Registered number: NI 067348

Belfast Gas Transmission Financing plc

Annual report

for the year ended 31 March 2013

Belfast Gas Transmission Financing plc

Annual report for the year ended 31 March 2013

Contents

Directors and advisers

Directors

Patrick Larkin	Executive Director
Gerard McIlroy	Executive Director

Company secretary

Gerard McIlroy

Registered office

First Floor
The Arena Building
85 Ormeau Road
Belfast
BT7 1SH

Principal place of business

First Floor
The Arena Building
85 Ormeau Road
Belfast
BT7 1SH

Solicitors

Arthur Cox Northern Ireland
Capital House
3 Upper Queen Street
Belfast
BT1 6PU

Bankers

Barclays Bank plc
Donegall House
Donegall Square North
Belfast
BT1 5GB

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Directors' report for the year ended 31 March 2013

The directors present their annual report and the audited financial statements of the group and parent company for the year ended 31 March 2013.

Principal activity

The group's principal activity during the year was the financing and operation through its subsidiary of the Belfast Gas Transmission Pipeline which transports gas from Ballylumford to Greater Belfast and Larne. It is the intention of the directors to continue to maintain the efficient and effective operation of the pipeline.

Results and dividends

The group's loss for the year is £4,714,000 (2012: £3,181,000). The directors do not recommend the payment of a dividend (2012: £nil).

Going concern

The group has recurring accounting losses and accordingly net liabilities. In view of the structure of the group from its initial set up, including the acquisition of Belfast Gas Transmission Limited and the issuing of a bond, this is a situation which will prevail for potentially 20 years. However the group is cash generative and is forecast to remain cash positive over that 20 year period. The forecast cash generated is adequate to meet the group's liabilities as they fall due over the next 12 months including the scheduled partial repayment of bond capital and interest. In the unlikely event that a change in circumstances results in the group being short of adequate cash to service the bond the market arrangements approved by the Northern Ireland Authority for Utility Regulation would ensure bond payments are made. Accordingly in view of the above the Directors consider it appropriate to adopt the going concern basis in the preparation of the accounts.

Directors

The directors who served the group during the year, and up to the date of signing the financial statements, were:

Patrick Larkin
Gerard McIlroy

Financial risk management

Please refer to note 1 to these financial statements for a description of the financial risks that the group faces and how it addresses those risks.

Political and charitable donations

No political or charitable donations have been made during the year (2012: £nil).

Policy and practice on payment of suppliers

The group's procurement policy is to source equipment, goods and services from a wide range of suppliers in accordance with commercial practices based on fairness and transparency.

The group recognises the important role that suppliers play in its business and works to ensure that payments are made to them in accordance with agreed contract terms.

The group had trade payable days of 7 days at 31 March 2013 (2012: 2 days). The group intends to continue to meet the payment terms contained in its agreements with suppliers.

Directors' indemnities

The group has made a qualifying third party indemnity provision for the benefit of its directors during the year and it remained in force at the date of this report.

Directors' report for the year ended 31 March 2013 (continued)

Key Performance Indicators ("KPIs")

The directors have used the following identified KPIs to reflect what is important to our stakeholders and to assess the group's development against its strategy and financial objectives.

KEY PERFORMANCE INDICATOR	DEFINITION OF KPI
1. Annual Debt Service Cover Ratio The ability to acquire infrastructure at low cost to the consumer is critically dependent upon our track record with the existing asset financing. In addition to compliance with the respective financing covenants, the principal requirements of all financiers are the maintenance of Annual Debt Service Cover Ratios (ADSCR) of greater than 1.20.	**Annual Debt Service Cover Ratio** The Annual Debt Service Cover Ratios are calculated in accordance with the terms of the bonds for the operational company. The basis of calculation is Available Cash / Debt Service in the next 12 months. In each case Available Cash = the difference between income and expenses in the period + cash in designated bank accounts, where cash in the designated bank accounts is limited to 1x Debt service.
2. Availability The quality of service to our direct customers is determined by the performance of our assets, of which the principal measure is the availability of transmission capacity.	**Availability** Availability is calculated as the number of hours unavailable x capacity unavailable / Total plant capacity under connection agreements x the number of hours in the year.
3. Operational savings against forecast Cost effectiveness is measured by comparing outturn with the forecast used and submitted in preparing annual gas tariffs.	**Operational savings against forecast** The KPI for operational savings is calculated by subtracting the actual agreed revenue for the gas year before tax, calculated in accordance with the gas companies licences, from the forecast required revenue submitted in advance of the year.
4. Cash generated from operations Cash generated in each of the businesses which will be used to avoid future charges to consumers.	**Cash generated from operations** Cash generated post tax.

Directors' report for the year ended 31 March 2013 (continued)

Revenue and profitability

Belfast Gas Transmission Financing plc recorded revenue in the year of £6.0m (2012: £5.1m) and EBITDA of £3.9m (2012: £3.7m). Under our gas business licences, revenue is regulated so as to match the debt service costs and operating expenditure in cash terms, with an annual reconciliation of actual to forecast being agreed with the Northern Ireland Utility Regulator at the end of each gas year (1st October). In the 2013 reconciliation, Belfast Gas' costs were £1.24m below forecast. Being regulated in this way, the Belfast Gas Transmission group collects only the cash required to meet its costs. As a result, although the business is cash generative and able to meet its debt service obligations, it is not expected to be profitable for some years.

Physical operation

The gas business, as a whole, maintained its consistent record of 100% availability throughout the year. The recent trend of declining annual volumes continued, as the lower gas demand from energy generation outweighed the increase in the domestic sector demand driven by new connections. Whilst the Northern Ireland gas network system is experiencing lower annual consumption, the peaks remain high. The Northern Ireland system experienced a peak day gas usage of 6.5mscm, which is 92% of the total current booked capacity on the pipeline. This compares to a peak day of 6.3mscm last year.

Over 500 routine maintenance jobs were recorded on the newly implemented MAXIMO work scheduling system, and a comprehensive program of assessment of the pipeline condition below covered surfaces commenced. The latter program is ongoing with the assessments informing the preventative remedial action maintenance on the relevant sites.

A number of compliance projects were completed including the review and development of the offshore emergency response, the review and adoption of new corrosion protection and monitoring standards and the biannual survey of the offshore section of SNIP and the Belfast and Larne Lough Crossings.

Future developments

Total annual gas demand has fallen for four of the last five years in Northern Ireland. This overall decrease in demand has occurred as a result of power generation dispatch moving from Northern Ireland to the Republic of Ireland and to renewable energy sources. The falling total volume transported will lead to an increase in tariffs per unit. While the total gas transported is expected to fall, the daily peaks are actually forecast to rise with the increased use of gas generation on the no-wind days and the growth of the domestic gas sector. The changing needs of the power generation shippers, married with upstream pressure reductions is likely to require investment in the network over the next 10 years.

Management of market changes

Perhaps one of the fundamental changes over the last two years has been the predominance of the influence of European wide regulation on the energy industry. Progress towards creating European wide rules in gas, known as the "target models", has accelerated with widespread changes scheduled over the next 5 years, particularly at "interconnection points" where EU countries or different asset owners interface.

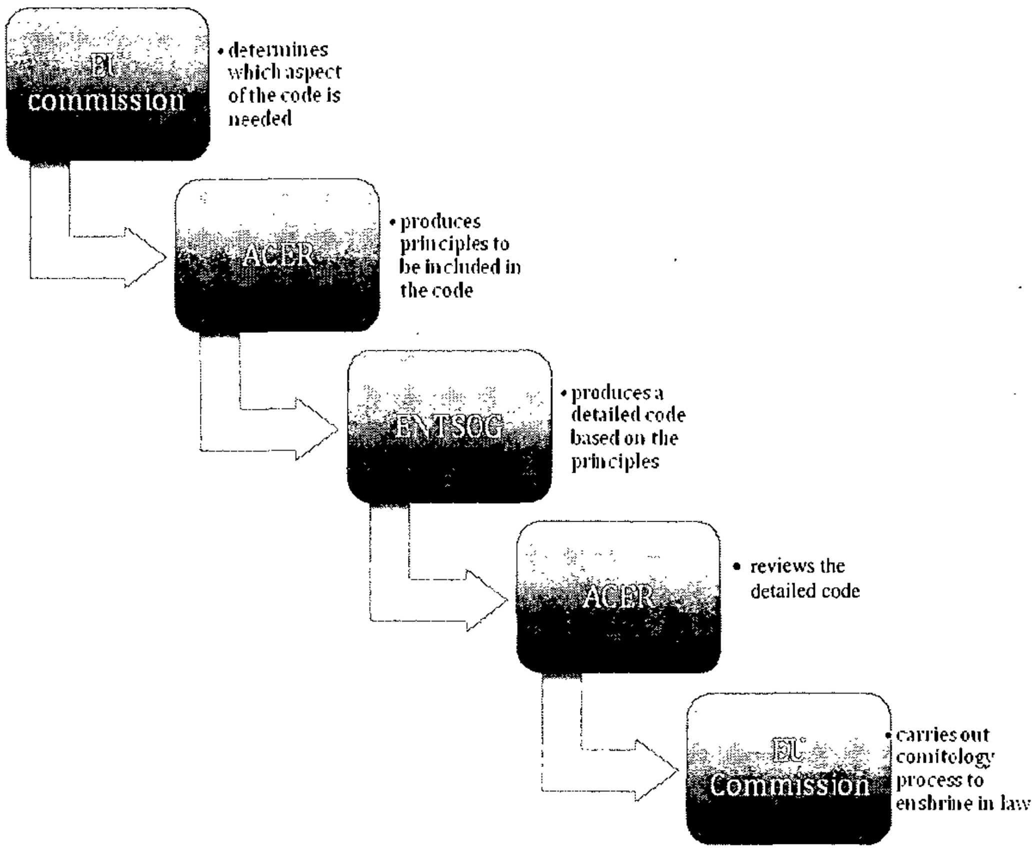
Under the new arrangements the contracts between network operators and shippers who use gas, must be based upon the detailed, prescriptive and centrally produced model. Indeed the Commission has ambitions towards auctioning of capacity at interconnection points on single platforms for the entire region.

A number of new bodies have been set up, have been empowered, and are actively enforcing the move towards the new models including the Agency for the Co-operation of Energy Regulators ("ACER") and, the European Network of Transmission Operators for Gas ("ENTSOG").

Directors' report for the year ended 31 March 2013 (continued)

Management of market changes (continued)

In practice the process is as follows:



Implications for the group

EU "Second and Third Packages" and the Common Arrangements for Gas

The regulatory authorities in Northern Ireland and Republic of Ireland were seeking to implement the provisions of Regulation (EC) No 1775/2005 and 2009/73/EC of the European Parliament concerning conditions for access to the natural gas transmission networks as part of a wider alignment of arrangements in Ireland known as the Common Arrangements for Gas ("CAG"). In October 2011 a number of key decisions were due to be made by the regulatory authorities to make this happen. No decisions were forthcoming from the regulatory authorities.

This CAG project was envisioned to involve the implementation of a common code throughout the island, a single joint system operator and a new entry/exit tariff regime. As was the case last year all these issues remain on hold awaiting the Regulatory decisions.

The implication of the apparent failure of CAG is that it leaves Northern Ireland at a very poor starting point to achieve compliance with the upcoming European changes. The structure of the Northern Ireland code is very different from the European standard and we have the added complication of a bespoke transportation arrangement through the south west of Scotland owned and effectively regulated by the Republic of Ireland.

During the year the gas businesses have embarked on a series of measures to catch up on compliance with the EU regulations. Regulation (EC) No 1775/2005 required Transportation System Operators ("TSO") to offer network user short-term services and offer the maximum capacity available. The Northern Ireland TSOs were consequently directed by the Utility Regulator to comply with these requirements as quickly as possible. In conjunction with BGE (NI), MEL successfully developed and implemented Daily Capacity and Virtual Reverse Flow products. The approach taken delivered the products in a short time scale, minimised development costs and maintained streamlining across the Northern Ireland system.

Directors' report for the year ended 31 March 2013 (continued)

Future challenges

The gas businesses will be faced with a period of change stretching into the foreseeable future. Already the EU has approved the Capacity Allocation Mechanisms ("CAM") network code and it is expected to be adopted into law in August 2013. The CAM network code will require significant changes notably the introduction of bundled capacity products and capacity auctions. The successful implementation of this network code will require migration to an entry exit code and adoption of a new capacity booking platform. Prior to these changes, the current Network Code shall be adapted to incorporate additional procedures to manage potential capacity congestion.

The EU is continuing to work on the Balancing, Tariffs, and Interoperability and Data Exchange network codes. One of the areas that the Interoperability and Data Exchange network code focuses on is interconnection agreements, which require modification of the Transportation Agreement with BGE (UK). Further changes will include the harmonisation of units and likely non-odourisation at transmission level.

One of the fundamental changes that the Balancing network code will introduce is a change to the definition of the gas day which result in changes to operational procedures, systems and the Network Code. A further challenge shall be the introduction of short term balancing products and associated trading platform.

The Tariffs network code will require separate charging for entry and exit points in contrast to the existing methodology. The network code will impose rules on the tariff and cost allocation methodologies.

The implementation of the EU network codes affect all areas of the gas businesses and are required to be delivered within tight timescales. Successful implementation will require close collaboration with the Utility Regulator, adjacent TSOs, and Shippers.

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 prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 group and the company and of the profit or loss of the group 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 IFRSs as adopted by the European Union 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' report for the year ended 31 March 2013 (continued)

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of the directors report is aware:

- there is no relevant audit information of which the group and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group and parent company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

Gerard McIlroy
Company secretary

21 June 2013

Independent auditors' report to the members of Belfast Gas Transmission Financing plc

We have audited the group and parent company financial statements (the "financial statements") of Belfast Gas Transmission Financing plc for the year ended 31 March 2013 which comprise the group statement of comprehensive income, the group and parent company balance sheets, the group and parent company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report, to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2013 and of the group's loss and the group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Belfast Gas Transmission Financing plc (continued)

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent company 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.

Martin Pitt (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
4 July 2013

Group statement of comprehensive income for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Revenue – continuing operations		**6,012**	5,116
Operating costs	2	**(5,559)**	(4,837)
Earnings before depreciation and amortisation of intangible assets ("EBITDA")		**3,892**	3,720
Amortisation of intangible assets		**(2,485)**	(2,487)
Depreciation (net of amortisation of government grants)		**(954)**	(954)
Operating profit		**453**	279
Finance income	4	**99**	36
Finance costs	4	**(6,965)**	(7,554)
Finance costs – net	4	**(6,866)**	(7,518)
Loss before income tax		**(6,413)**	(7,239)
Income tax credit	5	**1,699**	4,058
Loss for the year attributable to the owners of the parent	13	**(4,714)**	(3,181)

The notes on pages 13 to 29 are an integral part of these consolidated financial statements.

There are no changes in equity other than the results shown in the statement of comprehensive income and therefore a separate statement of changes in equity for the group and company has not been presented.

Group and parent company balance sheets as at 31 March 2013

		Group		Company	
		2013	2012	**2013**	2012
	Note	**£'000**	£'000	**£'000**	£'000
Assets					
Non-current assets					
Property, plant and equipment	7	**32,289**	33,531	**-**	-
Intangible assets	8	**96,980**	99,465	**-**	-
Investment in subsidiary undertaking	9	**-**	-	**112,384**	112,384
		129,269	132,996	**112,384**	112,384
Current assets					
Trade and other receivables	10	**1,823**	1,391	**17,935**	14,600
Cash and cash equivalents	11	**9,506**	9,760	**702**	116
		11,329	11,151	**18,637**	14,716
Total assets		**140,598**	144,147	**131,021**	127,100
Equity and liabilities					
Equity attributable to the owners of the parent					
Ordinary shares	12	**50**	50	**50**	50
Retained earnings	13	**(18,689)**	(13,975)	**6,660**	5,946
Total equity		**(18,639)**	(13,925)	**6,710**	5,996
Liabilities					
Non-current liabilities					
Borrowings	14	**123,019**	120,094	**123,019**	120,094
Deferred income tax liabilities	15	**26,385**	28,358	**-**	-
Government grant	16	**7,198**	7,486	**-**	-
		156,602	155,938	**123,019**	120,094
Current liabilities					
Trade and other payables	17	**1,343**	966	**288**	130
Borrowings	14	**1,004**	880	**1,004**	880
Government grant	16	**288**	288	**-**	-
		2,635	2,134	**1,292**	1,010
Total liabilities		**159,237**	158,072	**124,311**	121,104
Total equity and liabilities		**140,598**	144,147	**131,021**	127,100

The notes on pages 13 to 29 are an integral part of these consolidated financial statements.

The group financial statements on pages 10 to 29 were authorised for issue by the Board of Directors on 21 June 2013 and were signed on its behalf by:

Patrick Larkin
Director

Gerard McIlroy
Director

Group and parent company cash flow statements for the year ended 31 March 2013

		Group		Company	
		2013	2012	2013	2012
	Note	£'000	£'000	£'000	£'000
Cash flows from operating activities					
(Loss)/profit before income tax		**(6,413)**	(7,239)	**41**	(9)
Adjustments for:					
Finance costs/(income) - net		**6,866**	7,518	**(49)**	15
Depreciation of property, plant and equipment		**1,242**	1,242	**-**	-
Amortisation of government grant		**(288)**	(288)	**-**	-
Amortisation of intangible assets		**2,485**	2,487	**-**	-
Movement in trade and other receivables		**(431)**	2,088	**(177)**	(113)
Movement in trade and other payables		**(514)**	(2,189)	**159**	71
Income tax received		**617**	2,283	**617**	2,440
Net cash generated from operating activities		**3,564**	5,902	**591**	2,404
Cash flows from investing activities					
Interest received		**99**	36	**2**	2
Amounts received from related parties		**-**	-	**3,855**	1,368
Net cash generated from investing activities		**99**	36	**3,857**	1,370
Cash flows from financing activities					
Interest paid		**(3,015)**	(2,923)	**(2,960)**	(2,887)
Repayment of borrowings		**(902)**	(787)	**(902)**	(787)
Net cash used in financing activities		**(3,917)**	(3,710)	**(3,862)**	(3,674)
Movement in cash and cash equivalents		**(254)**	2,228	**586**	100
Cash and cash equivalents at the beginning of the year	11	**9,760**	7,532	**116**	16
Cash and cash equivalents at the end of the year	11	**9,506**	9,760	**702**	116

The notes on pages 13 to 29 are an integral part of these consolidated financial statements.

Notes to the financial statements for the year ended 31 March 2013

1 Accounting policies, financial risk management & critical accounting estimates/judgements

General information

The group's principal activity during the year was the financing and operation through its subsidiary of the Belfast Gas Transmission Pipeline which transports gas from Ballylumford to Greater Belfast and Larne. The company is incorporated and domiciled in Northern Ireland.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated. All of the group and company's assets and liabilities are denominated in Sterling. These financial statements were authorised for issue by the board of directors on 21 June 2013 and were signed on their behalf by Patrick Larkin and Gerard McIlroy. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of Belfast Gas Transmission Financing plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed on page 19

Going concern

The group has recurring accounting losses and accordingly net liabilities. In view of the structure of the group on its initial set up, including the acquisition of Belfast Gas Transmission Limited and the issuing of a bond, this is a situation which will prevail for potentially 20 years. However the group is cash generative and is forecast to remain cash positive over that 20 year period. The forecast cash generated is adequate to meet the group's liabilities as they fall due over the next 12 months including the scheduled partial repayment of bond capital and interest. In the unlikely event that a change in circumstances results in the group being short of adequate cash to service the bond the market arrangements approved by the Northern Ireland Authority for Utility Regulation would ensure bond payments are made. Accordingly in view of the above the Directors consider it appropriate to adopt the going concern basis in the preparation of the accounts.

Standards, amendments and interpretations effective in the year to 31 March 2013 and that are not relevant to the group and parent company

The following standards, amendments and interpretations to published standards are effective for the year ended 31 March 2013 but they are not relevant to the group's or parent company's operations:

IFRS 7 (amendment), 'Financial instruments: Disclosures on de-recognition' (effective 1 July 2011)

Notes to the financial statements for the year ended 31 March 2013

1 Accounting policies, financial risk management & critical accounting estimates/judgements (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and adopted by the European Union, and have not been early adopted

During the year, the IASB and IFRIC have issued accounting standards and interpretations with an effective date after the date of these financial statements (i.e. applicable to accounting periods beginning on or after the effective date). The directors do not anticipate that the adoption of any of these standards and interpretations will have a material impact on the company's financial statements in the period of initial application.

IAS 1 Presentation of Financial Statements on OCI (effective 1 July 2012)
IAS 12 (amendment), 'Income taxes on deferred taxes' (effective 1 January 2013)
IAS 19 (revised 2011) Employee benefits (effective 1 January 2013)
IAS 27 (revised 2011) Separate financial statements (effective 1 January 2014)
IAS 28 (revised 2011) Associates and joint ventures (effective 1 January 2014)
IAS 32/IFRS 7 (amendment) Financial Instruments asset and liability offsetting (effective 1 January 2014)
IFRS 9, 'Financial instruments' (effective 1 Jan 2015)*
IFRS 10 Consolidated financial statements (effective 1 January 2013)
IFRS 11 Joint arrangements (effective 1 January 2014)
IFRS 12 Disclosure of interests in other entities (effective 1 January 2014)
IFRS 13 Fair value measurement (effective 1 January 2013)
IFRIC 20 Stripping costs in the production phase of a surface mine (effective 1 January 2013)

* Not yet endorsed by the EU.

Basis of consolidation

The group financial statements consolidate the financial statements of Belfast Gas Transmission Financing plc and its subsidiary undertaking drawn up to 31 March 2013. Subsidiaries are entities that are directly or indirectly controlled by the group. Control exists where the group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Segment reporting

The group has one business segment, the selling of capacity for the transmission of gas to Greater Belfast and Larne and one geographical segment, the United Kingdom. Accordingly segment reporting is not deemed to be applicable.

Revenue

Revenue comprises the fair value of the consideration received or receivable from the sale of capacity on the Belfast Gas Transmission Pipeline which transports gas to Greater Belfast and Larne. All revenue is generated within the United Kingdom. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group. Revenue is recognised over the period for which capacity is provided, using a straight line basis over the term of the agreement. The group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Notes to the financial statements for the year ended 31 March 2013

1 Accounting policies, financial risk management & critical accounting estimates/judgements (continued)

Intangible assets

Licences acquired on acquisitions are recognised initially at fair value. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives. The remaining estimated useful lives of the licences are 39 years.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises purchase cost plus any costs directly attributable to bringing the asset into operation and an estimate of any decommissioning costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

The charge for depreciation is calculated so as to write off the depreciable amount of assets over their estimated useful economic lives on a straight line basis. The useful economic lives of each major class of depreciable asset are as follows:

Pipeline	31 years
Plant and machinery	15 years

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An asset is derecognised upon disposal or when no future economic benefit is expected to arise from the asset.

Investments

Investments are recorded at cost less provision for impairment.

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

Classification of financial instruments

The group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The group classifies its financial liabilities as other financial liabilities held at amortised cost.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' on the balance sheet.

Notes to the financial statements for the year ended 31 March 2013

1 Accounting policies, financial risk management & critical accounting estimates/judgements (continued)

Loans and receivables (financial instruments)

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade and other receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'operating costs'. When a trade and other receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'operating costs' in the statement of comprehensive income.

Trade and receivables with a maturity of more than twelve months from the balance sheet date are shown as non-current trade and other receivables.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Impairment of financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including i) adverse changes in the payment status of borrowers in the portfolio; and ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The group first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

Notes to the financial statements for the year ended 31 March 2013

1 Accounting policies, financial risk management & critical accounting estimates/judgements (continued)

Ordinary shares

Ordinary shares are classified as equity.

Other financial liabilities at amortised cost (financial instruments)

(a) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(b) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Current income tax and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither an accounting nor a taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the statement of comprehensive income.

1 Accounting policies, financial risk management & critical accounting estimates/judgements (continued)

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to property, plant and equipment are included in current and non-current liabilities as deferred government grants and are credited to the statement of comprehensive income on a straight line basis over the expected useful economic lives of the related assets.

Operating lease commitments

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Financial risk management

Financial risk factors

The group operates the gas pipeline which links the gas transmission systems of Northern Ireland and Scotland under a licence agreement with the Northern Ireland Authority for Utility Regulation. Under the licence agreement the group receives revenue that compensates it for its operating expenses, financing costs and repayment of borrowings. Accordingly the group has limited financial risk.

(a) Market risk

The group's interest rate risk arises from its long term borrowings. The group issued its long term borrowings to refinance its transmission assets at the lowest possible rates in order to reduce the costs of transmission to the consumers of Northern Ireland. Its long term borrowings were issued at rates linked to the Retail Price Index. The group's long term borrowings are therefore susceptible to changes in the Retail Price Index. A change in the Retail Price Index by 1% would have increased/decreased finance costs, loss and equity during the year by £1,236,000.

Under the terms of its licence agreement the group receives sufficient revenue to settle its operating costs and its repayments of borrowings. Accordingly the group does not need to actively manage its exposure to interest rate risk.

(b) Credit risk

The group has limited exposure to credit risk as its customers are high profile gas suppliers, who are reliant on the use of the group's transmission assets. Given the nature of the industry in which the group operates, its customers are regulated by the Northern Ireland Authority for Utility Regulation. The group's trade and other receivables are not impaired or past due and management does not expect any losses from non-performance by its customers.

(c) Liquidity risk

Under the group's licence agreement it receives revenue that compensates the group for its operating expenses, financing costs and repayment of borrowings. Accordingly the group has limited liquidity risk. The cash reserves of the group are held in interest-bearing accounts or invested in fixed term deposits of up to one year spread across a panel of approved banks and financial institutions having high credit ratings to manage short term liquidity risk. The undiscounted contractual maturity profile of the group's borrowings is shown in note 20.

Notes to the financial statements for the year ended 31 March 2013

1 Accounting policies, financial risk management & critical accounting estimates/judgements (continued)

Capital risk management

The group has no obligation to increase member's funds as the company's ultimate parent undertaking is a company limited by guarantee. The group's management of its borrowings and credit risk is referred to in the preceding paragraphs.

Fair value estimation

The following fair value measurement hierarchy has been used by the group for calculating the fair value of financial instruments:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The group's financial instruments fair valued (for disclosure purposes only) under level 2 are the group's loans and receivables and the group's borrowings. The fair value of these financial instruments is determined by discounting future cash flows using a suitable discount rate. These discount rates are based on Bank of England gilt yield curve data for a term that is similar to the financial instrument.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below:

Estimate of useful economic life of assets

The group assesses the useful economic life of assets on an annual basis. The remaining useful economic life of the pipeline was determined as approximately 27 years at the beginning of the year. If the remaining useful economic life had been assessed at 28 years depreciation would have decreased by £44,000 and if the remaining useful economic life had been assessed at 26 years depreciation would have increased by £48,000.

2 Expenses by nature – operating costs

Group	**2013** **£'000**	2012 £'000
Depreciation and amortisation	**3,727**	3,729
Amortisation of deferred government grant	**(288)**	(288)
Operating lease payments	**13**	13
Fees payable to the company's auditor in respect of the audit of the group and subsidiary financial statements	**9**	10
Other expenses	**2,098**	1,373
Total operating costs	**5,559**	4,837

Other expenses include costs for engineering works, licence fees, maintenance and emergency response, rates, insurance, regulatory work and group overheads, together with administrative costs.

Notes to the financial statements for the year ended 31 March 2013

3 Employee benefit expense

The group and company have no employees other than its directors (2012: none). The group's directors were not remunerated for their services to the group but instead received emoluments for their services to the Mutual Energy group of companies. The directors do not believe that it is practicable to apportion this amount between services as a director of the group and services as a director of other group companies.

4 Finance income and costs

Group	2013 £'000	2012 £'000
Interest expense:		
Short term bank deposits	(48)	(36)
Borrowing (including borrowing fees)	(6,917)	(7,518)
Finance costs	(6,965)	(7,554)
Interest income:		
Short-term bank deposits	99	36
Finance income	99	36
Finance costs – net	(6,866)	(7,518)

5 Income tax credit

Group	2013 £'000	2012 £'000
Current income tax:		
Group relief surrendered	(714)	(798)
Adjustments in respect of previous periods	988	-
Total current income tax	274	(798)
Deferred income tax:		
Origination and reversal of temporary differences	(1,973)	(3,260)
Total deferred income tax (note 15)	(1,973)	(3,260)
Income tax credit	(1,699)	(4,058)

The income tax credit in the statement of comprehensive income for the year differs from the standard rate of corporation tax in the UK of 24% (2012: 26%). The differences are reconciled below:

	2013 £'000	2012 £'000
Loss before income tax	(6,413)	(7,239)
Tax calculated at the UK standard rate of corporation tax of 24% (2012: 26%)	(1,539)	(1,882)
Effects of:		
Reduction in rate of corporation tax on deferred tax liabilities	(1,148)	(2,365)
Adjustments in respect of previous periods	988	-
Losses carried forward for which no deferred tax is recognised	-	189
Income tax credit	(1,699)	(4,058)

Notes to the financial statements for the year ended 31 March 2013

5 Income tax credit (continued)

Future tax changes

The standard rate of corporation tax in the UK reduced from 26% to 24% with effect from 1 April 2012 and accordingly the company's profits for the financial year were taxed at an effective rate of 24%.

During the year, as a result of the changes in the UK main corporation tax rate to 23%, that was substantively enacted on 31 July 2012 and that will be effective from 1 April 2013, the relevant deferred tax balances have been re-measured.

Further reductions to the UK corporation tax rate were announced in the March 2013 Budget. Further reductions to the main rate are proposed to reduce the rate by a further 2% to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes in the corporation tax rate from 23% to 20% had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements. The overall effect of the further changes from 23% to 20%, if these applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax liability by £3,442,000.

6 Profit attributable to members of the parent company

As permitted by Section 408 the Companies Act 2006, the parent company's statement of comprehensive income has not been included in these financial statements. The profit dealt with in the financial statements of the parent company is £714,000 (2012: £1,715,000).

7 Property, plant and equipment

Group	Pipeline £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 April 2011	38,480	-	38,480
Additions	-	17	17
At 31 March 2012 **and at 31 March 2013**	**38,480**	**17**	**38,497**
Accumulated depreciation			
At 1 April 2011	3,724	-	3,724
Provided during the year	1,241	1	1,242
At 31 March 2012	4,965	1	4,966
Provided during the year	1,241	1	1,242
At 31 March 2013	**6,206**	**2**	**6,208**
Net book amount			
At 31 March 2013	**32,274**	**15**	**32,289**
At 31 March 2012	33,515	16	33,531
At 31 March 2011	34,756	-	34,756

Depreciation expense of £1,242,000 (2012: £1,242,000) has been fully charged to operating costs. Borrowings are secured on the property, plant and equipment of the group.

Notes to the financial statements for the year ended 31 March 2013

8 Intangible assets

Group	Licences £'000
Cost	
At 1 April 2011, 31 March 2012 and **at 31 March 2013**	**109,413**
Accumulated amortisation	
At 1 April 2011	7,461
Provided during the year	2,487
At 31 March 2012	**9,948**
Provided during the year	**2,485**
At 31 March 2013	**12,433**
Net book amount	
At 31 March 2013	**96,980**
At 31 March 2012	99,465
At 31 March 2011	101,952

Licences include intangible assets acquired through business combinations. Licences have been granted for a minimum of 44 years. The Group has concluded that these assets have a remaining useful economic life as at 31 March 2013, of 39 years.

Amortisation expense of £2,485,000 (2012: £2,487,000) has been fully charged to operating costs.

9 Investment in subsidiary undertakings

Company	£'000
Cost	
At 1 April 2011, 31 March 2012 **and at 31 March 2013**	**112,384**

Investments in subsidiary undertakings are recorded at cost, which is the fair value of the consideration paid.

The company's subsidiary undertaking, which is incorporated in Northern Ireland, is:

Name of company	Holding	Proportion held	Nature of business
Belfast Gas Transmission Limited	Ordinary shares	100%	Operation of Belfast Gas Transmission pipeline

Notes to the financial statements for the year ended 31 March 2013

10 Trade and other receivables

	Group		Company	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Trade receivables	**422**	183	**-**	-
Amounts owed by related parties	**235**	956	**17,923**	14,585
Prepayments and accrued income	**1,166**	248	**12**	11
Other debtors	**-**	4	**-**	4
	1,823	1,391	**17,935**	14,600

All of the group's and company's trade and other receivables are denominated in sterling.

None of the group's or company's trade and other receivables are impaired or past due. The group and company have no history of default in respect of its trade and other receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The fair value of the group's and company's trade and other receivables is not materially different to their carrying values.

11 Cash and cash equivalents

	Group		Company	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand	**9,506**	9,760	**702**	116

Cash and cash equivalents earn interest at a range of Bank of England base rate less 0.15% to Bank of England base rate plus 0.12%.

The maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents mentioned above.

12 Ordinary shares

	2013	2012
Group and company	**£'000**	£'000
Allotted and fully paid		
50,000 ordinary shares of £1 each	**50**	50

Notes to the financial statements for the year ended 31 March 2013

13 Retained earnings

Group	£'000
At 1 April 2011	(10,794)
Total comprehensive income for the year	(3,181)
At 31 March 2012	(13,975)
Total comprehensive income for the year	(4,714)
At 31 March 2013	**(18,689)**

Company	£'000
At 1 April 2011	4,231
Total comprehensive income for the year	1,715
At 31 March 2012	5,946
Total comprehensive income for the year	714
At 31 March 2013	**6,660**

14 Borrowings

Group and company	2013 £'000	2012 £'000
Non-current		
2.207% Index linked guaranteed secured bond	123,019	120,094
Current		
2.207% Index linked guaranteed secured bond	1,004	880
Total borrowings	124,023	120,974

The 2.207% Index linked guaranteed secured bonds 2048 were issued to finance the acquisition of Belfast Gas Transmission Limited and are linked to the Retail Price Index. The bond is secured by fixed and floating charges over all the assets of the group, and also by way of an unconditional and irrevocable financial guarantee given by Assured Guaranty (Europe) Limited as to scheduled payments of principal and interest, including default interest. In return for this guarantee, every six months the group pays an index linked fee of 0.18% of the outstanding balance of the bond. The fair value of the bond is £102,734,000 (2012: £95,282,000). This fair value has been calculated by discounting the future cash flows using a discount rate of 3.36% (2012: 3.64%) that reflects the maturity profile of the group's and the company's borrowings. The undiscounted maturity profile of the group's and the company's borrowings are shown in note 20.

Notes to the financial statements for the year ended 31 March 2013

15 Deferred income tax liabilities

The gross movement on the deferred income tax account is as follows:

Group	£'000
At 1 April 2011	31,618
Income statement credit for the year	(3,260)
At 31 March 2012	**28,358**
Income statement credit for the year	**(1,973)**
At 31 March 2013	**26,385**

The movement in deferred tax assets and liabilities during the year is as follows:

Group	Accelerated capital allowances £'000	Valuation of intangible assets £'000	Total £'000
At 1 April 2011	5,111	26,507	31,618
Income statement credit for the year	(625)	(2,635)	(3,260)
At 31 March 2012	**4,486**	**23,872**	**28,358**
Income statement credit for the year	**(406)**	**(1,567)**	**(1,973)**
At 31 March 2013	**4,080**	**22,305**	**26,385**

The group and company have £3,798,131 (2012: £3,798,131) of tax losses available for carry forward against future taxable profits arising from the same trade. The related deferred tax asset of £873,570 (2012: £911,551) has not been recognised as it is more likely than not that the group and company will not make sufficient taxable profits from the same trade, from which the tax losses can be deducted.

The portion of the group's deferred tax liability arising from intangible assets that is expected to fall due after more than 12 months is £21,733,000 (2012: £23,275,000). The portion of the group's deferred tax liability arising from accelerated capital allowances that is expected to fall due after more than 12 months is estimated at £3,861,000 (2012: £4,257,000).

16 Government grant

Group	£'000
At 1 April 2011	8,062
Amortised during the year	(288)
At 31 March 2012	**7,774**
Amortised during the year	**(288)**
At 31 March 2013	**7,486**

The government grant was provided to the group for the purpose of its expenditure on its property, plant and equipment. The current portion of the government grant is £288,000 (2012: £288,000) and the non-current portion is £7,198,000 (2012: £7,486,000).

Notes to the financial statements for the year ended 31 March 2013

17 Trade and other payables

	Group		Company	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Trade payables	**30**	9	**6**	6
Amounts owed to related parties	**348**	176	**279**	108
Other tax and social security	**620**	344	**-**	-
Other payables	**17**	17	**-**	-
Accruals and deferred income	**328**	420	**3**	16
	1,343	966	**288**	130

The fair value of trade and other payables is not materially different from their carrying value.

18 Commitments

Operating lease commitments - group as lessee

The group has entered into a commercial lease on land which expires on 31 December 2051. There are no restrictions placed upon the lessee by entering into these leases. The lease expenditure charged to the statement of comprehensive income during the year is disclosed in note 2.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2013	2012
Group	**£'000**	£'000
Not later than one year	**13**	13
After one year but not more than five years	**51**	51
After five years	**425**	438
	489	502

Notes to the financial statements for the year ended 31 March 2013

19 Related party transactions

The ultimate controlling parties of the group are the members of Mutual Energy Limited.

During the year the group entered into transactions, in the ordinary course of business, with related parties.

Transactions entered into, and balances outstanding at 31 March with related parties, are as follows:

	Amount owed (to)/from related party	
	2013	2012
Group	**£'000**	£'000
Parent undertakings – current assets	**50**	50
Fellow subsidiary undertakings – current assets	**185**	906
Parent undertakings – current liabilities	**-**	(16)
Fellow subsidiary undertakings – current liabilities	**(348)**	(160)

		Amount of transaction	
		2013	2012
Group	**Nature of transaction**	**£'000**	£'000
Parent undertakings	Charges payable	**(249)**	(198)
Fellow subsidiary undertakings	Group relief (claimed)/surrendered	**(274)**	798
Fellow subsidiary undertakings	Charges payable	**(979)**	(705)

	Amount owed (to)/from related party	
	2013	2012
Company	**£'000**	£'000
Subsidiary undertaking – current assets	**17,688**	13,629
Fellow subsidiary undertaking – current liabilities	**-**	(108)
Parent undertaking – current assets	**50**	50
Fellow subsidiary undertakings – current assets	**185**	906

		Amount of transaction	
		2013	2012
Company	**Nature of transaction**	**£'000**	£'000
Fellow subsidiary undertakings	Group relief surrendered	**673**	1,730
Subsidiary undertaking	Interest receivable	**6,957**	7,501

Notes to the financial statements for the year ended 31 March 2013

20 Financial instruments

The group's and company's financial instruments are classified as follows:

Assets and liabilities	Category of financial instrument
Trade and other receivables	Loans and other receivables
Cash and cash equivalents	Loans and other receivables
Borrowings	Other financial liabilities at amortised cost
Trade and other payables	Other financial liabilities at amortised cost

The group's and company's contractual undiscounted cash flows (including principal and interest payments) of its financial liabilities are as follows:

As at 31 March 2013 Group	**Within 1 year £'000**	**1-2 years £'000**	**2-3 years £'000**	**3-4 years £'000**	**4-5 years £'000**	**More than 5 years £'000**	**Total £'000**
2.207% bond	**3,735**	**3,809**	**3,887**	**3,964**	**4,043**	**167,303**	**186,741**
Trade and other payables	**723**	-	-	-	-	-	**723**
	4,458	**3,809**	**3,887**	**3,964**	**4,043**	**167,303**	**187,464**

As at 31 March 2012 Group	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
2.207% bond	3,546	3,617	3,689	3,764	3,838	165,919	184,373
Trade and other payables	622	-	-	-	-	-	622
	4,168	3,617	3,689	3,764	3,838	165,919	184,995

As at 31 March 2013 Company	**Within 1 year £'000**	**1-2 years £'000**	**2-3 years £'000**	**3-4 years £'000**	**4-5 years £'000**	**More than 5 years £'000**	**Total £'000**
2.207% bond	**3,735**	**3,809**	**3,887**	**3,964**	**4,043**	**167,303**	**186,741**
Trade and other payables	**288**	-	-	-	-	-	**288**
	4,023	**3,809**	**3,887**	**3,964**	**4,043**	**167,303**	**187,029**

As at 31 March 2012 Company	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
2.207% bond	3,546	3,617	3,689	3,764	3,838	165,919	184,373
Trade and other payables	130	-	-	-	-	-	130
	3,676	3,617	3,689	3,764	3,838	165,919	184,503

Notes to the financial statements for the year ended 31 March 2013

21 Ultimate parent undertaking

The immediate parent undertaking is Belfast Gas Transmission Holdings Limited, a company incorporated in Northern Ireland. Group financial statements for this company are not prepared.

The ultimate parent undertaking, and the only group of undertakings for which group financial statements are prepared, is Mutual Energy Limited, a company incorporated in Northern Ireland. Copies of the group financial statements are available to the public from First Floor, The Arena Building, 85 Ormeau Road, Belfast, BT7 1SH.