

Quadgas Finance Plc
Report for the six months ended 30 September 2019

Operations

The principal activity of Quadgas Finance Plc (“the Company”) is for the provision of long term finance for its immediate parent, Quadgas MidCo Limited. The Directors are not aware at the date of this report, of any likely major changes in the Company’s activities or prospects in the next year.

Long-term strategy and business objectives

In our most recent annual report and financial statements, we reported the Company’s objective to continue to provide long term finance for its immediate parent.

Funding arrangements

The Company’s balance sheet remains robust, and we have maintained our investment grade credit rating from Standard & Poor’s.

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Interim management report (continued)

Results for the six months ended 30 September 2019

A summary of the key financial results is set out in the table below.

	Six months ended 30 September 2019 £'000	Six months ended 30 September 2018 £'000	Movement £'000
Profit/(Loss) before tax	(94)	(386)	292
Profit/(Loss) after tax	(94)	(386)	292

Interest receivable

Interest received during the period from Quadgas MidCo Limited, the immediate parent company of Quadgas Finance Plc, was £16,416,000 due on intercompany borrowings (six months ended 30 September 2018: £6,520,000). The increase is a result of the additional borrowings raised (see below) and loaned on to Quadgas MidCo Limited.

Interest payable

Interest payable during the period was £16,415,000 due on external borrowings (six months ended 30 September 2018: £6,519,000). The increase in the period was largely a result of a full period of interest charged on the £295 million of private loan notes placed in August 2018 and the £350 million fixed rate bonds issued in September 2018.

Profit/loss for the period

The £94,000 loss related to intercompany loan impairment (six months ended 30 September 2018: £386,000 loss). The movement relates to revisions in the assumptions regarding default probability.

Financial position

The financial position of the Company is presented in the Statement of Financial Position. Total shareholders' deficit at 30 September 2019 was £760,000 (Shareholders' deficit at 31 March 2019: £666,000). There were no financing activities in the period to 30 September 2019 or in the subsequent period to date of signing.

Related party transactions

There have been no material changes in the related party transactions described in the last annual report of the financial statements for the year ended 31 March 2019.

Key performance indicators

As the Company is part of a larger group (Quadgas MidCo Limited is the immediate parent company), the management of the Company does not involve the use of key performance indicators, other than the profit or loss for the year, in measuring the development, performance or the position of the Company and the principal risks and uncertainties are integrated with the principal risks of Quadgas MidCo Limited.

For information on the development, performance, risks, uncertainties and position of Quadgas MidCo Limited and its subsidiaries and of the key performance indicators used, refer to the Strategic Report included in Quadgas MidCo Limited's Annual Report and Accounts 2018/19, which does not form part of this report.

Impact of new accounting standards

The 2019 Interim Financial Statements have been prepared under FRS 104. FRS 104 stipulates that the GAAP applicable at the year-end should be applied for the Interim Statements, which in this case is Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) as issued by the

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Interim management report (continued)

Financial Reporting Council. As a result, the new accounting standards under IFRS, namely, IFRS 16 'Leases' are applicable for the period commencing 1 April 2019. It should be noted, however, that IFRS 16 has no impact on the Company as there are no leases or contracts held by this Company.

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Company's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 March 2019. A detailed explanation of the risks and how the Company seeks to mitigate the risks, can be found on pages 3 to 4 the Strategic Report included in Quadgas Finance Plc's Annual Report and Accounts 2018/19, which does not form part of this report. Below is a summary of our key risks as at 30 September 2019:

- Liquidity risk
- Credit risk
- Interest rate cash flow risk
- Foreign exchange risk

Going concern

The balance sheet shows net liabilities of £760,000. Having reassessed the principal risks from a Company and Group perspective, and considering the guarantees in place from its immediate parent, the Directors consider that the Company has adequate resources to continue in business, and that it is therefore appropriate to adopt the going concern basis in preparing the half year financial information. The Company's immediate parent is in a net asset position of £4,382,000,000 and has an undrawn £200,000,000 Revolving Credit Facility.

Auditor

Following the completion of the 2018/19 audit process, Deloitte LLP has been re-appointed as Auditor of the Quadgas MidCo Limited Group and its subsidiaries including Quadgas Finance Plc.

Cautionary statement

This Interim Management Report (IMR) has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report, but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

By order of the Board,



S G Hurrell

Director

21 November 2019

Ashbrook Court, Prologis Business Park, Central Boulevard, Coventry, CV7 8PE

Quadgas Finance Plc

Responsibility statement

The half year financial information is the responsibility of, and has been approved by, the Directors.

The Directors confirm that the financial information has been prepared in accordance with FRS 104 Interim Financial Reporting as issued by the Financial Reporting Council.

The Directors of Quadgas Finance Plc during the period and up to the date of signing the financial statements were:

J Korpancova
M W Braithwaite
S G Hurrell

By order of the Board,

A handwritten signature in blue ink, appearing to read 'S G Hurrell', is written over a light blue rectangular background.

S G Hurrell
Director
21 November 2019

Independent review report to Quadgas Finance Plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 which comprises the income statement, the statement of financial position, the statement of changes in equity and related notes 1 to 11. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors.

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (including Financial Reporting Standard 101 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with Financial Reporting Standard 104 "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 is not prepared, in all material respects, in accordance with Financial Reporting Standard 104.

Deloitte LLP

Deloitte LLP
Statutory Auditor
London, United Kingdom
21 November 2019

Quadgas Finance Plc

Income statement

Six months ended 30 September 2019

	Notes	Six months ended 30 September 2019 (unaudited) £'000	Six months ended 30 September 2018 (unaudited) £'000
Interest receivable and similar income	4	16,416	6,520
Interest payable and similar charges	5	(16,415)	(6,519)
Net gains/(losses) on external financial instruments	6	1,023	(134)
Net gains/(losses) on intercompany financial instruments	6	(1,023)	134
Impairment of intercompany loan		(95)	(387)
Loss before taxation		(94)	(386)
Tax	7	-	-
Loss for the financial year		(94)	(386)

The results reported above relate to continuing activities. There was no other comprehensive income for the year other than those reported above; therefore, no separate statement of comprehensive income was presented.

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Statement of financial position

As at 30 September 2019

	30 September 2019 (unaudited)	31 March 2019 (audited)
Notes	£'000	£'000
Non-current assets		
Debtors: amounts falling due after more than one year	971,488	968,984
Derivative financial instruments: amounts falling due after more than one year	9 3,293	205
	974,781	969,189
Current assets		
Debtors: amounts falling due within one year (owed to immediate parent company)	6,131	12,058
Derivative financial instruments: amounts falling due within one year	9 -	-
	6,131	12,058
Creditors: amounts falling due within one year		
Derivative financial instruments: amounts owing within one year	9 -	-
Taxation	7 -	(1)
	(6,070)	(11,998)
Net current assets		
	61	60
Total assets less current liabilities		
	974,842	969,249
Creditors: amounts falling due after more than one year		
Derivative financial instruments: amounts owing after more than one year	9 (972,309)	(969,710)
	(3,293)	(205)
Non-current liabilities		
	(975,602)	(969,915)
Net Liabilities		
	(760)	(666)
Equity		
Share capital	50	50
Profit and loss account	(810)	(716)
Total shareholders' deficit	(760)	(666)

The financial statements on pages 6 to 12 were approved for issue by the Board of Directors on 21 November 2019 and were signed on its behalf by:



S G Hurrell

Director

Quadgas Finance Plc

Company registration number: 10619488

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Statement of changes in equity Six months ended 30 September 2019

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2019	50	(716)	(666)
Loss for the period	-	(94)	(94)
At 30 September 2019 (unaudited)	50	(810)	(760)

	Share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2018	50	(194)	(194)
Loss for the period	-	(386)	(386)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	(386)	(386)
At 30 September 2018 (Unaudited)	50	(580)	(530)

Quadgas Finance Plc

Notes to the financial statements

Six months ended 30 September 2019

1. Basis of preparation and new accounting standards, interpretation and amendments

The half year financial information covers the six-month period ended 30 September 2019 and has been prepared under Financial Reporting Standards (FRS) as issued by the Financial Reporting Council (FRC), in accordance with Financial Reporting Standard 104 'Interim Financial Reporting'.

The half year financial information is unaudited but has been reviewed by the Auditor and their report is attached to this document. The half year financial information does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. It should be read in conjunction with the statutory accounts for the year ended 31 March 2019, which were prepared in accordance with applicable UK accounting and financial reporting standards (FRS 101) and the Companies Act 2006, and have been filed with the Registrar of Companies. The Auditor's report on these statutory accounts was unqualified and did not contain a statement under Section 498 of the Companies Act 2006.

The half year financial information has been prepared in accordance with the accounting policies expected to be applicable for the year ending 31 March 2020.

The balance sheet shows net liabilities of £760,000. Having reassessed the principal risks from a Company and Group perspective, and considering the guarantees in place from its immediate parent, the Directors consider that the Company has adequate resources to continue in business, and that it is therefore appropriate to adopt the going concern basis in preparing the half year financial information.

The Company's immediate parent is in a net asset position of £4,382,000,000 and has an undrawn £200,000,000 Revolving Credit Facility.

As noted above, the 2019 Interim Financial Statements have been prepared under FRS 104. FRS 104 stipulates that the GAAP applicable at the year-end should be applied for the Interim Statements, which in this case is Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) as issued by the Financial Reporting Council. As a result, the new accounting standards under IFRS, namely, IFRS 16 'Leases' are applicable for the period commencing 1 April 2019. It should be noted, however, that IFRS 16 has no impact on the Company as the Company has no leases or contracts.

The Company has significant intercompany balances of £972,309,000 as its principal activity is the provision of long term finance for its immediate parent, Quadgas MidCo Limited. Under IFRS 9, the Company is required to calculate expected credit losses on all financial assets, including intercompany loans. The expected credit loss for its intercompany loans has been calculated by considering the probability of default and the loss given default on the outstanding balance of the intercompany loans. The probability of default has been derived by using quoted available information for the Company and the loss given default has been determined by management based on available evidence. As Cadent Gas Limited is an asset intensive regulated industry, the loss given default has assumed to be low by management. The movement in the impairment charge included in the income statement in the period amounts to £95,000.

2. Segmental analysis

The Directors believe that the Company's activities constitute one single segment. Operating segments are reported in the manner consistent with internal reporting to the Chief Operating Decision Maker, which has been identified as the Board of Directors.

The Company's country of domicile is the United Kingdom and is the country in which it generates all of its revenue. The Company's assets are all located within the United Kingdom.

3. Seasonality

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Notes to the financial statements

Six months ended 30 September 2019

The Company is not impacted by seasonality due to the nature of the Company's activities.

4. Interest receivable and similar income

	Six months ended 30 September 2019	Six months ended 30 September 2018
	£'000	£'000
Interest receivable from immediate parent company	16,416	6,520
	<u>16,416</u>	<u>6,520</u>

5. Interest payable and similar charges

	Six months ended 30 September 2019	Six months ended 30 September 2018
	£'000	£'000
Interest payable on other borrowings	(16,415)	(6,519)
	<u>(16,415)</u>	<u>(6,519)</u>

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Notes to the financial statements (continued)

Six months ended 30 September 2019

6. Net gains/(losses) on financial derivatives

	Six months ended 30 September 2019	Six months ended 30 September 2018
External	£'000	£'000
Net gains on derivatives not designated in a hedge relationship	3,284	2,592
Exchange losses on revaluation of foreign currency denominated loans	(2,261)	(2,726)
	1,023	(134)
	Six months ended 30 September 2019	Six months ended 30 September 2018
Internal	£'000	£'000
Net losses on derivatives not designated in a hedge relationship	(3,284)	(2,592)
Exchange gains on revaluation of foreign currency denominated loans	2,261	2,726
	(1,023)	134

7. Tax

The tax charge for the period from continuing operations is £Nil (six months to 30 September 2018: £Nil). The effective tax rate for the period is calculated by applying the main rate of UK corporation tax to the profits before tax after adjusting for the impairment of intercompany loans which is not tax deductible.

The Finance Act 2016 Act reduced the corporate tax rate to 17%.

The Finance Act 2018 Act introduced new rules to potentially restrict interest deductibility for the accounting periods starting after 31 March 2017. It is not anticipated that there will be any interest restriction in the Group for the foreseeable future.

8. Dividends

No dividends are proposed for the current financial period.

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Notes to the financial statements (continued)

Six months ended 30 September 2019

9. Fair value measurement

Certain of the Company's financial instruments are measured at fair value. The following table categorises these financial assets and liabilities by the valuation methodology applied in determining their fair value using the fair value hierarchy described below.

	30 September 2019				31 March 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets								
Derivative financial instruments (external)	-	3,293	-	3,293	-	205	-	205
Liabilities								
Derivative financial instruments (internal)	-	(3,293)	-	(3,293)	-	(205)	-	(205)
Total	-	-	-	-	-	-	-	-

Financial assets and liabilities in the consolidated statement of financial position are either held at fair value or the carrying value if it approximates to fair value, with the exception of borrowings, which are held at amortised cost.

The estimated fair value of total borrowings using market values at 30 September 2019 is £1,025,000,000 (31 March 2019: £1,002,000,000).

Level 1: Financial instruments with quoted prices for identical instruments in active markets.

Level 2: Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are based directly or indirectly on observable market data.

Level 3: Financial instruments valued using valuation techniques where one or more significant inputs are based on unobservable market data.

10. Commitments and Contingencies

At 30 September 2019 there were no commitments for future capital expenditure contracted but not provided for (31 March 2019: £nil).

11. Related party transactions

The Company is exempt under FRS 101.8(k) from disclosing transactions with Quadgas Midco Limited and its subsidiary undertakings where all of the voting rights are held within the group. There were no related party transactions with other companies.