

**PG (April) Limited**

Annual Report and accounts  
for the year ended 31 December 2010

Registered number 6219737

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## **Directors' report**

For the year ended 31 December 2010

The directors present their Annual Report on the affairs of the company, together with the accounts and auditor's report, for the year ended 31 December 2010

### **Principal activity**

The principal activity of the company is to hold and manage an investment in Northern Gas Networks Holdings Limited (NGNH)

### **Business review**

As shown in the profit and loss account the company has made a profit of £26,826,000 (2009 - £9,238,000) in the year. The balance sheet shows the company's net asset position at the year end is consistent with the prior year end.

On 17 November 2010 the company issued £40.4m of loan notes which were listed on the Channel Island Stock Exchange and bear interest of 5%. These listed loan notes are held by the company's immediate parent company, Pangold Limited, and mature on 17 November 2011. On 18 November 2010 the funds raised were used to repay an interest bearing intercompany loan of £40.4m.

Subsequent to the year end, on 11 July 2011 the company amended and restated the £40.4m of loan notes and issued a further £100.0m of loan notes. The combined loan notes carry interest at 10.25% and are due in 2016. The additional funds issued were used to repay the £100.0m of bank loans.

The company is managed by Cheung Kong Infrastructure Holdings Limited as part of the overall group. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of Cheung Kong Infrastructure Holdings Limited is discussed in that company's Annual Report which does not form part of this report.

### *Principal risks and uncertainties*

The company is financed by listed loan notes. The risks and uncertainties of the company reflect those associated with these loans as discussed below.

### *Future outlook*

The directors expect the company to make a profit in the forthcoming year.

### **Financial risk management objectives and policies**

The company's financial instruments comprise cash and listed loan notes.

The main qualitative and quantitative risks arising from the company's financial instruments is liquidity risk as summarised below along with policies established by the Board to manage this risk.

### *Liquidity risk*

The company's external debt comprises listed loan notes which expire in July 2016. Liquidity and refinancing risk will be mitigated by agreeing replacement facilities before the current facilities expire.

## Directors' report (continued)

### Going Concern

At 31 December 2010 the company had £100.0m of drawn bank debt and £40.4m of listed loan notes both of which expired in 2011. On 11 July 2011 both facilities were replaced by listed loan notes which mature in 2016. Cash flow projections, which include dividends receivable, show that the company will be able to meet its financial obligations as they fall due. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and accounts.

### Dividends

The directors do not recommend payment of a final dividend. An interim dividend of £26,507,000 was declared in the year (2009 - £10,166,000) of which £26,507,000 remains unpaid at 31 December 2010 (2009 - £7,055,000).

### Directors

The directors, who served throughout the year were as follows:

Kam Hing Lam

Ip Tak Chuen, Edmond

A J Hunter

### Auditor

Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director to make himself 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.

The directors will place a resolution before the annual general meeting to reappoint Deloitte LLP as auditor for the ensuing year.

3 More London Riverside  
London  
SE1 2AQ

12 September 2011

By order of the Board,



A J Hunter  
Director

## Directors' responsibilities

The directors are responsible for preparing the Annual Report and the accounts in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts 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 accounts 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 year. In preparing these accounts, 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, and
- prepare the accounts 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 accounts 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.

## **Independent auditor's report**

### **To the Members of PG (April) Limited**

We have audited the accounts of PG (April) Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes 1 to 14. 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 accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the accounts**

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts 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 accounts.

### **Opinion on accounts**

In our opinion the accounts

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit 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.

## Independent auditor's report (continued)

### **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 accounts are prepared is consistent with the accounts

### **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 accounts 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



**Christopher Powell FCA (Senior Statutory Auditor)**

**For and on behalf of Deloitte LLP**

**Chartered Accountants and Statutory Auditor**

**Leeds, England**

19 September 2011

## Profit and loss account

For the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Administrative expenses		(35)	(5)
<b>Operating loss</b>		<b>(35)</b>	<b>(5)</b>
Finance charges (net)	1	(5,192)	(4,073)
Income from associate undertaking	13	30,588	12,176
<b>Profit on ordinary activities before taxation</b>	2	<b>25,361</b>	<b>8,098</b>
Tax on profit on ordinary activities	3	1,465	1,140
<b>Profit for the financial year</b>		<b>26,826</b>	<b>9,238</b>

The above results arise from continuing operations

The accompanying notes are an integral part of this profit and loss account

There are no recognised gains or losses in the current or prior years other than the profit for the year

**Balance sheet**  
31 December 2010

	Notes	2010 £'000	2009 £'000
<b>Fixed asset investments</b>	5	<u>269,228</u>	<u>269,228</u>
<b>Current assets</b>			
Debtors – due within one year	6	2,034	617
Cash at bank and in hand		<u>25,244</u>	<u>7,067</u>
		27,278	7,684
<b>Creditors</b> Amounts falling due within one year	7	<u>(167,036)</u>	<u>(47,761)</u>
<b>Net current liabilities</b>		<u>(139,758)</u>	<u>(40,077)</u>
<b>Total assets less current liabilities</b>		129,470	229,151
<b>Creditors</b> , Amounts falling due after more than one year	8	<u>-</u>	<u>(100,000)</u>
<b>Net assets</b>		<u>129,470</u>	<u>129,151</u>
<b>Capital and reserves</b>			
Called-up share capital	10	128,678	128,678
Profit and loss account	11	<u>792</u>	<u>473</u>
<b>Shareholders' funds</b>	12	<u>129,470</u>	<u>129,151</u>

The accompanying notes are an integral part of this balance sheet

The accounts of PG (April) Limited, Registered number 6219737, were approved by the Board of Directors and authorised for issue on 12 September 2011 and signed on its behalf by



A J Hunter

Director

12 September 2011



## **Statement of accounting policies**

31 December 2010

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

### **Basis of accounting**

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The company is exempt from the requirements of FRS1 (revised) "Cash flow statements" to present a cash flow statement as it is a wholly owned subsidiary of Cheung Kong Infrastructure Holdings Limited, which prepares consolidated accounts which are publicly available.

The company is not required to prepare group accounts as it is a wholly owned subsidiary of Cheung Kong Infrastructure Holdings Limited which prepares consolidated accounts which are publicly available.

### **Going concern**

The Directors' report includes a note on page 2 stating that the directors consider the business to be a going concern at the time of the approval of the Annual Report and accounts.

### **Fixed asset investments**

Fixed asset investments are shown at cost less provision for impairment.

### **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.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, 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.

### **Debt**

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting year and reduced by payments made in the year.

## Notes to the accounts

31 December 2010

### 1 Finance charges (net)

	2010 £'000	2009 £'000
Interest payable and similar charges		
- Bank loans	1,350	1,647
- Intercompany loan	1,344	185
- Intercompany guarantee fee	2,250	2,250
- Listed loan notes	249	-
	<u>5,193</u>	<u>4,082</u>
Interest receivable and similar income	(1)	(9)
	<u>5,192</u>	<u>4,073</u>

### 2 Profit on ordinary activities before taxation

The directors did not receive any remuneration in relation to their services to the company during the current or prior years. The fees payable to the company's auditor for the audit of the company's annual accounts was £3,500 (2009 - £3,000). There are no employees other than the directors.

### 3 Tax on profit on ordinary activities

The tax credit comprises

	2010 £'000	2009 £'000
<b>Current tax</b>		
UK corporation tax	(1,465)	(1,142)
Adjustments in respect of prior years	-	2
<b>Total tax on profit on ordinary activities</b>	<u>(1,465)</u>	<u>(1,140)</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows

	2010 £'000	2009 £'000
<b>Profit on ordinary activities before tax</b>	<u>25,361</u>	<u>8,098</u>
 Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2009 - 28%)	 7,101	 2,267
Effects of		
Income not taxable	(8,566)	(3,409)
Adjustments in respect of prior years	-	2
<b>Current tax credit for the year</b>	<u>(1,465)</u>	<u>(1,140)</u>

The company earns its profits in the UK. Therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 28% (2009 - 28%).

## Notes to the accounts (continued)

### 4 Dividends on equity shares

	2010 £'000	2009 £'000
Equity shares		
Interim dividend of 20 6p (2009 – 7 9p) per ordinary share		
- paid	-	3,111
- included within creditors at the year end	26,507	7,055
	<u>26,507</u>	<u>10,166</u>

### 5 Fixed asset investments

	2010 £'000	2009 £'000
Associate (cost and net book value)	269,228	269,228
	<u>269,228</u>	<u>269,228</u>

The associate represents a 47.1% holding in the ordinary share capital of NGNH, a group whose principal activity is the distribution of gas through the North of England network, which is incorporated and registered in England and Wales

### 6 Debtors – due within one year

	2010 £'000	2009 £'000
Amounts owed by group undertakings	1,302	-
Amounts owed by associate undertakings	731	617
Prepayments and accrued income	1	-
	<u>2,034</u>	<u>617</u>

### 7 Creditors – Amounts falling due within one year

	2010 £'000	2009 £'000
Listed loan notes	40,354	-
Bank loans	100,000	-
Amounts owed to group undertakings	-	40,361
Accruals and deferred income	175	345
Equity dividends payable	26,507	7,055
	<u>167,036</u>	<u>47,761</u>

The bank loans are repayable on 31 January 2011 and carry interest of LIBOR plus a margin of 0.75%. These facilities were available to be redrawn until 11 July 2011 and were then replaced by listed loan notes which carry interest of 10.25% and mature in 2016. At the same time, the existing loan notes were amended and restated to also carry interest of 10.25% and mature in 2016. All loan notes are listed on the Channel Islands Stock Exchange.

## Notes to the accounts (continued)

### 8 Creditors. Amounts falling due after more than one year

	2010 £'000	2009 £'000
Bank loans	-	100,000
	<u>-</u>	<u>100,000</u>

### 9 Derivatives and other financial instruments

The Directors' report provides an explanation of the role that financial instruments have had during the year in creating or changing the risks the company faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving those objectives that have been followed during the year.

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13 "Derivatives and other financial instruments: Disclosures" (FRS 13). Certain financial assets such as investments in subsidiary undertakings are excluded from the scope of these disclosures.

As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures. The directors believe that the fair values are not materially different from the balance sheet values.

#### *Interest rate profile*

The company has no financial assets other than sterling cash deposits of £25,244,000 (2009 - £7,067,000) which are part of the financing arrangements of the company. The sterling cash deposits comprise monies held in bank accounts.

The interest rate profile of the company's financial liabilities at 31 December was as follows:

	2010 £'000	2009 £'000	Weighted average interest rate 2010 %	Weighted average interest rate 2009 %	Weighted average period for which rate is fixed 2010 Days	Weighted average period for which rate is fixed 2009 Days
Listed loan notes	40,354	-	5.00	-	320	-
Bank loans	100,000	100,000	1.38	1.29	30	24
Intercompany loan	-	40,353	-	3.80	-	364

The bank loans have floating rate interest and the intercompany loan and listed loan notes have fixed rate interest. Further details of interest rates are given in note 7.

## Notes to the accounts (continued)

### 9 Derivatives and other financial instruments (continued)

#### *Matunty of financial liabilities*

The matunty profile of the company's financial liabilities at 31 December was as follows

	2010 £'000	2009 £'000
In one year or less	140,354	40,353
In more than one year but not more than two years	-	100,000
	<u>140,354</u>	<u>140,353</u>

#### *Borrowing facilities*

The company had no undrawn committed borrowing facilities at either the current or prior year end

#### *Fair values*

The directors believe that the fair values of all financial instruments are not materially different from the balance sheet values

### 10 Called-up share capital

	2010 £'000	2009 £'000
<i>Allotted, called-up and fully paid</i>		
128,678,394 ordinary shares of £1 each	128,678	128,678
	<u>128,678</u>	<u>128,678</u>

### 11 Reserves

	Profit and loss account £'000
At 1 January 2010	473
Profit for the financial year	26,826
Dividends declared	(26,507)
At 31 December 2010	<u>792</u>

## Notes to the accounts (continued)

### 12 Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Profit for the financial year	26,826	9,238
Dividends declared on equity shares	(26,507)	(10,166)
Net movement in shareholders' funds	319	(928)
Opening shareholders' funds	129,151	130,079
Closing shareholders' funds	129,470	129,151

### 13 Related party transactions

As a subsidiary undertaking of Cheung Kong Infrastructure Holdings Limited, the company has taken advantage of the exemption in FRS8 "Related party disclosures" from disclosing transactions with other members of the group headed by Cheung Kong Infrastructure Holdings Limited

The company received dividend income of £30,588,000 (2009 - £12,176,000) from NGNH

The company had a liability of £15,000 due to NGNH at 31 December 2010 (2009 - £15,000) within accruals and deferred income

### 14 Ultimate controlling party

Pangold Limited is the immediate parent company

Hutchison Whampoa Limited is the ultimate parent company and the largest group of which the company is a member and for which group accounts are drawn up. Cheung Kong Infrastructure Holdings Limited is an intermediate parent company and the smallest group of which the company is a member and for which group accounts are drawn up. Copies of the accounts are available from the registered address of this company as shown in the Directors' report