

Registered No. 05149491

## Wales & West Gas Networks (Junior Finance) Limited

Annual report and financial statements  
for the year ended 31 March 2017

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## Directors and advisers

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### Directors

Andrew Hunter	Chairman (R)
Graham Edwards	Chief Executive Officer (H)
Dominic Chan	(A, R, H, T)
Edmond Ip	
Hing Lam Kam	(R)
Duncan Macrae	(A, R, H, T)
Charles Tsai	(R)
Neil Henson	(Alternate Director to Graham Edwards)
Neil McGee	(Alternate Director to Dominic Chan)
Wendy Tong-Barnes	(Alternate Director to Hing Lam Kam)

- (A) Member of the Audit Committee of Wales & West Utilities Limited*
- (R) Member of the Remuneration Committee of Wales & West Utilities Limited*
- (H) Member of the Health & Safety Committee of Wales & West Utilities Limited*
- (T) Member of the Treasury Committee of Wales & West Utilities Limited*

### Company secretary and registered office

Paul Millar  
Wales & West House, Spooner Close, Celtic Springs, Coedkernew, Newport, NP10 8FZ

### Independent auditor

Deloitte LLP  
Statutory Auditor  
Cardiff, United Kingdom

### Principal bankers

Barclays Bank plc  
One Churchill Place, London, E14 5HP

# Strategic report

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## Business review

The financial statements present the Company's results for the year ended 31 March 2017 and the financial position as at 31 March 2017 with comparatives for a 15 month and 1 day period ended 31 March 2016 "period ended 31 March 2016".

Overall Wales & West Gas Networks (Junior Finance) Limited ("the Company") has performed satisfactorily during the year.

## Results and operating performance

The profit on ordinary activities before taxation for the year ended 31 March 2017 amounted to £2.8m (period ended 31 March 2016: profit of £3.2m). The profit for the year amounted to £2.2m (period ended 31 March 2016: profit of £2.8m).

The results of the Company for the year ended 31 March 2017 are set out in the profit and loss account on page 9.

The principal trading subsidiary of the Company is Wales & West Utilities Limited.

## History and development

The Company is a member of a private group. Details of the immediate and ultimate parent company are set out in note 13 to the financial statements.

## Principal risks and uncertainties

The principal risk to the Company is the recovery of funds lent to Wales & West Gas Networks (Senior Finance) Limited and the repayment of the amounts owed to the parent company as they fall due.

From the perspective of the Company, additional principal risks and uncertainties are integrated with the principal risks of the Wales & West Gas Networks (Holdings) Limited group ("The Group") and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are disclosed within the Group's consolidated financial statements

## Financial review

### *Basis of accounting*

The financial statements present the Company's results for the year ended 31 March 2017 with comparatives for the 15 month and 1 day period ended 31 March 2016 and the financial position as at 31 March 2017 and 31 March 2016. They have been prepared using the accounting policies shown on pages 12 and 13, in accordance with Financial Reporting Standard 102 ("FRS 102") as issued by the Financial Reporting Council in the United Kingdom.

The Company has transitioned from UK GAAP to FRS 102 as issued by the Financial Reporting Council for the year ended 31 March 2017 with comparatives restated accordingly. As shown in note 14 to the financial statements, no accounting policies were required to change on transition to FRS 102, and therefore no transition adjustments have been made.

### *Cash flow forecasting*

Both short term and long term cash flow forecasts are produced periodically to support liquidity management.

### *Shareholder funds*

Shareholder funds at 31 March 2017 amounted to £68.8m (31 March 2016: £23.0m) as a result of a retained profit for the year of £2.2m (period ended 31 March 2016: retained profit of £2.8m) and the release of intercompany loan interest of £43.6m to reserves (period ended 31 March 2016: £nil).

There were no movements in the authorised and issued share capital of the Company during the year.

### *Borrowings*

Details of gross borrowings are disclosed in notes 5 and 6.

## Strategic report (continued)

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### Future developments

The directors do not envisage any changes in the activity of the Company for the foreseeable future.

During the year there has been a significant development in respect of the accounting for accrued interest on intercompany loans.

Prior to March 2016, to the extent that accrued interest was not paid, under the terms of the intercompany loan it was capitalised and added to the relevant intercompany loan outstanding on the interest payment date (and such capitalised interest is treated as loan principal thereafter). Following a Board resolution, after March 2016, interest accrued but not paid can be released to a capital reserve and not capitalised into the loan balance. £43.6m has been released to the capital reserve in the year ended 31 March 2017.

There were no other significant developments within the Company that occurred during the financial year under review except for that mentioned above.

By order of the Board



Paul Millar  
Company secretary  
27 July 2017

## **Report of the directors**

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The directors have pleasure in presenting their annual report to the shareholder of Wales & West Gas Networks (Junior Finance) Limited ("the Company"), together with the audited financial statements for the year ended 31 March 2017 as presented on pages 9 to 18.

### **Principal activities**

The Company is a private company limited by shares. The Company is principally a holding company. It has an indirect 100% interest in Wales & West Utilities Limited, a company engaged in the management of gas transportation assets. That company provides gas distribution and meter work services throughout Wales and the South West of England.

The Company does not envisage any changes in its activities in the foreseeable future.

### **Dividend on ordinary shares**

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2017 (period ended 31 March 2016: £nil).

### **Directors**

The names of the current directors of the Company are shown on page 1.

There were no changes in directors during the period under review and up to the date of signing of the annual report and financial statements, all directors served throughout the year.

### **Company secretary**

The name of the current Company secretary is shown on page 1.

### **Directors' service contracts and remuneration**

No director received any remuneration in respect of their duties to the Company.

### **Directors' interests**

There were no significant contracts subsisting during or at the end of the year with the Company in which any director is or was materially interested (other than service contracts).

None of the directors has or has had a beneficial interest in the shares of the Company.

### **Contributions for political purposes**

During the year ended 31 March 2017, there have been no political donations (period ended 31 March 2016: £nil).

### **Directors' liability insurance**

The Company has entered into deeds of indemnity for the benefit of each director of the Company in respect of liabilities to which they may become liable in their capacity as director of the Company and of any Company in the Group. These indemnities are qualifying third party indemnity provisions for the purposes of section 234 of the Companies Act 2006 and were in force during the year and also at the date of approval of the annual report and financial statements.

### **Non-adjusting events after the end of the reporting period**

There were no non-adjusting events to disclose after the end of the year under review and up to the date of signing the annual report and financial statements.

### **Future developments**

Details of future developments can be found in the Strategic report on page 3 and form part of this report by cross-reference.

## Report of the directors (continued)

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### Going concern

The Company's financial statements have been prepared on the basis that the Company is a going concern.

The business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report on pages 2 and 3. The financial position of the Company is set out on page 2.

In arriving at their decision to prepare the financial statements on a going concern basis, the directors have reviewed the Group's and Company's budget for calendar year 2017, its forecasts and medium term business plans. The review included considering the cash flow implications of the plans and comparing these with the Group's and Company's cash resources and committed borrowing facilities and concluded that the Company was in a position to meet its liabilities as they fall due.

### Disclosure of information to auditor

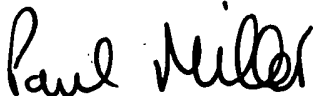
In the case of each person who is a director at the time when the report is approved under section 419 of the Companies Act 2006:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP has expressed their willingness to continue in office as auditor and are deemed to be reappointed, subject to certain specified circumstances under s487 of the Companies Act 2006.

By order of the Board



Paul Millar  
Company secretary  
27 July 2017

## **Directors' responsibilities statement**

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The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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.

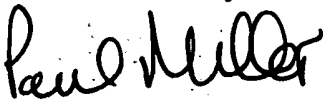
In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**By order of the Board**



Paul Millar  
**Company secretary**  
27 July 2017



## **Independent auditor's report to the members of Wales & West Gas Networks (Junior Finance) Limited**

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We have audited the financial statements of Wales & West Gas Networks (Junior Finance) Limited for the year ended 31 March 2017 which comprise the profit and loss account, the balance sheet, the statement of changes in equity, the principal accounting policies and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

### **Respective responsibilities of directors and auditor**

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter 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 Report of the directors for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Report of the directors have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and the environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Report of the directors.

## **Independent auditor's report to the members of Wales & West Gas Networks (Junior Finance) Limited (continued)**

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### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Nigel Thomas*

Nigel Thomas (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Cardiff, United Kingdom  
28 July 2017

## Profit and loss account for the year ended 31 March 2017

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	Note	Year ended 31 March 2017 £m	Period ended 31 March 2016 £m
<b>Operating result</b>	1	-	-
Interest receivable and similar income	2(a)	89.4	110.2
Interest payable and similar charges	2(b)	(86.6)	(107.0)
<b>Profit on before taxation</b>		<b>2.8</b>	<b>3.2</b>
Tax on profit	3	(0.6)	(0.4)
<b>Profit for the year/period</b>	10	<b>2.2</b>	<b>2.8</b>

All operations are continuing.

The Company has no other recognised gains and losses in the year or the prior period and accordingly a separate statement of comprehensive income has not been presented. Total comprehensive income is equal to profit for the year/period.

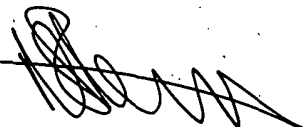
## Balance sheet as at 31 March 2017

	Note	31 March 2017 £m	31 March 2016 £m
<b>Fixed assets</b>			
Investment	4	46.6	-
		<u>46.6</u>	-
<b>Current assets</b>			
Debtors: amounts owed by group undertakings		748.5	764.6
		<u>748.5</u>	<u>764.6</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	5	(726.3)	(741.6)
		<u>(726.3)</u>	<u>(741.6)</u>
<b>Net current assets</b>		<u>22.2</u>	23.0
<b>Total assets less current liabilities</b>		<u>68.8</u>	23.0
<b>Net assets</b>		<u>68.8</u>	<u>23.0</u>
<b>Capital and reserves</b>			
Called up share capital	9	-	-
Profit and loss account	10	68.8	23.0
		<u>68.8</u>	<u>23.0</u>
<b>Total shareholder's funds</b>		<u>68.8</u>	<u>23.0</u>

The financial statements of Wales & West Gas Networks (Junior Finance) Limited (registered number 05149491) on pages 9 to 18 were approved by the Board of Directors on 27 July 2017 and were authorised for issue and signed on its behalf by:



Graham Edwards  
Chief Executive Officer



Neil Henson  
Director

## Statement of changes in equity for the year ended 31 March 2017

	Note	Called up share capital £	Profit and loss account £m	Total £m
<b>At 31 December 2014</b>		<b>2.0</b>	<b>20.2</b>	<b>20.2</b>
Profit for the period		-	2.8	2.8
<b>Total comprehensive income</b>		<b>-</b>	<b>2.8</b>	<b>2.8</b>
<b>At 31 March 2016</b>		<b>2.0</b>	<b>23.0</b>	<b>23.0</b>
Profit for the year	10	-	2.2	2.2
Intercompany loan interest released	10	-	43.6	43.6
<b>Total comprehensive income</b>		<b>-</b>	<b>45.8</b>	<b>45.8</b>
<b>At 31 March 2017</b>		<b>2.0</b>	<b>68.8</b>	<b>68.8</b>

## **Principal accounting policies**

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The financial statements have been prepared in accordance with Accounting Standards applicable in the United Kingdom including Financial Reporting Standard 102 ("FRS 102") and comply with the Companies Act 2006. A summary of the principal Company accounting policies, which have been consistently applied in both the current year and prior period, is shown below.

For the year commenced 1 April 2016 the Company presents its financial statements under FRS 102 as issued by the Financial Reporting Council and comparative balances have been restated accordingly.

### **Changes in accounting policy**

There have been no changes in accounting policy during the year.

### **General information and basis of accounting**

Wales & West Gas Networks (Junior Finance) Limited (registered number 05149491) is a private company limited by shares and was incorporated in Wales, United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Report of the directors on page 4.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with FRS 102 issued by the Financial Reporting Council and restated comparative balances accordingly.

The prior period financial statements were reviewed and no material adjustments were identified on adoption of FRS 102 in the current year.

The functional currency of Wales & West Gas Networks (Junior Finance) Limited is considered to be the pound sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling.

Wales & West Gas Networks (Junior Finance) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to the presentation of a cash flow statement, related party transactions and the directors have taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated financial statements on the basis that its parent company, Wales & West Gas Networks (Holdings) Limited, prepares consolidated financial statements which are publicly available.

The consolidated financial statements of Wales & West Gas Networks (Holdings) Limited, within which this Company is included, can be obtained from the address provided in note 13.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

### **Going concern**

The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they adopt the going concern basis in the preparation of these financial statements as set out in the Report of the directors on page 5.

### **Cash flow statement**

The Company is a 100% owned subsidiary of Wales & West Gas Networks (Holdings) Limited, and is included in the consolidated financial statements of that company, which is incorporated in the United Kingdom, and whose consolidated financial statements are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Section 1.12 of FRS 102.

### **Related party transactions**

As stated above, the Company is a 100% owned subsidiary of Wales & West Gas Networks (Holdings) Limited, and is included in the consolidated financial statements of that company, which is incorporated in the United Kingdom, and whose consolidated financial statements are publicly available. Consequently, under the terms of Section 33 of FRS 102 "Related Party Transactions", the Company is exempt from disclosing related party transactions with entities that are wholly owned within the Wales & West Gas Networks (Holdings) Limited group.

## **Principal accounting policies (continued)**

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### **Investments**

Long term investments held as fixed assets are stated at cost less amounts written off or provided to reflect permanent diminutions in value. Those held as current assets are stated at the lower of cost and net realisable value.

### **Financial instruments**

A financial asset or financial liability is initially measured at fair value, which is the amount of the net proceeds after deduction of directly attributable issue costs, with subsequent measurement at amortised cost.

### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Deferred tax assets are only recognised to the extent that they are considered recoverable.

Deferred tax balances are not discounted.

### **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.

### **Critical judgements in applying the Company's accounting policies**

The following are critical judgements, not involving estimations (which are dealt with separately) that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

### **Intercompany loans**

Amounts owed by a group company of £748.5m at 31 March 2017 – management considers that although the loan is repayable on demand by a group company, Wales & West Gas Networks (Senior Finance) Limited, settlement of the loan is not expected within the next financial year.

Amounts owed to immediate parent company of £726.3m at 31 March 2017 – management considers that although the loan is repayable on demand to the immediate parent company, Wales & West Gas Networks (Holdings) Limited, settlement of the loan is not expected within the next financial year.

### **Key source of estimation uncertainty**

The directors do not consider there to be any key assumptions concerning the future, and the other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

## Notes to the financial statements

### 1. Operating result

Operating result is stated after charging:

**Auditor remuneration**  
**Services provided by the Company auditor**

During the year/period the Company obtained the following services from the Company auditor:

	Year ended 31 March 2017 £000	Period ended 31 March 2016 £000
Fees payable to Company auditor for the audit of the financial statements	5.0	5.0

Audit fees are paid by Wales & West Utilities Limited, a Group company.

### 2. Interest

#### (a) Interest receivable and similar income

	Year ended 31 March 2017 £m	Period ended 31 March 2016 £m
On group loans	89.4	110.2

#### (b) Interest payable and similar charges

	Year ended 31 March 2017 £m	Period ended 31 March 2016 £m
On group loans	86.6	107.0



## Notes to the financial statements (continued)

### 3. Tax on profit

#### (a) Analysis of tax charge in the year/period

	Year ended 31 March 2017 £m	Period ended 31 March 2016 £m
<b>The charge for taxation is made up as follows:</b>		
<b>Current taxation</b>		
UK corporation tax on profits of the year/period	0.3	0.4
Adjustment in respect of prior periods	0.3	-
<b>Total current tax</b>	<b>0.6</b>	<b>0.4</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
<b>Total deferred tax</b>	<b>-</b>	<b>-</b>
<b>Total tax charge on profit (note 3(b))</b>	<b>0.6</b>	<b>0.4</b>

The £0.6m tax charge reflects a £0.3m current year charge and a £0.3m prior period adjustment to the amounts due to Group undertakings in respect of balancing payments under the debt cap rules for the year/period (period ended 31 March 2016: £0.4m current period charge).

#### (b) Factors affecting the current tax charge for the year/period

The current tax assessed for the year/period is different to the weighted average rate of corporation tax in the UK of 20.0% (period ended 31 March 2016: 20.2%). The differences are explained below:

	Year ended 31 March 2017 £m	Period ended 31 March 2016 £m
Profit before tax	2.8	3.2
Profit multiplied by the weighted average rate of corporation tax in the UK of 20.0% (period ended 31 March 2016: 20.2%)	0.5	0.6
<b>Effects of:</b>		
Adjustment in respect of prior periods	0.3	-
Permanent differences	(0.2)	(0.2)
<b>Current tax charge for the year/period (note 3(a))</b>	<b>0.6</b>	<b>0.4</b>

Legislation in Finance Bill 2016 set the corporation tax main rate at 17%, replacing the 18% rate set for Financial Year 2020 in the Finance (No. 2) Act 2015. This change in the corporation tax rate will not materially affect the future tax charge.

## Notes to the financial statements (continued)

### 4. Fixed asset investment

	Interests in group undertakings £m
<b>Cost and net book value</b>	
At 31 March 2016	-
Capital contribution – intercompany loan interest receivable released	46.6
At 31 March 2017	<u>46.6</u>

The Company's direct subsidiary is Wales & West Gas Networks (Senior Finance) Limited, whose principal activity is that of a holding company, and comprises 2 ordinary shares of £1 each. The Company owns the entire issued share capital of Wales & West Gas Networks (Senior Finance) Limited, Wales & West House, Spooner Close, Celtic Springs, Coedkernew, Newport, NP10 8FZ, United Kingdom ("UK").

The Company's principal indirect subsidiary undertaking is Wales & West Utilities Limited, a company incorporated in England and Wales, UK.

During the year ended 31 March 2017 a £46.6m capital contribution (31 March 2016: £nil) was added to the investment. The capital contribution arose from the release of intercompany loan interest receivable from Wales & West Gas Networks (Senior Finance) Limited.

### 5. Creditors: amounts falling due within one year

Gross borrowings	31 March 2017 £m	31 March 2016 £m
Amounts owed to group undertakings	705.0	712.4
Accrued interest on group loans	21.3	29.2
	<u>726.3</u>	<u>741.6</u>

The maturity profile of the Company's gross borrowings was as follows:

	31 March 2017 £m	31 March 2016 £m
In one year or less, or on demand	<u>726.3</u>	<u>741.6</u>

## Notes to the financial statements (continued)

### 6. Financial instruments and risk management

#### (a) Interest rate composition of gross borrowings

The fixed and floating interest rate profile of the Company's gross borrowings, including intra-group indebtedness, was:

	31 March 2017 £m	31 March 2016 £m
Fixed rate	528.8	534.3
Floating rate	176.2	178.1
<b>Total</b>	<b>705.0</b>	<b>712.4</b>

The above analysis represents £705.0m (2016: £712.4m) of intra-group indebtedness to its parent undertaking. The remaining £21.3m (2016: £29.2m) owed to parent undertaking constitutes the interest accrued on the principal. Interest was chargeable on these loans at 14% (2016: 14%) on the fixed element and LIBOR + 6% (2016: LIBOR + 6%) on the floating element.

#### (b) Interest rate profile of fixed rate borrowings

The weighted average interest rate profile of the Company's gross borrowings, including intra-group indebtedness, together with the weighted average period for which the rate is fixed was:

	Weighted average interest rate		Weighted average period for which rate is fixed	
	31 March 2017 %	31 March 2016 %	31 March 2017 Years	31 March 2016 Years
Sterling: Inter-company fixed rate	14.0	14.0	1.0	1.0

### 7. Capital commitments

The Company had no capital commitments at 31 March 2017 or at 31 March 2016.

### 8. Leasing commitments

The Company had no operating lease commitments at 31 March 2017 or at 31 March 2016.

### 9. Called up share capital

	31 March 2017 £	31 March 2016 £
Authorised:		
2 Ordinary shares of £1 each	2	2
Allotted, called up and fully paid:		
2 Ordinary shares of £1 each	2	2

## Notes to the financial statements (continued)

### 10. Profit and loss account

	£m
At 31 March 2016	23.0
Profit retained for the financial year	2.2
Capital reserve	43.6
At 31 March 2017	<u>68.8</u>

### 11. Directors' and officers' loans and transactions

No loans or credit transactions with any directors, officers or connected persons subsisted during the year or the prior period or were outstanding at the end of the year.

### 12. Directors and employees

#### (a) Staff costs

The Company had no employees during the year ended 31 March 2017 (period ended 31 March 2016: none).

#### (b) Directors' emoluments

There were no directors' emoluments in the year ended 31 March 2017 (period ended 31 March 2016: none). The directors receive no remuneration for services provided to the Company. The Chief Executive Officer is remunerated through a wholly owned subsidiary, Wales & West Utilities Limited. The other six directors are employees of the parent companies they represent and are remunerated by them in their operational country.

### 13. Immediate and ultimate parent company

The immediate and ultimate parent company is Wales & West Gas Networks (Holdings) Limited. Wales & West Gas Networks (Holdings) Limited is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 March 2017. Copies of the annual report and consolidated financial statements of Wales & West Gas Network (Holdings) Limited may be obtained from The Company Secretary, Wales & West Gas Networks (Holdings) Limited, Wales & West House, Spooner Close, Celtic Springs, Coedkernew, Newport, NP10 8FZ.

The shares in the ultimate parent company, Wales & West Gas Networks (Holdings) Limited, are owned equally by West Gas Networks Limited and Western Gas Networks Limited. These two companies are ultimately owned by a consortium based in Hong Kong comprising CK Hutchison Holdings Limited (Cayman Islands) (30%), CK Infrastructure Holdings Limited (Bermuda) (30%), Power Asset Holdings Limited (Hong Kong) (30%) and Li Ka Shing Foundation (Hong Kong) (10%).

### 14. Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statements under FRS 102 as issued by the Financial Reporting Council, for the year ended 31 March 2017. The last financial statements under previous UK GAAP were for the 15 month and 1 day period ended 31 March 2016 and the date of transition to FRS 102 was therefore 31 December 2014. As a consequence of adopting FRS 102, none of the Company accounting policies have needed to change to comply with that standard and no transition adjustments were required.