference scenario published by the UK Government's independent forecaster, the Office for Budget Responsibility ("OBR") on 25 November 2020 and supported by the activity levels of the Group in the year. Under this scenario, and other reasonable downside scenarios, the Group remains compliant with all borrowing covenants in existence and has sufficient cash to meet its obligations for a period of 12 months.

Further details of the COVID-19 measures undertaken by the Group can be found in the Strategic Report.

The directors have received assurances that the company will have access to the BUUK Group's financial resources for a period of at least one year from the date of signing of the financial statements, that companies in the BUUK Group will not demand repayment of any inter-company debt where the company does not have the financial resources to effect such payment, and that this financial support will be sufficient for the company to continue to trade and meet its obligations as they fall due. The Group's forecasts, taking into account reasonable possible changes in trading performance, show that the Company should have adequate resources to continue in operational existence for the foreseeable future.

Given the above, the Directors have a reasonable expectation that the Company can continue to meet its liabilities as they fall due, for a period of at least 12 months from the date of this annual report. Accordingly, they have prepared the financial statements on the going concern basis.

## **Quadrant Pipelines Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Judgements and key sources of estimation uncertainty**

The Directors consider that there are no critical judgements or sources of estimation uncertainty to be disclosed that have been made in the process of applying the Company's accounting policies which have a significant effect on the amounts recognised in the financial statements.

##### **Revenue recognition**

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 rendered based upon usage during that year.

All turnover and profit before taxation, by origin and destination, was attributable to the UK.

##### **Finance income and costs**

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be reliably measured. Interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Interest costs are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

##### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tax assets and liabilities are not discounted.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the underlying transaction.

## Quadrant Pipelines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 2 Accounting policies (continued)

##### Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. 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. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

##### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Infrastructure assets	60 years straight line

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

##### Debtors

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts.

Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment losses for bad and doubtful debts.

##### Creditors

Short term creditors are measured at transaction price (which is usually the invoice price).

Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

##### Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

##### Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

## Quadrant Pipelines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 3 Operating profit

Arrived at after charging/(crediting)

	2020 £	2019 £
Depreciation expense	<u>58,078</u>	<u>58,038</u>

Fees for the audit of the financial statements of £32,600 (2019: £22,600) were borne by another Group company during the year on behalf of Quadrant Pipelines Limited.

#### 4 Other interest receivable and similar income

	2020 £	2019 £
Other finance income	398	415
Interest receivable on loans to group undertakings	<u>36,283</u>	<u>156,155</u>
	<u>36,681</u>	<u>156,570</u>

#### 5 Staff costs

The Company had no employees during the year with all administrative tasks undertaken by employees of fellow Group undertakings.

#### 6 Directors' remuneration

The Directors received no emoluments in the year (2019: £nil) in respect of qualifying services. The Directors are 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.

## Quadrant Pipelines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 7 Taxation

Tax charged/(credited) in the income statement

	2020 £	2019 £
<b>Current taxation</b>		
UK corporation tax	66,775	85,476
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	26,406	29,775
Arising from changes in tax rates and laws	5,299	-
Total deferred taxation	<u>31,705</u>	<u>29,775</u>
Tax expense in the income statement	<u>98,480</u>	<u>115,251</u>

The differences between the tax assessed for the period and the standard rate of corporation tax of 19% (2019: 19%) are reconciled below:

	2020 £	2019 £
Profit before tax	<u>490,424</u>	<u>625,027</u>
Corporation tax at standard rate	93,181	118,755
Decrease from effect of different UK tax rates on some earnings	-	(3,504)
Deferred tax expense relating to changes in tax rates or laws	<u>5,299</u>	<u>-</u>
Total tax charge	<u>98,480</u>	<u>115,251</u>

#### Deferred tax

The Finance Act 2016, substantively enacted in September 2016, provided for a reduction in the main rate of corporation tax to 17% from 1 April 2020. Accordingly deferred tax for the year ended 31 December 2019 was calculated using a tax rate of 17%. The Finance Act 2020, substantively enacted in March 2020, provided for the main rate of corporation tax rate to remain at 19%. Accordingly, deferred tax for the year ended 31 December 2020 has been calculated using a tax rate of 19%.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date and, as a non-adjusting post-balance sheet event, this does not impact the deferred tax position as at 31 December 2020; however in future periods deferred tax will be remeasured based on a tax rate of 25%.

The Company has no unrecognised deferred tax assets or liabilities at 31 December 2020 (2019: £nil).

## Quadrant Pipelines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 8 Tangible assets

	Infrastructure assets £
<b>Cost or valuation</b>	
At 1 January 2020	5,317,438
Additions	<u>2,940</u>
At 31 December 2020	<u>5,320,378</u>
<b>Depreciation</b>	
At 1 January 2020	2,698,501
Charge for the year	<u>58,078</u>
At 31 December 2020	<u>2,756,579</u>
<b>Carrying amount</b>	
At 31 December 2020	<u>2,563,799</u>
At 31 December 2019	<u>2,618,937</u>

The UK Government has set out its emissions target to reach net zero by 2050. The role of gas networks in achieving greenhouse gas emissions reductions targets is currently uncertain. However, BUUK's belief is that the gas assets we own and operate will continue to be in use beyond 2050 and therefore their useful lives remain appropriate. If the useful economic life of the gas networks owned as at 31 December 2020 was limited to 2050 the depreciation charge would increase to £85,460.

#### 9 Debtors

	2020 £	2019 £
Trade debtors	3,456	5,006
Amounts owed by group undertakings	1,048,431	1,121,314
Prepayments	23,383	2,800
Accrued income	<u>73,280</u>	<u>72,607</u>
	<u>1,148,550</u>	<u>1,201,727</u>

Amounts owed by group undertakings are unsecured and repayable on demand with interest charged at 2.76% (2019: 3.54%).

## Quadrant Pipelines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 10 Creditors

	2020 £	2019 £
<b>Due within one year</b>		
Trade creditors	12,390	5,897
Amounts due to group undertakings	66,776	85,476
Social security and other taxes	14,035	14,374
Other payables	2,973	2,974
Accruals	-	27,540
	<u>96,174</u>	<u>136,261</u>

Included within amounts due to group undertakings are non-interest bearing amounts of £66,776 (2019: £85,476), which are unsecured and repayable on demand.

#### 11 Deferred tax

	2020 £	2019 £
Accelerated/(decelerated) capital allowances	<u>76,749</u>	<u>45,044</u>

	Deferred tax £
At 1 January 2020	45,044
Increase (decrease) in existing provisions	<u>31,705</u>
At 31 December 2020	<u>76,749</u>

#### 12 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>3,000,002</u>	<u>3,000,002</u>	<u>3,000,002</u>	<u>3,000,002</u>

## Quadrant Pipelines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 13 Dividends

##### Interim dividends paid

	2020	2019
	£	£
Interim dividend of £0.17 (2019 - 1.17) per ordinary share	<u>500,000</u>	<u>3,500,000</u>

#### 14 Commitments

##### Capital commitments

The Company has capital commitments in respect of the adoption of infrastructure assets.  
The total amount contracted for but not provided in the financial statements was £112,980 (2019 : £113,400).

#### 15 Related party transactions

The Company has taken advantage of the exemption provided by FRS 102 paragraph 33.1A not to disclose transactions with other wholly-owned Group undertakings.

The Company has taken advantage of the exemption provided by FRS 102 paragraph 1.12(e) not to disclose key management personnel compensation.

#### 16 Parent and ultimate parent undertaking

The company's immediate parent is Inexus Group (Holdings) Limited, incorporated in the United Kingdom.

The ultimate parent and controlling party is Brookfield Asset Management Inc, incorporated in Canada.

The largest group of which the Company is a member and for which Group financial statements are prepared is Brookfield Asset Management Inc. These financial statements are available upon request from its registered office at Brookfield Asset Management Inc., Suite 300, Brookfield Place, 181 Bay Street, Toronto, Canada.

The smallest group of which the Company is a member and for which Group financial statements are prepared is BUUK Infrastructure No 2 Limited, a Company registered in England and Wales. These financial statements are available upon request from its registered office at Synergy House, Woolpit Business Park, Windmill Avenue, Woolpit, Bury St Edmunds, Suffolk, IP30 9UP.