Company Registration Number: 10619488

Quadgas Finance Plc

Annual Report and Financial Statements

For the year ended 31 March 2019

Quadgas Finance Plc

Strategic Report

For the year ended 31 March 2019

The Directors present their Strategic Report for Quadgas Finance Plc ("the company") for the year ended 31 March 2019.

Review of the business

The principal activity of the company is 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.

Executive summary

During the year, the company paid £23 million of interest on its external debt and received interest of £23 million from Quadgas MidCo Limited. New debt raised in the year and loaned to Quadgas MidCo Limited amounted to £645 million as detailed below.

On 30 August 2018, the company issued £295 million of private fixed rate loan notes: £70 million maturing in August 2030 with a coupon rate of 3.29% and the remainder of £225 million maturing in August 2033 with a coupon rate of 3.42%.

On 17 September 2018, the company issued £350 million of fixed rate bonds maturing in September 2029 with a coupon of 3.375%. On 30 October 2018, the company listed the bonds on the London Stock Exchange.

As of 31 March 2019, the latest published credit ratings assigned to Quadgas Finance plc's debt was BBB+ by S&P.

Results

The company's loss for the financial year was £522,000 (2018: Profit of £5,000). Included within the loss for the financial year is an amount of £527,000 from the impairment of an intercompany loan as a result of the adoption of IFRS 9 'Financial Instruments' in the period. The transition adjustment relating to IFRS 9 relating to impairment of intercompany loans resulted in £199,000 reduction in the profit and loss reserve.

Financial position

The financial position of the company is presented in the statement of financial position. Total shareholders' deficit at 31 March 2019 were £666,000 (2018: surplus of £55,000) comprising non-current assets of £969,189,000 (2018: £331,104,000), net current assets of £60,000 (2018: net current liabilities £1,962,000) less creditors falling due after more than one year of £969,915,000 (2018: £329,087,000). Liquidity risk has been considered in detail in the Directors' Report.

Key performance indicators and principal risks and uncertainties

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. 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.

Future developments

The Directors believe the current level of operating activity as reported in the income statement will continue in the foreseeable future as the company will continue to provide long term finance for its immediate parent.

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

S G Hurrell
Director
27 June 2019

Quadgas Finance Plc

Directors' Report

For the year ended 31 March 2019

The Directors present their Report and the audited financial statements of the company for the year ended 31 March 2019.

Future developments

Details of future developments have been included within the Strategic Report on page 2.

Events after balance sheet date

There were no events after the balance sheet date.

Dividends

During the year the company did not pay any interim ordinary dividends (2018: £Nil).

The Directors do not recommend the payment of a final ordinary dividend.

Political donations and political expenditure

The company did not make any donations during the year (2018: £Nil).

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, credit, exchange rate risk, interest rate risks, and the use of derivative and non-derivative financial instruments. These risks are managed by Cadent Gas Limited's (a fellow subsidiary of Quadgas MidCo Limited) Treasury function ("Treasury") which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for Quadgas MidCo Limited and fellow group subsidiaries.

Treasury also seeks to limit third party counterparty risk which arises from the investment of surplus funds and the use of derivative financial instruments. Treasury monitors the exposure that Quadgas MidCo Limited and its fellow group subsidiaries has with each of its counterparties against agreed limits and these limits are monitored regularly and updated for changes in credit ratings.

The company acts as a conduit for finance raised and any related derivative transactions between the market and its immediate parent company. Its net exposures are therefore £Nil.

The company has limited direct exposure to the impacts of Brexit, however we recognise the potential macroeconomic impacts which are addressed through our financial risk management.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of external borrowings and intercompany receivables.

Credit risk

The company raises debt finance for its immediate parent company, Quadgas MidCo Limited. Amounts raised are usually passed on to Quadgas MidCo Limited on identical terms. Quadgas MidCo Limited provides guarantees for the company's obligations under these arrangements. The principal risk of these arrangements is that Quadgas MidCo Limited is unable to meet its obligations to the company.

Interest rate risk

To the extent that the company enters into intercompany loan agreements, the company's exposure to interest rate cash flow risk arises on such loans on which interest is charged based upon a floating index. There were no such loans at 31 March 2019.

Foreign exchange risk

To the extent that the company enters into loan and derivative agreements in currencies different to that of the company's functional currency, there is an exposure to movements in exchange rates. At the reporting date, the re-measurement of the USD bond (notional: $50,000,000) was a loss of £2,785,000 (2018: gain of £2,016,050 and the amortised cost of the debt in Sterling functional currency was £38,131,000 (2018: £35,448,000).

Derivative financial instruments

Derivative financial instruments in the form of cross currency interest rate swaps are entered into for the purposes of hedging foreign exchange risk. These derivative financial instruments are recorded at fair value in the financial statements. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties. Where available, market values have been used to determine fair values. In other cases, fair values have been calculated using quotations from independent financial institutions, or by discounting expected cash flows at prevailing market rates.

As at 31 March 2019, the fair value of these derivative financial instruments resulted in an external asset of £204,600 (2018: liability of £2,978,000) which is matched by amounts owed by the company to its immediate parent company of £204,600 (2018: amounts due £2,978,000). The gross notional amounts of the external and intercompany derivative contracts was £37,651,000 (2018: £37,651,000). The net notional principal of contracts, including both external and intercompany derivatives, was £Nil (2018: £Nil) with a net foreign exchange exposure of £Nil (2018: £Nil). The future cash flows from these derivatives are not affected by changes in the GBP/USD exchange rate. The contracts have fixed settlement dates.

Directors

The Directors of the company during the year and up to the date of signing of the financial statements were:

J Korpancova	
S G Hurrell	(Appointed 15 February 2019)
M W Braithwaite	(Appointed 28 November 2018)
C Train	(Resigned 15 February 2019)
C J Waters	(Resigned 29 October 2018)
M Bradley	(Resigned 28 November 2018)

Directors' indemnity

Quadgas HoldCo Limited, a group company which indirectly holds 100% of the shares in Quadgas Finance Plc, has arranged, in accordance with the Companies Act 2006 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.

Going concern

The Balance sheet shows net liabilities of £666,000 (2018: net assets of £55,000). As stated in note 1 to the financial statements, the Directors are satisfied that the company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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.

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

As the company is part of a larger group (Quadgas MidCo Limited – immediate parent company), the internal control and risk management procedures are integrated with the internal control and risk management procedures in Quadgas MidCo Limited. Quadgas MidCo Limited 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.

Internal control and risk management (continued)

Quadgas Finance plc is subject to the requirements of Rule 7.1 of the Disclosure Guidance and Transparency Rules ("DTRs") in relation to audit committees and their functions. For the purposes of DTR 7.1.5 R, the Audit and Risk Committee of Quadgas Finance plc is responsible for fulfilling functions required by DTR 7.1.3R and the committee is composed as follows:

- Sir Adrian Montague CBE (Chair)
- Dr Catherine Bell CB
- Mark Braithwaite

Capital structure

The share capital of the company consists of 50,000 ordinary shares of £1 each. There have been no changes in the capital structure during the year.

Quadgas Finance Plc

Directors' Report (continued)

For the year ended 31 March 2019

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 elected to prepare 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:

S G Hurrell
Director
27 June 2019

Registered office:
Ashbrook Court
Prologis Park
Central Boulevard
Coventry
CV7 8PE

Registered in England and Wales
Company registration number: 10619488

Independent auditors' report to the members of

Quadgas Finance Plc

For the year ended 31 March 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUADGAS FINANCE PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Quadgas Finance Plc (the "company"):

- **give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;**
- **have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • recoverability of amounts owed by immediate parent company.
Materiality	The materiality that we used in the current year was £9.8 million, which was determined on the basis of total borrowings.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Independent auditors' report to the members of

Quadgas Finance Plc

For the year ended 31 March 2019

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: • the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	**We have nothing to report in respect of these matters.**

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the prior year, we reported on management override of controls as a key audit matter. This was not identified as a key audit matter in the current year, however we discuss how the audit was capable of detecting irregularities, including fraud, later in this report.

Recoverability of amounts owed by immediate parent company	
Key audit matter description	Amounts owed by the immediate parent company Quadgas MidCo Limited ("immediate parent company") are stated in the balance sheet at £981.7 million. Quadgas Finance Plc loans borrowed funds to Quadgas MidCo Limited on back to back terms. There is significant level of judgement involved in determining the recoverability of these receivable amounts from immediate parent company based on its financial position and future prospects. This takes into consideration a range of factors such as the trading performance of Quadgas MidCo Limited group undertaking Cadent Gas Limited, a gas distribution business regulated by Ofgem, which is the only cash generating business of Quadgas MidCo Limited and its subsidiaries (the "group"). Cadent Gas Limited is a directly owned subsidiary of Quadgas MidCo Limited. The company adopted IFRS 9 Financial Instruments on 1 April 2018. As detailed further in Notes 1 and 2 an impairment loss was recognised on amounts owed by the immediate parent company using the twelve months expected credit loss method. The accumulated impairment as of 31 March 2019 is £0.7 million. Further details are included within critical accounting estimates and judgements note in note 2 and debtors note 9 to the financial statements.

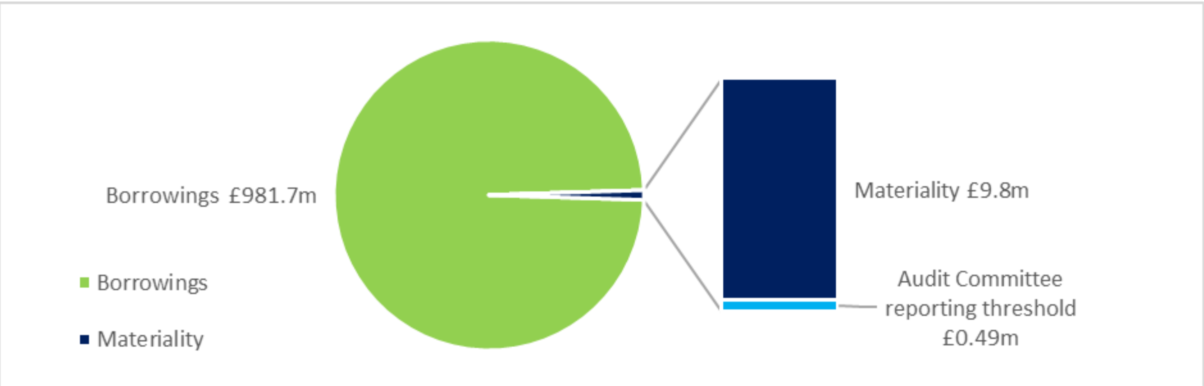
How the scope of our audit responded to the key audit matter	We challenged the directors' judgements regarding the appropriateness of the impairment loss model and reasonability of key judgements used in the estimation of the probability weighted expected credit loss. We involved our financial instruments specialists in auditing these key judgements and also re-performed calculation of the impairment loss. We also evaluated the appropriateness of the carrying value of amounts owed by the immediate parent company obtaining a copy of the latest audited financial information and our understanding of the future trading performance of the group undertaking Cadent Gas Limited. We assessed Cadent Gas Limited's future cash flow forecasts and the key assumptions including inflation and discount rates. We also reviewed the historical accuracy of Cadent Gas Limited's forecasts by comparing the actual results to forecasts.
Key observations	Based on the work performed we concluded that amounts owed by immediate parent company are appropriately stated.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£9.8 million
Basis for determining materiality	Approximately 1% of total borrowings (2018: 1%).
Rationale for the benchmark applied	The primary purpose of the company is to raise funding from external sources and provide funding to the immediate parent company. We have therefore used total borrowings as the benchmark.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £490,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

The primary purpose of the company is to raise funding from external sources and provide funding to Quadgas MidCo Limited.

A full scope audit of the company was performed, covering 100% of net assets and 100% of loss before tax. Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic and directors' report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of

Quadgas Finance Plc

For the year ended 31 March 2019

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud.
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including but not limited to controls that set tone at the top, Executive Committee's risk management process and review of the group operations and business performance during the Board meetings during the year;
- discussing among the engagement team and involving relevant internal specialists, including Financial instruments specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: In particular the risk of management override of control is in relation to management bias in using key judgements and estimates to achieve required financial results;
- obtaining an understanding of the legal and regulatory frameworks that the company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the company. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation and tax legislation.
- In addition, compliance with terms of the company's borrowing agreements were fundamental to the company's ability to continue as a going concern.

Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Independent auditors' report to the members of

Quadgas Finance Plc

For the year ended 31 March 2019

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Directors on 22 November 2017 to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years covering the years ending 31 March 2018 and 31 March 2019.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jacqueline Holden FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory auditor
London, United Kingdom
27 June 2019

Quadgas Finance Plc

Income Statement

For the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Interest receivable and similar income	5	**22,920**	**4,311**
Interest payable and similar charges	6	**(22,914)**	**(4,305)**
Net gains/(losses) on external financial instruments	7	**810**	**(1,070)**
Net (losses)/gains on intercompany financial instruments	7	**(810)**	**1,070**
Impairment of intercompany loan		**(527)**	**-**
(Loss)/Profit before taxation		**(521)**	**6**
Tax	8	**(1)**	**(1)**
(Loss)/Profit for the financial year		**(522)**	**5**

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.

See note 1 for basis of presentation.

The notes on pages 18 to 33 form an integral part of these financial statements.

Quadgas Finance Plc

Statement of Financial Position

As at 31 March 2019

	Notes	**2019 £'000**	2018 £'000
Non-current assets			
Debtors: amounts falling due after more than one year	9	**968,984**	328,018
Derivative financial instruments: amounts falling due after more than one year	10	**205**	3,086
		969,189	331,104
Current assets			
Debtors: amounts falling due within one year (owed by immediate parent company)	9	**12,058**	4,261
Derivative financial instruments: amounts falling due within one year	10	**-**	108
		12,058	4,369
Current liabilities			
Creditors: amounts falling due within one year	11	**(11,997)**	(6,222)
Derivative financial instruments: amounts owing within one year	10	**-**	(108)
Taxation	8	**(1)**	(1)
		(11,998)	(6,331)
Net current assets/(liabilities)		**60**	(1,962)
Total assets less current liabilities		**969,249**	329,142
Non-current liabilities			
Creditors: amounts falling due after more than one year	12	**(969,710)**	(326,001)
Derivative financial instruments: amounts due after more than one year	10	**(205)**	(3,086)
		(969,915)	(329,087)
Net (liabilities)/assets		**(666)**	55
Equity			
Share capital	14	**50**	50
Profit and loss account		**(716)**	5
Total shareholders' (deficit)/funds		**(666)**	55

The notes on pages 18 to 33 form an integral part of these financial statements.

The financial statements on pages 15 to 33 were approved by the Board of Directors on 27 June 2019 and signed on its behalf by:

S G Hurrell
Director

Quadgas Finance Plc
Company registration number: 10619488

Quadgas Finance Plc

Statement of Changes in Equity

For the year ended 31 March 2019

	Share capital	Profit & loss account	Total
	£'000	**£'000**	**£'000**
Balance at 31 March 2018	**50**	**5**	**55**
Changes due to the adoption of IFRS 9 (see Note 1)	**-**	**(199)**	**(199)**
At 1 Apr 2018 (restated)	**50**	**(194)**	**(144)**
Loss for the year	**-**	**(522)**	**(522)**
Other comprehensive loss for the year	**-**	**-**	**-**
Total comprehensive loss for the year	**-**	**(522)**	**(522)**
At 31 March 2019	**50**	**(716)**	**(666)**

	Share capital	Profit & loss account	Total
	£'000	£'000	£'000
At 1 April 2017	50	-	50
Profit for the year	-	5	5
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	5	5
At 31 March 2018	50	5	55

The notes on pages 18 to 33 form an integral part of these financial statements.

1 Summary of significant accounting policies

Quadgas Finance Plc (the “company”) is a public limited company and is incorporated and registered in England and Wales. The address of its registered office is Ashbrook Court, Prologis Park, Central Boulevard, Coventry, CV7 8PE

The nature of the company’s operations and its principal activities are set out in the Strategic Report on page 1.

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 years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of Quadgas Finance Plc have been prepared on the going concern basis in accordance with applicable UK accounting and financial reporting standards (FRS 101) and the Companies Act 2006. This is appropriate despite the net liability position of the company as the company raises debt from external sources and lends on a back to back basis to Quadgas MidCo Limited and relies Quadgas MidCo Limited as its only income source, which is a legal entity with net asset position of £4,199m (2018: £5,402m) and a company credit rating of BBB+ (S&P). On this basis it is clear that Quadgas MidCo Limited is highly likely to be able to pay its debts as they fall due.

The financial statements have been prepared on an historical cost basis except for the revaluation of derivative financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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, as it is a member of a Quadgas MidCo Limited group where the parent of the group prepares publicly available consolidated financial statements which include the company’s results.

The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) ‘Reduced Disclosure Framework’ 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, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective and related party transactions.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

The key accounting estimates are in respect of

- the fair value of derivative financial instruments which are calculated by discounting future cash flows; and
- the recoverability of intercompany balances.

Derivatives values are calculated by discounting future cash flows using discount rates which are derived from yield curves based on quoted interest rates and are adjusted for credit risk, which is estimated based on market observations.

(b) New accounting standards

As noted above, the 2019 Annual Report and Financial Statements have been prepared under FRS 101. As a result, the new accounting standards under IFRS, namely, IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' are applicable to reporting periods beginning on or after 1 January 2018, and have therefore been adopted by the company for the period commencing 1 April 2018 and IFRS 16 'Leases' will become effective for the period commencing 1 April 2019. It should be noted, however, that IFRS 15 and IFRS 16 have no impact on the company as the company has no revenue or leases.

IFRS 9 mandates the use of an expected credit loss model to calculate impairment losses rather than an incurred loss model. Under IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. The new impairment model requires the company to recognise expected credit losses for intercompany receivables. The expected credit loss model is discussed further in section 1(f) financial instruments.

Quadgas Finance Plc has significant intercompany balances of £969,710,000 as its principal activity is the provision of long term finance for its immediate parent, Quadgas MidCo Limited. Under IFRS 9, Quadgas Finance Plc 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 Quadgas Finance Plc 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. An impairment loss of £199,000 has been included within opening reserves reflecting the initial impairment of intercompany loans on the adoption of IFRS 9. The movement in the impairment charge included in the income statement in the period amounts to £527,000.

1 Summary of significant accounting policies (continued)

(b) New accounting standards (continued)

	IAS 39 carrying amount at 31 March 2018 £'000	Adjustment relating to IFRS 9 transition £'000	IFRS 9 carrying amount at 1 April 2018 £'000
Profit and loss account	5	(199)	(194)
Debtors fully due after one year	328,018	(199)	327,819

In the current year, the company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- *Annual Improvements to IFRSs 2014-2016 Cycle*
- *IFRS 15 Revenue from Contracts with Customers*
- *IFRIC 22 Foreign currency transactions and advance consideration*

(c) Net Finance 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 income statement, the statement of comprehensive income 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) Foreign currency transactions and balances

Foreign currency transactions are re-measured into the functional currency of the company using the exchange rates prevailing on the dates of the transactions or valuation where items are re-measured. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

1 Summary of significant accounting policies (continued)

(f) Financial instruments

Initial recognition

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the company will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised as a gain or loss on initial recognition (i.e. day 1 profit or loss); or
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss such that it reaches a value of zero at the time when the entire contract can be valued using active market quotes or verifiable objective market information. Depending on the type of financial instrument, the Group can adopt one of the following policies for the amortisation of day 1 gain or loss:

- calibrate unobservable inputs to the transaction price and recognise the deferred gain or loss as the best estimates of those unobservable inputs change based on observable information; or
- release the day 1 gain or loss in a reasonable fashion based on the facts and circumstances (i.e. using either straight-line or non-linear amortisation).

Classification and measurement

Financial instruments are classified at inception into one of the following categories which then determines the subsequent measurement methodology:

Financial assets are classified into one of the following three categories:

- financial assets at amortised cost; and
- financial assets at fair value through other comprehensive income (FVTOCI); and
- financial assets at fair value through profit or loss (FVTPL).

1 Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Financial liabilities are classified into one of the following two categories

- financial liabilities at amortised cost; and
- financial liabilities at fair value through profit and loss (FVTPL).

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.

Derivative financial instruments ('derivatives') are recorded at fair value. Where the fair value of a derivative is positive, it is carried as a derivative asset and where negative, as a liability.

Assets and liabilities on different transactions are only netted if the transactions are with the same counterparty, a legal right of set off exists and the cash flows are intended to be settled on a net basis. Gains and losses arising from changes in fair value are included in the income statement in the period they arise.

The fair value of financial derivatives is calculated by discounting all future cash flows by the market yield curve at the reporting date, and adjusting for own and counterparty credit. The market yield curve for each currency is obtained from external sources for interest and foreign exchange rates.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

1 Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Derecognition

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Impairment of financial assets

The company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVTPL, namely:

- trade receivables; and
- loan receivables; and
- other receivables.

The company measures the loss allowances for amounts owed by immediate parent company at an amount equal to the lifetime expected credit loss. The way this is calculated is based on the applied impairment methodology, as described below:

Stage 1: For financial assets where there has not been a significant increase in credit risk since initial recognition, and were not credit impaired on recognition, the company recognises a loss allowance based on the 12 month expected credit loss.

Stage 2: For financial assets where there has been a significant increase in credit risk since initial recognition, and were not credit impaired, the company recognises a loss allowance for lifetime expected credit loss.

Stage 3: For financial assets which are credit impaired, the company recognises the lifetime expected credit loss.

A significant increase in credit risk would by any change in circumstances specific to the counterparty or to the wider economic environment whereby the risk of default could be said to have been significantly increased within reasonable thresholds.

1 Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Evidence that the financial asset is credit impaired includes the following:

- significant financial difficulties of the counterparty; or
- a breach of contract such as default or past due event; or
- the restructuring of the loan or advance by the company that the company would not consider otherwise; or
- it is probably that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for an associated security because of financial difficulties.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, 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 impairment of amounts owed by immediate parent company. The expected loss is calculated by determining the probability of default of the counterparty and the amount of the loan deemed likely to be recoverable in the event of default. The expected loss calculation is discussed further in note 1(f) Financial instruments and note 9 Debtors.

Below is sensitivity analysis on how the key assumptions might impact the carrying amounts of this balance:

	Income Statement £'000	Net Assets £'000
Probability of default change of 0.1%	**196**	**196**
Recovery rate change of 10%	**363**	**363**

The probability of default change of 0.1% and recovery rate change of 10% and changes that management deem reasonably likely within the next 12 months.

Impairment of amounts owed by immediate parent company at the reporting date is £726,000 (2018: £nil). There has been no changes to the assessment methodology in the year, all changes relate to the new reporting standard IFRS 9 (Note 1).

3 Operating loss profit/ (loss) before tax

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

	2019	2018
	£'000	£'000
Net gains/(losses) on external financial instruments (Note 7)	**810**	(1,070)
Net (losses)/gains on intercompany financial instruments (Note 7)	**(810)**	1,070
Impairment of intercompany loans	**(527)**	-
	(527)	-

Fees payable to the company's auditors for the audit of the company's annual financial statements of £36,100 (2018: £35,000) and non-audit services amounting to £58,400 (2018: £28,000) have been borne by its parent company, Quadgas MidCo Limited. No other fees were payable to the auditors (2018: £Nil)

4 Directors and employees

There were no employees of the company during the year (2018: Nil).

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 MidCo Limited subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements.

5 Interest receivable and similar income

	2019	2018
	£'000	£'000
Interest receivable from immediate parent company	**22,920**	4,311
	22,920	4,311

6 Interest payable and similar charges

	2019	2018
	£'000	£'000
Interest payable on other borrowings	**(22,914)**	(4,305)
	(22,914)	(4,305)

7 Net gains/(losses) on financial instruments

	2019	2018
	£'000	£'000
External		
Net gains/(losses) on derivatives not designated in a hedge relationship	**3,595**	(3,086)
Exchange (losses)/gains on revaluation of foreign currency denominated loans	**(2,785)**	2,016
	810	(1,070)
Internal		
Net (losses)/gains on derivatives not designated in a hedge relationship	**(3,595)**	3,086
Exchange gains/(losses) on revaluation of foreign currency denominated loans	**2,785**	(2,016)
	(810)	1,070

8 Tax

Tax charged to the income statement

	2019	2018
	£'000	£'000
(Loss)/Profit before tax	**(521)**	6
(Loss)/Profit before tax multiplied by the UK Corporation tax rate of 19% (2018: 19%)	**(99)**	1
Effect of:		
Non-deductible expenditure	**100**	-
Total tax charge	**1**	1

	2019	2018
	£'000	£'000
Current tax:		
UK corporation tax	**1**	1
Adjustments in respect of prior years	**-**	-
Total current tax	**1**	1
Tax charge on profit before tax	**1**	1

The tax charge for the period after exceptional items and remeasurements is higher (2018: same) than the standard rate of corporation tax in the UK of 19% (2018 19%).

Factors that may affect future tax charges

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

9 Debtors

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by immediate parent company	**12,058**	4,261
	12,058	4,261
Amounts falling due after more than one year:		
Amounts owed by immediate parent company	**969,710**	328,018
Loss allowance	**(726)**	-
	968,984	328,018

The company raises debt finance for its immediate parent company, Quadgas MidCo Limited. Amounts raised will usually be passed on to Quadgas MidCo Limited on identical terms, these terms are set out in note 13. Quadgas MidCo Limited provides guarantees for the company's obligations under these arrangements.

The company measures the loss allowance for amounts owed by immediate parent company at an amount equal to 12 month expected credit loss, representing a stage 1 financial asset.

The financial asset will move to stage 2 where there has been a significant increase in credit risk since initial recognition, and were not credit impaired, the company recognises a loss allowance for lifetime expected credit loss.

A financial asset will move to stage 3 when it has become credit impaired, and the company will recognise the lifetime expected credit loss.

Financial assets are impaired by calculating the probability of default and the estimated recoverable amount given default, which is used to calculate the expected credit loss. The group has taken default to be defined as a counterparty that has entered administration.

10 Derivative financial instruments

The fair values of derivative financial instruments are as follows:

		2019	
	Assets £'000s	**Liabilities £'000s**	**Total £'000s**
Amounts falling due within one year (external)	**-**	**-**	**-**
Amounts falling due within one year (internal)	**-**	**-**	**-**
Amounts falling due after more than one year (external)	**205**	**-**	**205**
Amounts falling due after more than one year (internal)	**-**	**(205)**	**(205)**
	205	**(205)**	**-**

10 Derivative financial instruments (continued)

	Assets £'000s	2018 Liabilities £'000s	Total £'000s
Amounts falling due within one year (external)	108	-	108
Amounts falling due within one year (internal)	-	(108)	(108)
Amounts falling due after more than one year (external)	-	(3,086)	(3,086)
Amounts falling due after more than one year (internal)	3,086	-	3,086
	3,194	(3,194)	-

The derivative financial instruments included on the statement of financial position are measured at fair value. These fair values can be categorised into hierarchy levels that are representative of the inputs used in measuring the fair value. The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used.

The hierarchy levels are explained below:
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.

At 31 March 2019	**Level 1 £'000s**	**Level 2 £'000s**	**Level 3 £'000s**	**Total £'000s**
Assets				
Derivative financial instruments (external)	**-**	**205**	**-**	**205**
	-	**205**	**-**	**205**
Liabilities				
Derivative financial instruments (internal)	**-**	**(205)**	**-**	**(205)**
	-	**(205)**	**-**	**(205)**
Total	-	-	-	-

10 Derivative financial instruments (continued)

At 31 March 2018	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Assets				
Derivative financial instruments (internal)	-	2,978	-	2,978
	-	2,978	-	2,978
Liabilities				
Derivative financial instruments (external)	-	(2,978)	-	(2,978)
	-	(2,978)	-	(2,978)
Total	-	-	-	-

$50,000,000 of fixed to fixed cross currency interest rate swaps were transacted to convert principal and interest cash flows on the $50,000,000 of debt issuance maturing in 2024 to sterling. Quadgas Finance Plc has transacted an equal and opposite internal fixed to fixed cross currency interest rate swap with its immediate parent company Quadgas MidCo Limited, its net exposure is therefore £Nil, and so hedge accounting is not applied.

For each class of derivative the notional contract amounts* are as follows:

	2019 £'000	2018 £'000
Cross-currency interest rate swaps (external)	**37,651**	37,651
Cross-currency interest rate swaps (internal)	**(37,651)**	(37,651)
	-	-

* The notional contract amounts of derivatives indicate the gross nominal value of transactions outstanding at the reporting date.

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

10 Derivative financial instruments (continued)

The following table details the notional principal amounts and remaining terms of external interest rate swap contracts outstanding as at the reporting date:

Outstanding receive dollar pay sterling contracts	Average contractual exchange rate		Notional principal value		Fair value	
	2019 *rate*	**2018** *rate*	**2019** **£'000**	**2018** **£'000**	**2019** **£'000**	**2018** **£'000**
5 years or more (external)	**1.3278**	1.3278	**18,828**	18,828	**97**	(1,497)
5 years or more (external)	**1.3282**	1.3282	**18,823**	18,823	**108**	(1,481)
5 years or more (internal)	**1.3278**	1.3278	**18,828**	18,828	**(97)**	1,497
5 years or more (internal)	**1.3282**	1.3282	**18,823**	18,823	**(108)**	1,481

The interest rate swaps settle on a semi-annual basis.

11 Creditors: amounts falling due within one year

	2019 **£'000**	2018 £'000
Derivative financial instruments (Note 10)	-	108
Borrowings (Note 13)	**11,992**	4,202
Intercompany loans payable	**5**	2,020
	11,997	6,330

12 Creditors: amounts falling due after more than one year

	2019 **£'000**	2018 £'000
Derivative financial instruments (Note 10)	**205**	3,086
Borrowings (Note 13)	**969,710**	326,001
	969,915	329,087

13 Borrowings

	2019	2018
	£'000	£'000
Amounts falling due within one year		
Accrued interest	**11,992**	4,202
	11,992	4,202
Amounts falling due after more than one year		
Bonds	**969,710**	326,001
	969,710	326,001

	2019	2018
	£'000	£'000
Total borrowings are repayable as follows:		
Less than 1 year	**11,992**	4,202
In 1-2 years	**-**	-
In 2-3 years	**-**	-
In 3-4 years	**-**	-
In 4-5 years	**-**	-
More than 5 years	**969,710**	326,001
	981,702	330,203

The fair value of borrowings at 31 March 2019 was £1,002,000,000 (2018: 329,000,000). Where market values were available, fair value of borrowings (Level 1) was £363,000,000 (2018: £Nil). Where market values were not available, the fair value of borrowings (Level 2) was £639,000,000 (2018: £329,000,000), calculated by discounting cash flows at prevailing interest rates. The notional amount outstanding of the debt portfolio at 31 March 2019 was £975,000,000 (2018: £330,000,000).

13 Borrowings (continued)

The interest rates range from 2.96%-3.66%.

Summary of Borrowings

Currency	Type	Notional £m	Rate	Maturity Date	Book Value £m	Fair Value £m
Fixed Rate						
GBP	Listed	149	Fixed	31/10/2027	150	151
GBP	Listed	103	Fixed	31/10/2029	103	104
GBP	Listed	40	Fixed	31/10/2032	40	40
USD*	Listed	38	Fixed	31/10/2024	39	41
GBP	Listed	70	Fixed	30/08/2030	70	72
GBP	Listed	225	Fixed	30/08/2033	227	231
		625			**629**	**639**
GBP	Listed	350	Fixed	17/09/2029	353	363
		350			**353**	**363**
TOTAL		**975**			**982**	**1,002**

* Dollar amount is $50m

As at 31 March 2019 the company had no collateral placed or received from counterparties and no committed facilities.

14 Share capital

	2019 £'000	2018 £'000
Allotted, fully paid and called up		
50,000 ordinary shares of £1 each	**50**	50

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

15 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.

16 Ultimate parent company

The ultimate parent and controlling company is Quadgas Holdings Topco Limited and the immediate parent company is Quadgas MidCo Limited. The largest and smallest group which includes the company and for which consolidated financial statements are prepared are headed by Quadgas Holdings TopCo Limited and Quadgas MidCo Limited respectively. Quadgas Holdings TopCo Limited is registered in Jersey and Quadgas MidCo Limited is registered in England and Wales.

Copies of the Quadgas MidCo Limited consolidated financial statements can be obtained from the Company Secretary, Quadgas MidCo 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, 3rd Floor 37 Esplanade, St. Helier, Jersey JE1 1AD.