

Company Number 03958461

UTILITY GRID INSTALLATIONS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007



UTILITY GRID INSTALLATIONS LIMITED

Directors	N E SHAW, B.Sc. (Hons) C.Eng, MIGEM
	MRS D C MORGAN, F.C.A.
	C E LINSDELL F.C.C.A. M.B.A.
	M R RICHARDS, F.C.A. (resigned 30 September 2006)
Bankers	Royal Bank of Scotland International Ltd T/A Natwest
Secretary	Barry Largent
Auditors	Deloitte & Touche LLP Cambridge United Kingdom
Registered Office	Energy House Woolpit Business Park Woolpit Bury St Edmunds Suffolk IP30 PUQ

UTILITY GRID INSTALLATIONS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2007

The Directors submit their report and the audited financial statements for the year ended 30 June 2007.

This report has been prepared in accordance with the special provisions relating to small companies under Section 246(4) of the Companies Act 1985.

Principal activities and review of the business

The principal activity of the Company is the construction of gas distribution networks to housing and industrial developments. Once constructed, these networks are adopted by a fellow group undertaking and the Company is paid the agreed value for the adopted networks.

The accounts for the year ended 30 June 2007 show a profit after taxation of £237,328 (period 1 January 2005 to 30 June 2006: profit £3,013,147). Included in the financial statements is an exceptional item amounting to £92,811 relating to additional profit on sale of the Company's assets to fellow group undertakings. For the period 1 January 2005 to 30 June 2006 the exceptional item of £3,538,154 relates to the profit made on sale of the Company's assets to fellow group undertakings.

The Directors do not recommend the payment of a dividend (period ended 30 June 2006: £nil). The Directors consider the state of the Company's affairs to be satisfactory.

Disclosure of information to auditors

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

- (a) so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- (b) the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Parent Undertaking

The Company's ultimate parent company is Babcock & Brown Infrastructure Limited, a company incorporated in Australia.

Directors

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

Statement of 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). The financial statements are required by law to 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 judgments and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

UTILITY GRID INSTALLATIONS LIMITED

REPORT OF THE DIRECTORS (continued)

Statement of Directors' responsibilities (continued)

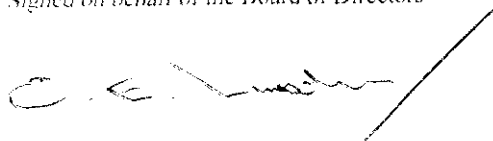
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

Deloitte & Touche LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Signed on behalf of the Board of Directors

A handwritten signature in black ink, appearing to read 'C E Lindsay', followed by a long diagonal slash.

C E Lindsay
Director
25 September 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UTILITY GRID INSTALLATIONS LIMITED

We have audited the financial statements of Utility Grid Installations Limited for the year ended 30 June 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cambridge, United Kingdom

28.9.07

UTILITY GRID INSTALLATIONS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	1 Jul 06 to 30 Jun 07 £	1 Jan 05 to 30 Jun 06 £
TURNOVER	1	1,991	680,310
Cost of Sales		(3,442)	(130,646)
GROSS (LOSS) / PROFIT		(1,451)	549,664
Administration expenses		(20,329)	(1,172,563)
OPERATING LOSS		(21,780)	(622,899)
Profit on sale of network assets	2	92,811	3,538,154
Interest receivable and similar income	5	460,734	117,396
Interest payable and similar charges	4	(364,030)	(22,235)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	167,735	3,010,416
Taxation	6	69,593	2,731
PROFIT FOR THE FINANCIAL YEAR / PERIOD	12	237,328	3,013,147

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 profit for the financial year and the profit for the preceding financial period.

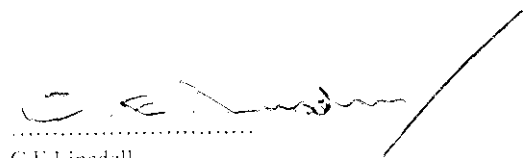
The notes on pages 7 to 12 form part of these financial statements.

UTILITY GRID INSTALLATIONS LIMITED

BALANCE SHEET AS AT 30 JUNE 2007

	Note	2007 £	2006 £
CURRENT ASSETS			
Stock and work in progress	7	161,898	2,653,668
Debtors	8	11,833,370	11,342,865
Cash at bank and in hand		715	66,648
		<u>11,995,983</u>	<u>14,063,181</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(10,063,170)	(12,367,696)
		<u>1,932,813</u>	<u>1,695,485</u>
NET CURRENT ASSETS			
		<u>1,932,813</u>	<u>1,695,485</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>1,932,813</u>	<u>1,695,485</u>
NET ASSETS		<u>1,932,813</u>	<u>1,695,485</u>
CAPITAL AND RESERVES			
Called up share capital	11	1	1
Profit and loss account	12	1,932,812	1,695,484
		<u>1,932,813</u>	<u>1,695,485</u>
SHAREHOLDERS' FUNDS	13	<u>1,932,813</u>	<u>1,695,485</u>

The financial statements were approved by the Board of Directors and authorised for issue on 25 September 2007.
These were signed on its behalf by:


C E Linsdell
Director
25 September 2007

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2007

1 ACCOUNTING POLICIES

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

(a) Basis of Presentation

These financial statements have been prepared in accordance with the historical cost convention and comply with United Kingdom Accounting Standards.

(b) 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. A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

(c) Stocks and Work In Progress

Stock has been stated at the lower of cost and net realisable value. Work in progress has been stated at cost of direct materials and labour.

(d) 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 parent company.

(e) Turnover

Income and operating losses derive wholly from continuing activities. Sales represents the value of goods and services supplied to customers by the company excluding sale taxes. From 1 May 2006 although the services provided by the company have not changed, the income is received from GTC Pipelines Limited and the company charges them for the services provided. The origination and destination of all turnover is within the United Kingdom.

(f) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales taxes. Sales of goods are recognised when goods are delivered and title has passed.

UTILITY GRID INSTALLATIONS LIMITED

NOTES TO THE ACCOUNTS (continued)

2 PROFIT ON SALE OF NETWORK ASSETS

Profit on sale of network assets to GTC Pipelines Limited, a fellow group undertaking, in the year ended 30 June 2007 amounted to £92,811 (1 January 2005 to 30 June 2006: £3,538,154). There is no tax effect in the current year or prior period.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1 Jul 06 to 30 Jun 07 £	1 Jan 05 to 30 Jun 06 £
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Profit on ordinary activities before taxation is stated after charging:

Depreciation on tangible fixed assets	-	208,059
Auditors' Remuneration	-	6,000

Auditors' remuneration for the Company of £6,000 has been borne by the immediate parent company for the current year (1 January 2005 to 30 June 2006: £nil).

4 INTEREST PAYABLE AND SIMILAR CHARGES

	1 Jul 06 to 30 Jun 07 £	1 Jan 05 to 30 Jun 06 £
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Interest payable on loans from fellow group undertaking	364,030	22,235
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5 INTEREST RECEIVABLE AND SIMILAR INCOME

	1 Jul 06 to 30 Jun 07 £	1 Jan 05 to 30 Jun 06 £
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Bank interest	464	-
Interest receivable on loans to fellow group undertaking	460,270	117,396

	460,734	117,396
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UTILITY GRID INSTALLATIONS LIMITED

NOTES TO THE ACCOUNTS (continued)

6 TAXATION

	1 Jul 06 to 30 Jun 07	1 Jan 05 to 30 Jun 06
	£	£
a) ANALYSIS OF TAX CREDIT IN THE YEAR / PERIOD		
Current Tax	-	-
Group relief received - current year	20,703	-
Group relief surrendered - prior period	(92,134)	-
	<hr/>	<hr/>
Total current tax (note 6b)	(71,431)	-
Deferred tax		
Origination and reversal of timing differences (note 10)	1,656	(2,731)
Effect of decrease in tax rate on opening asset	182	-
	<hr/>	<hr/>
Tax credit on profit on ordinary activities	(69,593)	(2,731)
	<hr/>	<hr/>
b) FACTORS AFFECTING TAX CREDIT FOR THE YEAR/ PERIOD		
The differences are explained below:		
	£	£
Profit on ordinary activities before tax	167,735	3,010,416
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2006: 30%)	50,321	903,124
Effects of:		
Depreciation in excess of capital allowances	-	62,418
Expenses not deductible for tax purposes	-	3,770
Losses brought forward	-	(570,140)
Group relief	-	92,134
Rate adjustment	64	-
Losses carry forward	-	570,140
Adjustment to previous periods	(92,134)	-
Non taxable income	(29,682)	(1,061,446)
	<hr/>	<hr/>
Current tax credit for the year / period	(71,431)	-
	<hr/>	<hr/>

c) FACTORS AFFECTING FUTURE TAX CHARGES

In March 2007, the UK Government announced that it would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008. This legislation was substantively enacted in June 2007.

The effective tax rate for the year ended 30 June 2008 is expected to reduce accordingly.

UTILITY GRID INSTALLATIONS LIMITED

NOTES TO THE ACCOUNTS (continued)

7 STOCK AND WORK IN PROGRESS

	2007	2006
	£	£
Work in progress	<u>161,898</u>	<u>2,653,668</u>

8 DEBTORS-AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£	£
Trade debtors	7,766	72,738
Other debtors	1,722	-
Amounts due from immediate parent company non-interest bearing	47,826	-
Amounts due from fellow group undertaking interest bearing	11,727,666	11,267,396
Amounts due from fellow group undertaking non-interest bearing	47,497	-
Deferred tax asset (note 10)	893	2,731
	<u>11,833,370</u>	<u>11,342,865</u>

Amounts due from fellow group undertaking interest bearing, bears interest at 6.3% per annum, is unsecured and is repayable on demand.

Amounts due from immediate parent company non-interest bearing, is unsecured and is repayable on demand.

Amounts due from fellow group undertaking non-interest bearing, is unsecured and is repayable on demand.

9 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£	£
Trade creditors	68,771	286,902
Amounts due to fellow group undertaking non-interest bearing	23,893	5,017,961
Amounts due to immediate parent company interest bearing	6,421,038	-
Other creditors	3,549,468	7,062,833
	<u>10,063,170</u>	<u>12,367,696</u>

Amounts due to fellow group undertaking is non-interest bearing, unsecured and repayable on demand.

Amounts due to immediate parent company is interest bearing at 6.3%, unsecured and repayable on demand.

UTILITY GRID INSTALLATIONS LIMITED

NOTES TO THE ACCOUNTS (continued)

10 DEFERRED TAX ASSET

	£	
At 1 July 2006	2,731	
Charge to profit and loss account (note 6)	(1,838)	
	<hr/>	
At 30 June 2007	893	
	<hr/>	
	2007	2006
	£	£
Deferred tax asset provided in the financial statements is as follows:-		
Other timing differences	893	2,731
	<hr/>	<hr/>

A deferred tax asset has been recognised as in the opinion of the directors there will be suitable taxable gains in the foreseeable future.

11 CALLED UP SHARE CAPITAL

	2007	2006
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
Allotted, issued and fully paid		
1 ordinary share of £1	1	1
	<hr/>	<hr/>

12 PROFIT AND LOSS ACCOUNT

	£
At 30 June 2006	1,695,484
Profit for the financial year	237,328
	<hr/>
At 30 June 2007	1,932,812
	<hr/>

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1 Jul 06 to 30 Jun 07	1 Jan 05 to 30 Jun 06
	£	£
Profit for the financial year / period	237,328	3,013,147
Opening shareholders' funds / (deficit)	1,695,485	(1,317,662)
	<hr/>	<hr/>
Closing shareholders' funds	1,932,813	1,695,485
	<hr/>	<hr/>

UTILITY GRID INSTALLATIONS LIMITED

NOTES TO THE ACCOUNTS (continued)

14 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption available under paragraph 3(c) of Financial Reporting Standard No. 8 "Related Party Disclosures", not to disclose transactions with parent or fellow group undertakings, 90% or more whose voting rights are controlled within the group.

15 ULTIMATE PARENT COMPANY

The Company's immediate parent company is The Gas Transportation Company Limited, a company registered in Guernsey. The Company's ultimate parent company is Babcock & Brown Infrastructure Limited, a company registered in Australia. The smallest and largest group in which the results of the Company are consolidated is Babcock & Brown Infrastructure Limited. Its accounts can be obtained from:

Babcock & Brown Infrastructure Limited
The Chifley Tower
2 Chifley Square
Sydney
NSW 2000
Australia

16 DIRECTORS AND EMPLOYEES

The Company has no employees in the current year or preceding period. All services are provided by the immediate parent company, The Gas Transportation Company Limited. No remuneration was paid to the Directors during the year (1 January 2005 to 30 June 2006: Enil) for their services to the Company.