

Company Registration Number: 10614954

Quadgas PledgeCo Limited

Annual Report and Audited Financial Statements

**For the period from incorporation on
13 February 2017 to 31 March 2018**

Quadgas PledgeCo Limited

Strategic Report

For the period from incorporation on 13 February 2017 to 31 March 2018

The Directors present their Strategic Report for Quadgas PledgeCo Limited (“the Company”) from incorporation on 13 February 2017 to 31 March 2018.

Review of the business

The principle activity of the Company is to hold investments in other Quadgas HoldCo Limited subsidiary companies, the only direct investment currently held is in 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.

Executive summary

The Company was incorporated on 13 February 2017. On incorporation, the Company issued 50,000 ordinary shares of £1 for consideration of £50,000.

On 31 March 2017, the Company issued a further 4,928,400,000 of ordinary shares of £1 for consideration of £4,928,400,000 to fund the acquisition of Quadgas MidCo Limited for £4,928,450,000 at carrying value.

On 22 November 2017, the Company issued a further 177,131,781 of ordinary shares of £1 through the capitalisation of the shareholder loan of £177,131,781 between the Company and its immediate shareholder, Quadgas HoldCo Limited.

On 25 January 2018, the Company reduced its share capital from £5,105,581,781 to £510,558 through reducing the nominal value of the ordinary shares from £1 to £0.0001.

Results

The Company’s profit for the period was £369 million.

Financial position

The financial position of the Company is presented in the statement of financial position. Total shareholders’ funds at 31 March 2018 were £5,106 million comprising primarily of investments in group undertakings of £5,106 million. Intercompany loans receivable and payable net to £Nil as debt is passed through the Quadgas HoldCo Group.

Key performance indicators and principal risks and uncertainties

As the Company is part of a larger group, the management of the Company does not involve the use of key performance indicators, other than the profit or loss for the period, in measuring the development, performance or the position of the Company and the principal risks and uncertainties are jaintegrated with the principal risks of Quadgas HoldCo Limited.

For information on the development, performance, risks, uncertainties and position of Quadgas HoldCo Limited and its subsidiaries and of the key performance indicators used, refer to the Strategic Report included in Quadgas HoldCo Limited’s Annual Report and Accounts 2017/18, which does not form part of this report.

The Strategic Report was approved by the Board and signed on its behalf by:



M W Braithwaite
Director
28 June 2018

Quadgas PledgeCo Limited

Directors' Report

For the period from incorporation on 13 February 2017 to 31 March 2018

The Directors present their Report and the audited financial statements of the Company for the period from incorporation on 13 February 2017 to 31 March 2018.

Future developments

The Company will continue to act as a holding company for the foreseeable future.

Dividends

On the 22 November 2017, an interim dividend of 3.62p per ordinary share amounting to £185,000,000 was paid.

On the 23 March 2018, a second interim dividend of 3.59p per ordinary share amounting to £183,400,000 was declared and paid on 27 March 2018.

The directors do not propose a final dividend for the current year.

Political donations and political expenditure

The Company did not make any donations during the period.

Research and development

The Company spent £Nil on research and development during the period.

Financial risk management

The management of the Company and the execution of the Company's strategy are subject to a number of financial risks. The Directors have identified the need to manage the Company's material financial risks, including liquidity and credit risk. These risks are managed by Cadent Gas Limited's (a fellow group company) Treasury function ('Treasury') for the Company and fellow group subsidiaries.

The Company acts as a holding company. Debt finance passes through the company from its immediate parent Quadgas HoldCo Limited to its immediate subsidiary Quadgas MidCo Limited on identical terms. Its net exposures are therefore £nil.

Liquidity risk

The Company finances its operation through a combination of new share issues and intercompany balances to ensure that the Company has sufficient long-term and short-term funds available for current operations and future activities. The Company passes debt finance from its immediate parent Quadgas HoldCo Limited to its immediate subsidiary Quadgas MidCo Limited on identical terms.

Credit risk

The Company passes debt finance from its immediate parent Quadgas HoldCo Limited to its immediate subsidiary Quadgas MidCo Limited on identical terms. The principal risk of these arrangements is that Quadgas MidCo Limited is unable to meet its obligations to the Company.

Treasury monitors the exposure that the Company and its fellow group subsidiaries has with any one counterparty against agreed limits and these limits are monitored regularly and updated for changes in credit ratings.

Quadgas PledgeCo Limited

Directors' Report

For the period from incorporation on 13 February 2017 to 31 March 2018

Directors

The Directors of the Company during the period and up to the date of signing of the financial statements were:

M W Braithwaite	(Appointed 13 February 2017)
C J Waters	(Appointed 13 February 2017)
J Korpancova	(Appointed 15 March 2017)
A J Agg	(Appointed 31 March 2017)
L N Shaw	(Appointed 31 March 2017)
J Bao	(Appointed 31 March 2017)
C P Bennett	(Appointed 31 March 2017)
M Bradley	(Appointed 31 March 2017)
H C Higgins	(Appointed 31 March 2017)
D Karnik	(Appointed 31 March 2017)
P D Noble	(Appointed 22 May 2017)
M J Gregory	(Appointed 22 May 2017)
D J Xie	(Appointed 22 May 2017)
A McMenamin	(Appointed 22 May 2017)
I M Coucher	(Appointed 26 January 2018)
N J Axam	(Appointed 17 May 2018)
D C Bonar	(Appointed 13 February 2017, Resigned 31 March 2017)
P F Hofbauer	(Appointed 31 March 2017, Resigned 26 January 2018)
A G Ray	(Appointed 31 March 2017, Resigned 16 May 2018)
R Greenleaf	(Appointed 22 May 2017, Resigned 10 August 2017)
A B F Al-Thani	(Appointed 22 May 2017, Resigned 17 May 2018)

Directors' indemnity

Quadgas HoldCo Limited has arranged, in accordance with the Companies Act 2006 section 234 and the Articles of Association, qualifying third party indemnities against financial exposure that Directors may incur in the course of their professional duties. Alongside these indemnities, Quadgas HoldCo Limited places Directors' and Officers' liability insurance for each Director and these costs have been borne by Quadgas HoldCo Limited.

Going concern

Having made enquiries and reviewed management's assessment of the going concern assumption, the Directors consider it appropriate to prepare the financial statements on a going concern basis. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements are signed.

Post balance sheet events

There were no post balance sheet events.

Disclosure of information to auditors

Having made the requisite enquiries, so far as the Directors in office at the date of the approval of this report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Quadgas PledgeCo Limited

Directors' Report

For the period from incorporation on 13 February 2017 to 31 March 2018

A competitive tender process was held and Deloitte LLP were successful and appointed as auditors of the Quadgas PledgeCo Limited. The auditors have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

Internal control and risk management

The Company has established internal control and risk management systems in relation to the process for preparing its financial statements. The key features of these internal control and risk management systems are:

- The Risk Assurance function and management conducts various checks on internal financial controls periodically.
- Management regularly monitors and considers developments in accounting regulations and best practice in financial reporting, and where appropriate, reflects developments in the financial statements. Appropriate briefings and/or training are provided to key finance personnel on relevant developments in accounting and financial reporting.
- The financial statements are subject to review by the Financial Reporting function for unusual items, unexplained trends and completeness. Any unexplained items are investigated.
- The Board review the draft financial statements. The Board receive reports from management on significant judgements, changes in accounting policies, changes in accounting estimates and other pertinent matters relating to the consolidated financial statements.

Capital structure

The share capital of the Company consists of 5,105,581,781 ordinary shares of £0.0001 each.

Quadgas PledgeCo Limited

Directors' Report

For the period from incorporation on 13 February 2017 to 31 March 2018

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors' Report was approved by the Board and signed on its behalf by:



M W Braithwaite

Director

28 June 2018

Registered office:

Ashbrook Court
Prologis Park
Central Boulevard
Coventry
CV7 8PE

Registered in England and Wales

Company registration number: 10614954

Quadgas PledgeCo Limited

Statement of comprehensive income

For the period from incorporation on 13 February 2017 to 31 March 2018

	Notes	2018 £m
Dividend income from group undertakings		369
Interest receivable and similar income	5	71
Interest payable and similar charges	5	(71)
Profit on ordinary activities before tax		369
Tax	6	-
Profit for the period		369
Total other comprehensive income		-
Total comprehensive income for the period		369

The results reported above relate to continuing activities. There were no other gains and losses for the period other than those reported above.

The notes on pages 11 to 17 form an integral part of these financial statements.

Quadgas PledgeCo Limited
Statement of financial position
As at 31 March 2018

	Notes	2018 £m
Non-current assets		
Investments in group undertakings	7	5,106
Amounts owed by subsidiary undertakings	8	902
Total non-current assets		<u>6,008</u>
Current assets		
Amounts owed by subsidiary undertakings	8	-
Cash and cash equivalents		-
Total current assets		<u>-</u>
Total assets		6,008
Current liabilities		
Amounts owed to group undertakings	10	-
Trade and other payables		-
Total current liabilities		<u>-</u>
Non-current liabilities		
Amounts owed to group undertakings	10	(902)
Total non-current liabilities		<u>(902)</u>
Total liabilities		(902)
Net assets		<u><u>5,106</u></u>
Equity		
Share capital	11	1
Retained earnings		5,105
Total equity		<u><u>5,106</u></u>

The financial statements on pages 8 to 17 were approved by the Board of Directors on 28 June 2018 and signed on its behalf by:

The notes on pages 11 to 17 form an integral part of these financial statements.



M W Braithwaite
Director

Quadgas PledgeCo Limited
Company registration number: 10614954

Quadgas PledgeCo Limited

Statement of changes in equity

For the period from incorporation on 13 February 2017 to 31 March 2018

	Notes	Share capital £m	Retained earnings £m	Total £m
At 13 February 2017		-	-	-
Total comprehensive income for the period		-	369	369
Issue of share capital	11	5,105	-	5,105
Reduction of share capital	11	(5,104)	5,104	-
Equity dividends paid	9	-	(368)	(368)
At 31 March 2018		1	5,105	5,106

The notes on pages 11 to 17 form an integral part of these financial statements.

The Company was incorporated on 13 February 2017. On incorporation, the Company issued 50,000 ordinary shares of £1 for consideration of £50,000.

On 31 March 2017, the Company issued a further 4,928,400,000 of ordinary shares of £1 for consideration of £4,928,400,000 to fund the acquisition of Quadgas MidCo Limited for £4,928,450,000 at carrying value.

On 22 November 2017, the Company issued a further 177,131,781 of ordinary shares of £1 through the capitalisation of the shareholder loan of £177,131,781 between the Company and its immediate shareholder, Quadgas HoldCo Limited.

On 25 January 2018, the Company reduced its share capital from £5,105,581,781 to £510,558 through reducing the nominal value of the ordinary shares from £1 to £0.0001.

Quadgas PledgeCo Limited

Notes to the financial statements

For the period from incorporation on 13 February 2017 to 31 March 2018

1 Summary of significant accounting policies

Quadgas PledgeCo Limited holds investments in other Quadgas HoldCo Limited subsidiary companies. The Company is a private limited company incorporated and domiciled in England, with its registered office at Ashbrook Court, Prologis Park, Central Boulevard, Coventry, CV7 8PE.

Quadgas PledgeCo Limited is exempt from the requirement to prepare consolidated accounts under the Companies Act 2006 section 400 given it is a wholly owned subsidiary of Quadgas HoldCo Limited. Quadgas HoldCo Limited is registered in England and Wales. Copies of Quadgas HoldCo Limited's consolidated financial statements can be obtained from the Company Secretary, Cadent Gas Limited, Ashbrook Court, Prologis Park, Central Boulevard, Coventry, CV7 8PE.

The principal accounting policies applied in the preparation of these financial statements are set out as below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of Quadgas PledgeCo Limited have been prepared on the going concern basis in accordance with applicable UK accounting and financial reporting standards and the Companies Act 2006. The financial statements have been prepared on an historical cost basis and modified to include certain items at fair value where applicable. Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the 'functional currency'). The financial statements are presented in pounds sterling which is also the Company's functional currency.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

The financial statements have therefore been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, non-current assets held for sale, financial instruments, capital management, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been presented in the group financial statements of Quadgas HoldCo Limited.

The preparation of financial statements may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of turnover and expenses during the reporting period. Actual results could differ from these estimates.

(b) Dividend income

Dividend income is recognised when the right to receive payment is established.

Quadgas PledgeCo Limited

Notes to the financial statements (continued)

For the period from incorporation on 13 February 2017 to 31 March 2018

1 Summary of significant accounting policies (continued)

(c) Net interest costs

Interest income and interest costs are accrued on a timely basis by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in interest receivable and similar income and interest cost is included in the interest payable and similar charges.

(d) Tax

The tax charge for the period is recognised in the statement of total comprehensive income or directly in equity according to the accounting treatment of the related transaction.

Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted by the reporting date.

The calculation of the total tax charge involves a degree of estimation and judgement, and management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes positions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(e) Investments in group undertakings

Investments in group undertakings are held at cost less accumulated impairment losses.

Impairment reviews are carried out if there is some indication that impairment may have occurred, or where otherwise required to ensure that investments are not carried above their estimated recoverable amounts. Impairments are recognised in the income statement, and, where material, are disclosed as exceptional. Impairment reversals are recognised when, in management's opinion, the reversal is permanent.

Impairments of investments are calculated as the difference between the carrying value of the investment and its recoverable amounts. Recoverable amount is defined as the higher of net realisable value or estimated value in use at the date the impairment review is undertaken.

(f) Financial instruments

Financial assets, liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Loans receivable are carried at amortised cost using the effective interest method less any allowance for estimated impairments. A provision is established for impairments when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the loan. Interest income, together with losses when the loans are impaired, is recognised using the effective interest method in the income statement.

Borrowings, which include interest-bearing loans, are recorded at their initial fair value which normally reflects the proceeds received, net of direct issue costs less any repayments. Subsequently these are stated at amortised cost, using the effective interest method. Any difference between proceeds and the redemption value is recognised over the term of the borrowing in the income statement using the effective interest method.

Quadgas PledgeCo Limited

Notes to the financial statements (continued)

For the period from incorporation on 13 February 2017 to 31 March 2018

1 Summary of significant accounting policies (continued)

(g) Dividends distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2 Critical accounting judgements and estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The area of estimation that has the most significant effect on the amounts recognised in the financial statements relates to the recoverability of intercompany balances. An assessment of recoverability is performed through a review of the future cash flows of the intercompany counterparty to ensure the loans are recoverable.

3 Operating profit

Operating profit is stated after charging/(crediting) the following:

	2018
	£m
Dividend income from group undertakings	369

Fees payable to the Company's auditors for the audit of the Company's annual financial statements were £7,500. No other fees were payable to the auditors.

4 Directors and employees

There were no employees of the Company during the period.

The emoluments of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other Quadgas HoldCo Limited subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements.

Quadgas PledgeCo Limited

Notes to the financial statements (continued)

For the period from incorporation on 13 February 2017 to 31 March 2018

5 Interest income and costs

	2018 £m
Interest income on financial instruments	71
Interest receivable and similar income	71
Interest expense on financial liabilities held at amortised cost	(71)
Interest payable and similar charges	(71)
Net interest costs from continuing operations	-

6 Taxation

	2018 £m
Current tax:	
UK corporation tax at 19%	-
Deferred tax:	
UK deferred tax	-
Total tax charge	-

The tax charge for the period is lower than the standard rate of corporation tax in the UK of 19%.

	2018 £'000
Profit before tax	369
Profit before tax multiplied by the UK Corporation tax rate of 19%	70
Effect of:	
Tax effect of dividend income not taxable in determining taxable profit	(70)
Total tax charge	-

Factors that may affect future tax charges

The Finance Act 2016 reduced the corporate tax rate to 17% from 1 April 2020.

Quadgas PledgeCo Limited

Notes to the financial statements (continued)

For the period from incorporation on 13 February 2017 to 31 March 2018

7 Investments in group undertakings

	Shares in Subsidiary Undertakings £m	Total £m
Cost		
At 13 February 2017	-	-
Additions	5,106	5,106
At 31 March 2018	5,106	5,106
Provision		
At 13 February 2017 & at 31 March 2018	-	-
Net book value		
At 31 March 2018	5,106	5,106

On 31 March 2017, the Company purchased 4,928,450,000 of ordinary shares of £1 for consideration of £4,928,450,000 in Quadgas MidCo Limited at carrying value.

On 22 November 2017, the Company acquired a further 177,131,781 of ordinary shares of £1 through the capitalisation of the shareholder loan of £177,131,781 between the Company and its immediate subsidiary, Quadgas MidCo Limited.

Name of subsidiary	% Holding	Principal activity	Country of incorporation
Quadgas MidCo Limited	100	Intermediate Holding Company and provision of long term finance	England and Wales
Quadgas Finance Plc	100*	Provision of long term finance	England and Wales
Cadent Gas Limited	100*	Gas Distribution	England and Wales
Cadent Services Limited	100*	Provision of services (including property management)	England and Wales

*Indirect ownership

The registered address of these investments is Ashbrook Court, Prologis Business Park, Central Boulevard, Coventry, CV7 8PE.

Quadgas PledgeCo Limited

Notes to the financial statements (continued)

For the period from incorporation on 13 February 2017 to 31 March 2018

8 Trade and other receivables

	2018 £m
Amounts falling due after more than one year:	
Amounts owed by subsidiary undertakings	-
Amounts falling due after more than one year:	
Amounts owed by subsidiary undertakings	<u>902</u>
	<u>902</u>

The Company acts as a holding company. Debt finance passes through the company from its immediate parent Quadgas HoldCo Limited to its immediate subsidiary Quadgas MidCo Limited on identical terms. Its net exposures are therefore £nil.

9 Dividends

On the 22 November 2017, an interim dividend of 3.62p per ordinary share amounting to £185,000,000 was paid.

On the 23 March 2018, a second interim dividend of 3.59p per ordinary share amounting to £183,400,000 was declared and paid on 27 March 2018.

The directors do not propose a final dividend for the current year.

10 Borrowings

The following table analyses the Company's total borrowings:

	2018 £m
Amounts falling due after more than one year:	
Borrowings from immediate parent company	<u>902</u>
	<u>902</u>

Borrowings comprise of an unsecured loan of £902 million from Quadgas HoldCo Limited, the Company's immediate parent company. The loan carries a fixed rate of interest of 6.8% per annum with repayment on 30 April 2042.

Quadgas PledgeCo Limited

Notes to the financial statements (continued)

For the period from incorporation on 13 February 2017 to 31 March 2018

11 Share capital

	Number of shares	2018
	2018	2018
		£
At 31 March 2018 - ordinary shares of £0.0001 each		
Allotted, called-up and fully paid	<u>5,105,581,781</u>	<u>510,558</u>

The Company has one class of ordinary shares which carry no right to fixed income.

On incorporation, the Company issued 50,000 ordinary shares of £1 for consideration of £50,000.

On 31 March 2017, the Company issued a further 4,928,400,000 of ordinary shares of £1 for consideration of £4,928,400,000 to fund the acquisition of Quadgas MidCo Limited for £4,928,450,000 at carrying value.

On 22 November 2017, the Company issued a further 177,131,781 of ordinary shares of £1 through the capitalisation of the shareholder loan of £177,131,781 between the Company and its immediate shareholder, Quadgas HoldCo Limited.

On 25 January 2018, the Company reduced its share capital from £5,105,581,781 to £510,558.18 through reducing the nominal value of the ordinary shares from £1 to £0.0001.

12 Commitments and contingencies

There are debt issuances by the Company's subsidiary, Quadgas MidCo Limited, which the Company has guaranteed and has committed to honour any liabilities should Quadgas MidCo Limited have any financial difficulties.

13 Post balance sheet events

There were no post balance sheet events.

14 Ultimate parent company

The ultimate parent and controlling company is Quadgas Holdings TopCo Limited and the immediate parent company is Quadgas HoldCo Limited. The largest and smallest groups which include the Company and for which consolidated financial statements are prepared are headed by Quadgas Holdings TopCo Limited and Quadgas HoldCo Limited respectively. Quadgas Holdings TopCo Limited is registered in Jersey and Quadgas HoldCo Limited is registered in England and Wales.

Copies of Quadgas HoldCo Limited's consolidated financial statements can be obtained from the Company Secretary, Cadent Gas Limited, Ashbrook Court, Prologis Park, Central Boulevard, Coventry, CV7 8PE.

Copies of Quadgas Holdings TopCo Limited's consolidated financial statements can be obtained from the Registered Office, Quadgas Holdings TopCo Limited, First Floor Waterloo House, Don Street, St. Helier, Jersey JE1 1AD.