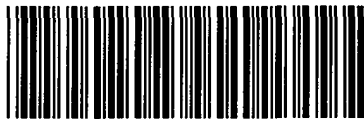


Registered No. 05149491

Wales & West Gas Networks (Junior Finance) Limited

Annual report and financial statements
for the 364 day period ended 30 December 2014

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Directors and advisors

Directors

Andrew Hunter	Chairman (R)
Graham Edwards	Chief Executive Officer (H)
Dominic Chan	(A, R, H)
Edmond Ip	
Hing Lam Kam	(R)
Duncan Macrae	(A, R, H)
Charles Tsai	

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

Company secretary and registered office

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

Independent auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Cardiff, United Kingdom

Principal bankers

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

Strategic report

Business Review

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

Results and operating performance

The profit on ordinary activities before taxation for the 364 day period ended 30 December 2014 amounted to £2.3m (year ended 31 December 2013: £2.0m). The profit attributable to the shareholder amounted to £2.0m (year ended 31 December 2013: £2.3m).

The results of the Company for the 364 day period ended 30 December 2014 are set out in the profit and loss account on page 8.

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 period ended 30 December 2014 and the financial position as at 30 December 2014. They have been prepared using the accounting policies shown on page 11, in accordance with Generally Accepted Accounting Practices in the United Kingdom.

For accounting periods beginning on or after 1 January 2015, UK companies are generally required to account under FRS 102 rather than UK GAAP. The Group has deferred entry into FRS 102 for the following reasons:

- (i) to align accounting reference dates for statutory accounting and regulatory reporting to 31 March;
- (ii) to allow for comprehensive testing of IT systems; and
- (iii) to partially mitigate a potential adverse timing tax effect of adoption of FRS 102, being that tax relief for repex expenditure will change from being deductible as incurred to deductible as depreciated.

Therefore the financial year accounting reference dates have been amended as follows:

- (a) for the financial year ending on 31 December 2014, from 31 December 2014 to 30 December 2014;
- (b) for the financial year ending on 30 December 2015, from 30 December 2015 to 31 March 2016; and
- (c) thereafter, for each financial year, to 31 March of each year.

There were no changes in accounting policies adopted during the period.

Strategic report (continued)

Cash flow forecasting

Both short term and long term cashflow forecasts are produced frequently to assist in identifying the liquidity requirements of the Company.

Shareholder funds

Shareholder funds at 30 December 2014 amounted to £20.2m (31 December 2013: £18.2m) as a result of a retained profit for the period of £2.0m (year ended 31 December 2013: £2.3m).

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

Borrowings

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

Future developments

The Company does not envisage any changes in the activity of the Company for the foreseeable future. There were no significant developments within the Company that occurred during the financial period under review.

By order of the Board



P Millar

Company secretary

26 March 2015

Report of the directors

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 period ended 30 December 2014 as presented on pages 8 to 16.

Principal activities

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.

On 1 December 2014 the Company changed its accounting reference date to 30 December 2014.

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 period ended 30 December 2014 (year ended 31 December 2013: £nil).

Directors

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

Changes in directors during the period under review and up to the date of signing of the annual report and financial statements are shown below:

Charles Tsai	Resigned as alternate director and appointed director - 28 February 2014
Sui See Yuen	Resigned director - 28 February 2014

Company secretary

The name of the current company secretary of the Company 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 period with the Company in which any director is or was materially interested (other than service contracts).

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

Contributions for political purposes

During the period ended 30 December 2014, there have been no political donations (year ended 31 December 2013: £nil).

Report of the directors (continued)

Going concern

The Company's financial statements have been prepared on the basis that the Company is a going concern. 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 the year ended 31 December 2015 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

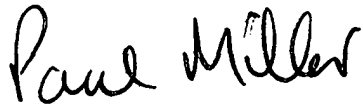
In the case of each person who is a director at the time when the report is approved under section 419 of the Companies Act 2006:

- 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 have 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



P Millar

Company secretary

26 March 2015

Directors' responsibilities statement for the financial statements

The directors are responsible for preparing the strategic report, annual report of the directors and the financial statements in accordance with applicable law and regulations.

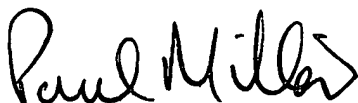
Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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



P Millar
Company secretary
26 March 2015

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

We have audited the financial statements of Wales & West Gas Networks (Junior Finance) Limited for the period ended 30 December 2014 which comprise the profit and loss account, the reconciliation of movements in shareholder's funds, the balance sheet, the principal accounting policies and the related notes 1 to 13. 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).

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 30 December 2014 and of its profit for the period 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 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.

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
Chartered Accountants and Statutory Auditor
Cardiff, United Kingdom
31 March 2015

Profit and loss account for the 364 day period ended 30 December 2014

		Period ended 30 December 2014 £m	Year ended 31 December 2013 £m
Operating result	1	-	-
Interest receivable and similar income	2(a)	83.9	81.3
Interest payable and similar charges	2(b)	(81.6)	(79.3)
Profit on ordinary activities before taxation		2.3	2.0
Tax on profit on ordinary activities	3	(0.3)	0.3
Profit for the period/year	10	2.0	2.3

All operations are continuing.

The Company has no other recognised gains and losses in the period or the prior year and accordingly a separate statement of total recognised gains and losses has not been presented.


Reconciliation of movements in shareholder's funds for the 364 day period ended 30 December 2014

	Period ended 30 December 2014 £m	Year ended 31 December 2013 £m
Profit for the financial period/year	2.0	2.3
Net increase in shareholder's funds	2.0	2.3
At 1 January	18.2	15.9
At 30 December/31 December	20.2	18.2


Balance sheet at 30 December 2014

	Note	30 December 2014 £m	31 December 2013 £m
Fixed assets			
Investment	4	-	-
Current assets			
Debtors: amounts owed by group undertakings		715.9	690.5
		<u>715.9</u>	<u>690.5</u>
Current liabilities			
Creditors: amounts falling due within one year	5	(695.7)	(672.3)
		<u>(695.7)</u>	<u>(672.3)</u>
Net current assets		<u>20.2</u>	<u>18.2</u>
Total assets less current liabilities		<u>20.2</u>	<u>18.2</u>
Net assets		<u>20.2</u>	<u>18.2</u>
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	20.2	18.2
Total shareholder's funds		<u>20.2</u>	<u>18.2</u>

The financial statements on pages 8 to 16 were approved by the Board of Directors on 26 March 2015 and were authorised for issue and signed on its behalf by:



Graham Edwards
Chief Executive Officer



Neil Henson
Director

Principal accounting policies

The financial statements have been prepared in accordance with Accounting Standards applicable in the United Kingdom and comply with the Companies Act 2006. A summary of the principal Company accounting policies, which have been consistently applied, is shown below.

Changes in accounting policy

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

Basis of accounting

These financial statements have been prepared in accordance with the historical cost convention.

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.

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.

Cashflow 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 FRS 1 "Cash flow statements" (revised 1996).

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 FRS 8 "Related Party Transactions", the Company is exempt from disclosing related party transactions with entities that are part of the Wales & West Gas Networks (Holdings) Limited group.

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.

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.

Notes to the financial statements

1. Operating result

Operating result is stated after charging:

Auditor remuneration Services provided by the Company auditor

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

	Period ended 30 December 2014 £000	Year ended 31 December 2013 £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

	Period ended 30 December 2014 £m	Year ended 31 December 2013 £m
On group loans	83.9	81.3

(b) Interest payable and similar charges

	Period ended 30 December 2014 £m	Year ended 31 December 2013 £m
On group loans	81.6	79.3

Notes to the financial statements

3. Tax on profit ordinary activities

(a) Analysis of charge/(credit) in the period/year

	Period ended 30 December 2014 £m	Year ended 31 December 2013 £m
The charge/(credit) for taxation is made up as follows:		
Current taxation		
UK corporation tax on profits of the period/year	0.3	0.3
Adjustment in respect of prior periods	-	(0.6)
Total current tax (note 3b)	0.3	(0.3)
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Total tax charge/(credit) on profit on ordinary activities	0.3	(0.3)

The £0.3m tax charge (2013: £0.3m tax credit) reflects amounts due from/to Group undertakings in respect of balancing payments under the debt cap rules for the period/year.

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

The current tax assessed for the period/year is different to the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below:

	Period ended 30 December 2014 £m	Year ended 31 December 2013 £m
Profit before tax	2.3	2.0
Profit multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	0.5	0.5
Effects of:		
Adjustment in respect of prior periods	-	(0.6)
Permanent differences	(0.2)	(0.2)
Current tax charge/(credit) for the period/year (note 3a)	0.3	(0.3)

A deferred tax asset has not been recognised in respect of tax losses, as there is insufficient evidence that the asset will be recoverable.

Notes to the financial statements

4. Fixed asset investment

Interests in
group
undertakings
£m

Cost and net book value

At 30 December 2014 and 31 December 2013

-

The Company's direct subsidiary is Wales & West Gas Networks (Senior Finance) Limited and comprises 2 shares of £1 each. The Company owns the entire issued share capital of Wales & West Gas Networks (Senior Finance) Limited.

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

5. Creditors: amounts falling due within one year

Gross borrowings

	30 December 2014 £m	31 December 2013 £m
Amounts owed to group undertakings	688.9	665.5
Accrued interest on group loans	6.8	6.8
	695.7	672.3

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

	30 December 2014 £m	31 December 2013 £m
In one year or less, or on demand	695.7	672.3

Notes to the financial statements

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:

	30 December 2014 £m	31 December 2013 £m
Fixed rate	516.7	499.1
Floating rate	172.2	166.4
Total	688.9	665.5

The above analysis represents £688.9m (31 December 2013: £665.5m) of intra-group indebtedness to its parent undertaking. The remaining £6.8m (31 December 2013: £6.8m) owed to parent undertaking constitutes the interest accrued on the principal. Interest was chargeable on these loans at 14% (31 December 2013: 14%) on the fixed element and LIBOR + 6% (31 December 2013: 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	
	30 December 2014 %	31 December 2013 %	30 December 2014 Years	31 December 2013 Years
Sterling: Inter-company fixed rate	14.0	14.0	1.0	1.0

7. Capital commitments

The Company had no capital commitments at 30 December 2014 or at 31 December 2013.

8. Leasing commitments

The Company had no operating lease commitments at 30 December 2014 or at 31 December 2013.

9. Called up share capital

	30 December 2014 £	31 December 2013 £
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

10. Profit and loss account

	£m
At 1 January 2014	18.2
Profit retained for the financial period	2.0
At 30 December 2014	<u>20.2</u>

11. Directors' and officers' loans and transactions

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

12. Directors and employees

(a) Staff costs

The Company had no employees during the period ended 30 December 2014 (year ended 31 December 2013: none).

(b) Directors' emoluments

There were no directors' emoluments in the period ended 30 December 2014 (year ended 31 December 2013: none).

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 30 December 2014. 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 Cheung Kong (Holdings) Limited (Hong Kong) (30%), Cheung Kong Infrastructure Holdings Limited (Bermuda) (30%), Power Asset Holdings Limited (Hong Kong) (30%) and Li Ka Shing Foundation (Hong Kong) (10%).