

Company Registration Number: 10619488

Quadgas Finance Plc

Annual Report and Financial Statements

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



Quadgas Finance Plc

Strategic Report

For the period from incorporation on 14 February 2017 31 March 2017

The Directors present their Strategic Report for Quadgas Finance Plc ("the Company") from incorporation on 14 February 2017 to 31 March 2017.

Review of the business

The principle 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

The Company was incorporated on 14 February 2017 and has not traded in the period to 31 March 2017.

Results

The Company did not trade in the period.

Financial position

The financial position of the Company is presented in the statement of financial position. Total shareholders' funds at 31 March 2017 were £50,000 comprising intercompany loans of £50,000.

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 year, in measuring the development, performance or the position of the Company and the principal risks and uncertainties are integrated with the principal risks of Quadgas MidCo Limited.

For information on the development, performance, risks, uncertainties and position of Quadgas MidCo Limited and its subsidiaries and of the key performance indicators used, refer to the Strategic Report included in Quadgas MidCo Limited's Annual Report and Accounts 2016/17, which does not form part of this report.

Future developments

The Company will begin to provide long term finance for its immediate parent.

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



C Train

Director

22 November 2017

Quadgas Finance Plc

Directors' Report

For the period from incorporation on 14 February 2017 to 31 March 2017

The Directors present their Report and the audited financial statements of the Company for the period from incorporation on 14 February 2017 to 31 March 2017.

Future developments

Details of future developments have been included within the Strategic Report on page 1.

Dividends

During the year the Company did not pay any interim ordinary dividends.

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.

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, inflation rate risks, and the use of derivative and non-derivative financial instruments. These risks are managed by Cadent Gas Limited's Treasury function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for Cadent Gas 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 Cadent Gas Limited 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.

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.

Liquidity risk

The Company raises debt finance for its immediate parent company. 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.

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 cash flow 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 2017.

Quadgas Finance Plc

Directors' Report

For the period from incorporation on 14 February 2017 to 31 March 2017

Inflation rate cash flow risk

To the extent that the Company enters into intercompany loan agreements, the Company's exposure to inflation rate cash flow risk arises on such loans on which the loan principal accretes in line with UK RPI. There were no such loans at 31 March 2017.

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. There were no such loans at 31 March 2017.

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. There were no such derivative financial instruments at 31 March 2017.

Directors

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

| | |
|-----------------|--|
| C J Waters | (Appointed 14 February 2017, Resigned 31 March 2017) |
| M W Braithwaite | (Appointed 14 February 2017, Resigned 31 March 2017) |
| D C Bonar | (Appointed 14 February 2017, Resigned 31 March 2017) |
| J Korpancova | (Appointed 15 March 2017) |
| C Train | (Appointed 31 March 2017) |
| M Bradley | (Appointed 31 March 2017) |

Directors' indemnity

Quadgas Holdco Limited 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

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

On 4 October 2017, the Company placed £330 million of private loan notes to seven investors. The coupons were in the range of 2.8% to 3.18% and the terms ranged from 7 and 15 years. The proceeds raised will be loaned to Quadgas MidCo Limited, the Company's immediate parent company and used to repay existing debt.

Quadgas Finance Plc

Directors' Report

For the period from incorporation on 14 February 2017 to 31 March 2017

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.

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 50,000 ordinary shares of £1 each.

Quadgas Finance Plc

Directors' Report

For the period from incorporation on 14 February 2017 to 31 March 2017

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:



C Train
Director
22 November 2017

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

Report on the financial statements

Our opinion

In our opinion, Quadgas Finance Plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its result for the period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2017, the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of

Quadgas Finance Plc (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 March 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

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 auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Richard French (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

22/11/2017

Quadgas Finance Plc

Income statement and Comprehensive income statement

For the period from incorporation on 14 February 2017 to 31 March 2017

The company did not trade during the period, therefore an income statement and comprehensive income statement has not been prepared.

Quadgas Finance Plc
Statement of financial position
As at 31 March 2017

| | Notes | 2017 £'000 |
|---|-------|---------------|
| Current assets | | |
| Debtors: amounts falling due within one year (owed to immediate parent Company) | 4 | 50 |
| | | <hr/> 50 |
| Creditors: amounts falling due within one year | | - |
| Net current assets | | <hr/> 50 |
| Total assets less current liabilities | | <hr/> 50 |
| Creditors: amounts falling due after more than one year | | - |
| Net assets | | <hr/> 50 |
| Equity | | |
| Share capital | 5 | 50 |
| Cash flow hedge reserve | | - |
| Profit and loss account | | - |
| Total shareholders' funds | | <hr/> 50 |

The financial statements on pages 8 to 14 were approved by the Board of Directors on 22 November 2017 and signed on its behalf by:



C Train
Director

Quadgas Finance Plc
Company registration number: 10619488

Quadgas Finance Plc

Statement of changes in equity

For the period from incorporation on 14 February 2017 to 31 March 2017

| | Share capital £'000 | Profit and loss account £'000 | Total £'000 |
|---|---------------------------|--|----------------|
| At 14 February 2017 | - | - | - |
| Issue of share capital | 50 | - | 50 |
| Profit / (loss) for the year | - | - | - |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive income for the year | - | - | - |
| At 31 March 2017 | 50 | - | 50 |

Quadgas Finance Plc

Notes to the financial statements

For the period from incorporation on 14 February 2017 to 31 March 2017

1 Summary of significant accounting policies

Quadgas Finance Plc is a public liability company and is incorporated and domiciled in the United Kingdom. The address of its registered office is 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 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. The financial statements have been prepared on an historical cost basis except for the revaluation of derivative financial instruments. 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 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, impairment of assets and related party transactions.

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 is in respect of the fair value of derivative financial instruments which are calculated by discounting future cash flows. Discount rates are derived from yield curves based on quoted interest rates and are adjusted for credit risk, which is estimated based on market observations.

(b) Interest receivable and similar income

Interest income is 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.

Quadgas Finance Plc

Notes to the financial statements (continued)

For the period from incorporation on 14 February 2017 to 31 March 2017

1 Summary of significant accounting policies (continued)

(c) Tax

The tax charge for the period is recognised in the income statement, the statement of 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.

(d) 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. 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. All other foreign exchange gains and losses are presented in the income statement within other operating income or expense.

(e) 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.

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.

Quadgas Finance Plc

Notes to the financial statements (continued)

For the period from incorporation on 14 February 2017 to 31 March 2017

1 Summary of significant accounting policies (continued)

(f) Hedge accounting

The company acts as a conduit for finance raised and any related derivative transactions between the market and its immediate parent company and therefore net exposures are nil resulting in no hedge accounting being applied.

Changes in the fair value of derivatives are recognised in the income statement as they arise.

(g) Dividends

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 Audit fees

Fees payable to the Company's auditors for the audit of the Company's annual financial statements of £10,000 have been borne by a fellow subsidiary, Cadent Gas Limited. No other fees were payable to the auditors.

3 Directors and employees

There were no employees of the Company during the year.

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.

4 Debtors

| | 2017 £'000 |
|--|---------------|
| Amounts falling due within one year: | |
| Amounts owed by immediate parent company | 50 |
| | <u>50</u> |
| Amounts falling due after more than one year: | |
| Amounts owed by immediate parent company | . |
| | <u>.</u> |

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. Quadgas MidCo Limited will provide guarantees for the company's obligations under these arrangements.

Quadgas Finance Plc

Notes to the financial statements (continued)

For the period from incorporation on 14 February 2017 to 31 March 2017

5 Share capital

| | 2017 £'000 |
|-----------------------------------|---------------|
| Allotted and called up | |
| 50,000 ordinary shares of £1 each | <u>50</u> |

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

6 Related party transactions

The Company is exempt under FRS 101.8(k) from disclosing transactions with Quadgas Holdings TopCo 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.

7 Commitments and contingencies

There are debt issuances that are guaranteed by other companies in the Group which the Company is party to. These guarantors commit to honour any liabilities should the Company issuing the debt have any financial difficulties.

8 Post balance sheet events

On 4 October 2017, the Company placed £330 million of private loan notes to seven investors. The coupons were in the range of 2.8% to 3.18% and the terms ranged from 7 and 15 years. The proceeds raised will be loaned to Quadgas MidCo Limited, the Company's immediate parent company and used to repay existing debt.

9 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 is headed by Quadgas MidCo Limited. Quadgas Holdings TopCo Limited is registered in Jersey and Quadgas MidCo Limited is registered in England and Wales.

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