

BOREALIS INFRASTRUCTURE EUROPE (UK) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

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BOREALIS INFRASTRUCTURE EUROPE (UK) LIMITED

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BOREALIS INFRASTRUCTURE EUROPE (UK) LIMITED

COMPANY INFORMATION

Directors

Mr P J M Bloemen
Mr M H Filer
Mrs R Samson
Mr S Masson
Mr S Sherman
Mr R Watters
Wilmington Trust SP Services (London) Limited

Secretary

Wilmington Trust SP Services (London) Limited

Company Number

04958128

Registered Office

c/o Wilmington Trust SP Services (London) Limited
Fifth Floor
6 Broad Street Place
London
EC2M 7JH

Auditors

Steele Robertson Goddard
28 Ely Place
London
EC1N 6AA

BOREALIS INFRASTRUCTURE EUROPE (UK) LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their report and the audited financial statements for the year ended 31 December 2007

Principal activity and business review

The company was established to acquire, hold and dispose of an interest in Scotia Gas Networks plc ("SGN"), a corporation created to acquire the gas distribution networks in Scotland and the South of England

The results for the year are set out in detail on page 5 The directors do not recommend the payment of a dividend (2006 £nil)

Directors and their interests

The directors who served during the period and up to the date of this report were as follows

Mr P J M Bloemen

Mr M H Filer

Mrs R Samson

Mr S Masson (alternate director appointed 26 October 2007)

Mr S Sherman (appointed 15 January 2008)

Mr R Watters (resigned 31 December 2007)

Wilmington Trust SP Services (London) Limited

According to the Register of Directors' Interests none of the directors had, at any time during the period, any interests in the share capital of the company or group Under the terms of a Corporate Services Agreement, Wilmington Trust SP Services (London) Limited, of which Mr M H Filer is a director, is contracted to receive fees of £15,000 per annum for the provision of certain services

Group financial statements

The company has taken the exemption granted under section 228A of the Companies Act not to prepare consolidated financial statements as the company and its investments are included in the consolidated financial statements of BPC Penco Corporation whose financial statements are drawn up in accordance with Canadian GAAP

Post balance sheet events

On 15 January 2008 Mr S Sherman was appointed as a director of the company

BOREALIS INFRASTRUCTURE EUROPE (UK) LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2007

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for that year. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

AUDITORS

The company has made elective resolutions to dispense with the holding of annual general meetings, to dispense with the obligation to appoint auditors annually and to dispense with the laying of accounts and reports before the company in a general meeting. The auditors Steele Robertson Goddard will continue in office until such time determined by the directors of the company.

By order of the Board



**For and on behalf of
Wilmington Trust SP Services (London) Limited
Director**

23 September 2008

BOREALIS INFRASTRUCTURE EUROPE (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOREALIS INFRASTRUCTURE EUROPE (UK) LIMITED YEAR ENDED 31 DECEMBER 2007

We have audited the financial statements of Borealis Infrastructure Europe (UK) Limited for the year ended 31 December 2007 on pages 5 to 12 which have been prepared on the basis of the accounting policies set out on page 9

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 judgements 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.

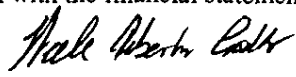
OPINION

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 31 December 2007 and of its loss for the year then ended, and

the financial statements have been properly prepared in accordance with the Companies Act 1985

the information given in the Directors' report is consistent with the financial statements


STEELE ROBERTSON GODDARD
Chartered Accountants
& Registered Auditors

28 Ely Place
London
EC1N 6AA

23rd September 2008

BOREALIS INFRASTRUCTURE EUROPE (UK) LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2007**

		Year ended 31 December 2007 £	Year ended 31 December 2006 £
Continuing operations	Notes		
Interest receivable	2	-	326,869
Interest payable	3	-	<u>(325,962)</u>
Gross Profit		-	907
Administrative expenses		<u>(28,651)</u>	<u>(26,468)</u>
Loss on ordinary activities before taxation	4	(28,651)	(25,561)
Tax on loss on ordinary activities	5	-	-
Retained loss for the financial year	10	<u>(28,651)</u>	<u>(25,561)</u>

The company has no recognised gains or losses for the current year or prior period other than those above and therefore no separate statement of total recognised gains and losses has been presented

The notes on pages 9 to 12 form part of these financial statements

BOREALIS INFRASTRUCTURE EUROPE (UK) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2007

		2007 £	2006 £
	Notes		
ASSETS			
Fixed Assets			
Investments	6	117,500,001	117,500,001
Current assets			
Debtors Amounts falling due within one year	7	7,405	7,371
Cash at bank and in hand		<u>2,766</u>	<u>4,925</u>
		10,171	12,296
Creditors: Amounts falling due within one year	8	<u>(60,881)</u>	<u>(99,355)</u>
Net current liabilities		<u>(50,710)</u>	<u>(87,059)</u>
Net assets		<u>117,449,291</u>	<u>117,412,942</u>
LIABILITIES			
Capital and reserves			
Called up share capital	9	117,565,001	117,500,001
Profit and loss account	10	<u>(115,710)</u>	<u>(87,059)</u>
Equity shareholder's funds	11	<u>117,449,291</u>	<u>117,412,942</u>

The financial statements on pages 5 to 12 were approved by the Board on 23 September 2008 and signed on its behalf by



For and on behalf of
Wilmington Trust SP Services (London) Limited
Director

BOREALIS INFRASTRUCTURE EUROPE (UK) LIMITED**CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2007**

		2007 £	2006 £
	Note.		
Net cash outflow from operating activities	a	(67,159)	(24,471)
Capital expenditure and financial investment			
Investment in SGN		-	-
Cash outflow before use of liquid resources and financing		(67,159)	(24,471)
Financing			
Issue of ordinary share capital		65,000	-
Advances received from group undertakings		-	24,485
Loan (repaid by)/received from parent company		-	(17,500,000)
Loan repaid by/(granted to) SGN		-	17,500,000
		-	24,485
(Decrease)/increase in cash in the year	b	<u>(2,159)</u>	<u>14</u>

BOREALIS INFRASTRUCTURE EUROPE (UK) LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2007

(a) Reconciliation of operating loss to net cash outflow from operating activities

	2007 £	2006 £
Loss before taxation	(28,651)	(25,561)
Increase in debtors	(34)	423,498
Decrease in creditors	<u>(38,474)</u>	<u>(422,408)</u>
Net cash outflow from operating activities	<u>(67,159)</u>	<u>(24,471)</u>

(b) Reconciliation of net cash flow to movement in net debt

	2007 £	2006 £
(Decrease)/Increase in cash in the year	(2,159)	14
Net cash outflow/(inflow) from decrease/(increase) in debt	<u>-</u>	<u>28,050,515</u>
Movement in net debt	(2,159)	28,050,529
Opening net debt	<u>(84,560)</u>	<u>(28,135,089)</u>
Closing net debt	<u>(86,719)</u>	<u>(84,560)</u>

(c) Analysis of changes in net debt

	At 31 December 2005 £	Cash flows £	At 31 December 2006 £	Cash flows £	Major non- cash transactions £	At 31 December 2007 £
Cash at bank and in hand	4,911	14	4,925	(2,159)	-	2,766
Debt due within one year	(28,140,000)	17,475,515	(89,485)	57,363	-	(32,122)
Net debt	<u>(28,135,089)</u>	<u>17,475,529</u>	<u>(84,560)</u>	<u>(55,204)</u>	<u>-</u>	<u>(29,356)</u>

BOREALIS INFRASTRUCTURE EUROPE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

1. Principal accounting policies

These financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Interest receivable and interest payable

Interest receivable and interest payable are accounted for on an accruals basis.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all material timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Foreign currencies

Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Group financial statements

The company has taken the exemption granted under section 228A of the Companies Act not to prepare consolidated financial statements as the company and its investments are included in the consolidated financial statements of BPC Penco Corporation whose financial statements are drawn up in accordance with Canadian GAAP.

Investments

Investments are stated at cost less any provisions for any permanent diminution in value.

2. Interest receivable

	31 December 2007	31 December 2006
	£	£
Interest receivable	-	325,962
Bank interest receivable	-	907
	<u>-</u>	<u>326,869</u>

Interest receivable relates to the £28,075,000 loan to SGN.

3. Interest payable

	31 December 2007	31 December 2006
	£	£
Interest payable	<u>-</u>	<u>325,962</u>

Interest payable relates to the £28,075,000 loan from Borealis Infrastructure Europe LP.

BOREALIS INFRASTRUCTURE EUROPE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

4. Loss on ordinary activities before taxation

	31 December 2007 £	31 December 2006 £
Loss on ordinary activities before taxation is stated after charging		
Auditor's remuneration – audit services	6,463	6,463
Auditor's remuneration – other services	1,175	1,175
Corporate service fee – Wilmington Trust SP Services (London) Limited	<u>17,738</u>	<u>17,663</u>

The company has no employees (2006 nil) and, other than the fee noted above, the directors received no remuneration during the year (2006 £nil)

5. Taxation on loss on ordinary activities

	31 December 2007 £	31 December 2006 £
The tax charge is based on the loss for the year and comprises		
UK Corporation tax at 30%	<u>-</u>	<u>-</u>

The current tax charge for the year is the same as the standard rate of corporation tax in the UK (30%) (2006 30%)

6. Investments

	2007 £	2006 £
Cost		
At start of year	117,500,001	106,925,001
Additions	-	<u>10,575,000</u>
At end of year	<u>117,500,001</u>	<u>117,500,001</u>

The company has an interest in the following undertakings

Company	Country of incorporation	Class of shares	Holding (%)
Scotia Gas Networks plc	England and Wales	Ordinary	25

7. Debtors

	2007 £	2006 £
Amounts falling due within one year		
Prepayments and accrued income	<u>7,405</u>	<u>7,371</u>
	<u>7,405</u>	<u>7,371</u>

BOREALIS INFRASTRUCTURE EUROPE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

8. Creditors: amounts falling due within one year

	2007	2006
	£	£
Amounts owed to group undertakings	32,122	89,485
Accruals	<u>28,759</u>	<u>9,870</u>
	<u>60,881</u>	<u>99,355</u>

9. Called up share capital

	2007	2006
	£	£
Authorised		
117,565,001 (2006 117,500,001) Ordinary shares of £1 each	<u>117,565,001</u>	<u>117,500,001</u>
Allotted, called up and paid		
117,565,001 (2006 117,500,001) Ordinary shares of £1 each	<u>117,565,001</u>	<u>117,500,001</u>

On 26th January 2007, the Company increased the authorised share capital of £1 Ordinary shares to £117,565,001. On the same date, 65,000 Ordinary shares were issued to the parent company on conversion of the outstanding loan from the parent company of £65,000 at par.

10. Profit and loss account

	2007	2006
	£	£
At start of year	(87,059)	(61,498)
Retained loss for the year	<u>(28,651)</u>	<u>(25,561)</u>
At end of year	<u>(115,710)</u>	<u>(87,059)</u>

11. Reconciliation of movements in equity shareholder's funds

	2007	2006
	£	£
Opening equity shareholder's funds	117,412,942	106,863,503
Issue of share capital	65,000	10,575,000
Loss on ordinary activities after taxation	<u>(28,651)</u>	<u>(25,561)</u>
Closing equity shareholder's funds	<u>117,449,291</u>	<u>117,412,942</u>

BOREALIS INFRASTRUCTURE EUROPE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

12. Related Party Transactions

Apart from those transactions already disclosed in the financial statements the company has identified the following transactions which are required to be disclosed under the terms of Financial Reporting Standard 8, "Related Party Transactions" ("FRS 8")

The Company previously received advances from BPC Penco Corporation, a company which holds 99.999% of the share capital in Borealis Infrastructure Europe LP, the parent company of Borealis Infrastructure Europe (UK) Limited. At 31 December 2007, £17,100 (2006: £17,100) was still outstanding and is included in amounts owed to group undertakings within Creditors' amounts falling due within one year.

In 2007 the Company received a total of £7,638 (2006: £72,385) from Borealis Infrastructure Europe LP, the parent company of Borealis Infrastructure Europe (UK) Limited, £65,000 was in advance of an increase and allotment of shares in the Company which occurred in January 2007. The amounts advanced by Borealis Infrastructure Europe LP were non-interest bearing. At 31 December 2007 £15,022 (2006: £72,385) remained outstanding and is included in amounts owed to group undertakings within Creditors' amounts falling due within one year.

The Company entered into a Corporate Services Agreement with Wilmington Trust SP Services (London) Limited for the provision of corporate services. Under the terms of this agreement Wilmington Trust SP Services (London) Limited earned £17,738 during the year (2006: £17,663) including irrecoverable VAT. At 31 December the Company had prepaid £7,405 (2006: £7,371) in respect of these services and this has been included in prepayments and accrued income within Debtors' amounts falling due within one year.

13. Ultimate parent undertaking

Borealis Infrastructure Europe LP is the immediate parent company and the directors regard OMERS Administration Corporation, a company incorporated in Canada, (formerly known as Ontario Municipal Employees Retirement Board) as the ultimate parent company during the year.