

Registered No 05149493

Wales & West Gas Networks (Senior Finance) Limited

Annual report and financial statements
for the year ended 31 December 2013

TUESDAY



A34VZZTK

A28

01/04/2014

#154

COMPANIES HOUSE

Contents	Page
Directors and advisors	1
Strategic Report	2
Report of the directors	3
Directors' responsibilities statement for the financial statements	5
Independent auditor's report to the members of Wales & West Gas Networks (Senior Finance) Limited	6
Profit and loss account	7
Reconciliation of movements in shareholders' funds/(deficit)	8
Balance sheet	9
Principal accounting policies	10
Notes to the financial statements	11

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 the Company has performed satisfactorily during the year

Results and operating performance

The profit on ordinary activities before taxation for the year ended 31 December 2013 amounted to £2.2m (nine months ended 31 December 2012 £0.3m). The profit attributable to shareholders amounted to £3.9m (nine months ended 31 December 2012 £1.9m).

The results of the Company for the year ended 31 December 2013 are set out in the profit and loss account on page 7.

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 companies 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 Utilities Holdings 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 December 2013 and the financial position as at 31 December 2013. They have been prepared using the accounting policies shown on page 10, in accordance with Generally Accepted Accounting Practices in the United Kingdom.

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

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 31 December 2013 amounted to £2.6m (31 December 2012 deficit of £1.3m) as a result of a retained profit for the year of £3.9m (nine months ended 31 December 2012 £1.9m).

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.

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 year under review.

By order of the Board



P. Millar

Company secretary

27 March 2014

Report of the directors

The directors have pleasure in presenting the annual report to the shareholders of Wales & West Gas Networks (Senior Finance) Limited ("the Company"), together with the audited financial statements for the year ended 31 December 2013 as presented on pages 7 to 15

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.

Following a change in the ownership of the ultimate parent company Wales & West Gas Networks (Holdings) Limited (formerly Wales & West Gas Networks (UK) Limited), on 10 October 2012

- the financial year end of the Company was changed from 31 March to 31 December, and
- Deloitte LLP was appointed statutory auditor to the Company and the Group

The Company changed its name to Wales & West Gas Networks (Senior Finance) Limited (formerly Wales & West Gas Networks (Senior Finance) Limited) with effect from 10 December 2012

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 December 2013 (nine months ended 31 December 2012: £nil)

Directors

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

Changes in directors during the year and up to the date of signing of the statutory financial statements are shown below

Charles Tsai	Appointed director - 28 February 2014
Sui See Yuen	Resigned director - 28 February 2014
Neil Henson	Appointed alternate director - 18 July 2013
Charles Tsai	Resigned alternate director - 28 February 2014

Company secretary

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

Changes in the Company secretary during the year and up to the date of signature of the statutory financial statements are shown below

Christopher Talbot	Resigned as Company secretary 1 September 2013
Paul Millar	Appointed as Company secretary 2 September 2013

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 December 2013, there have been no political donations (nine months ended 31 December 2012: £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 2014 and medium term business plans for 2013/21. 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.

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

27 March 2014

Directors' responsibilities statement for the financial statements

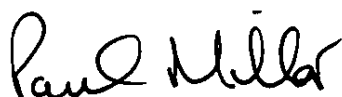
The directors are responsible for preparing the annual strategic report, report of the directors and the financial statements in accordance with applicable law and regulations

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.

By order of the Board



P Millar
Company secretary
27 March 2014

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

We have audited the financial statements of Wales & West Gas Networks (Senior Finance) Limited for the year ended 31 December 2013 which comprise the profit and loss account, the reconciliation of movements in shareholders' 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 an 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 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 December 2013 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 the information given in the Strategic Report and Directors' Report for the financial year 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
28 March 2014

Profit and loss account for the year ended 31 December 2013

		Year ended 31 December 2013 £m	Nine months ended 31 December 2012 £m
Operating profit	1	-	-
Interest receivable and similar income	2(a)	83.5	58.8
Interest payable and similar charges	2(b)	(81.3)	(58.5)
Profit on ordinary activities before taxation		2.2	0.3
Tax on profit on ordinary activities	3	1.7	1.6
Profit for the year/period	10	3.9	1.9

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 total recognised gains and losses has not been presented

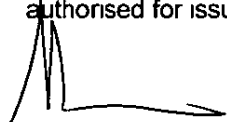
Reconciliation of movements in shareholders' funds/(deficit) for the year ended 31 December 2013

	Year ended 31 December 2013 £m	Nine months ended 31 December 2012 £m
Profit for the financial year/period	3.9	1.9
Net movement in shareholders' funds/(deficit)	3.9	1.9
At 1 January/1 April	(1.3)	(3.2)
At 31 December	2.6	(1.3)

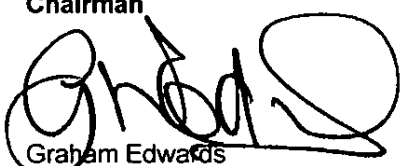
Balance sheet at 31 December 2013

	Note	31 December 2013 £m	31 December 2012 £m
Fixed assets			
Investment	4	109.1	109.1
		<u>109.1</u>	<u>109.1</u>
Current assets			
Debtors amounts owed by group undertakings		584.0	555.0
		<u>584.0</u>	<u>555.0</u>
Current liabilities			
Creditors amounts falling due within one year	5	(690.5)	(665.4)
		<u>(690.5)</u>	<u>(665.4)</u>
Net current liabilities		<u>(106.5)</u>	<u>(110.4)</u>
Total assets less current liabilities		<u>2.6</u>	<u>(1.3)</u>
Net assets/(liabilities)		<u>2.6</u>	<u>(1.3)</u>
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	2.6	(1.3)
Total shareholders' funds/(deficit)		<u>2.6</u>	<u>(1.3)</u>

The financial statements on pages 7 to 15 were approved by the Board of Directors on 27 March 2014 and were authorised for issue and signed on its behalf by



Andrew Hunter
Chairman



Graham Edwards
Chief Executive Officer

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 year.

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 4.

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 (Junior Finance) Limited, and is included in the consolidated financial statements of Wales & West Gas Networks (Holdings) Limited, which is incorporated in the United Kingdom, 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 (Junior Finance) Limited and is included in the consolidated financial statements of Wales & West Gas Networks (Holdings) Limited, which is incorporated in the United Kingdom, 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 profit

Operating profit 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 December 2013 £000	Nine months ended 31 December 2012 £000
Fees payable to the 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 December 2013 £m	Nine months ended 31 December 2012 £m
On group loans	83.5	58.8

(b) Interest payable and similar charges

	Year ended 31 December 2013 £m	Nine months ended 31 December 2012 £m
On group loans	81.3	58.5

Notes to the financial statements

3. Tax on profit on ordinary activities

(a) Analysis of credit in the year/period

	Year ended 31 December 2013 £m	Nine months ended 31 December 2012 £m
The credit for taxation is made up as follows		
Current taxation		
UK corporation tax on profit of the year/period	(1.7)	(1.5)
Adjustments in respect of previous periods	-	(0.1)
Total current tax (note 3(b))	(1.7)	(1.6)
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Total tax credit on profit on ordinary activities	(1.7)	(1.6)

The £1.7m tax credit (2012: £1.6m tax credit) reflects amounts due from group undertakings in respect of balancing payments under the debt cap rules.

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

The current tax assessed for the year is different to the standard rate of corporation tax in the UK of 23% (2012: 24%). The differences are explained below:

	Year ended 31 December 2013 £m	Nine months ended 31 December 2012 £m
Profit before tax	2.2	0.3
Profit multiplied by standard rate of corporation tax in the UK of 23% (2012: 24%)	0.5	0.1
Effects of:		
Prior year credit	-	(0.1)
Permanent differences	(2.2)	(1.6)
Current tax credit for the year/period (note 3(a))	(1.7)	(1.6)

A deferred tax asset has not been recognised in respect of tax losses with a tax value of £nil (2012: £4.2m), 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 31 December 2013 and 31 December 2012	<u>109.1</u>

The Company's direct subsidiary is Wales & West Utilities Holdings Limited and comprises 3 shares of £1 each. The Company owns the entire issued share capital of Wales & West Utilities Holdings 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

	31 December 2013 £m	31 December 2012 £m
Gross borrowings		
Amounts owed to group undertakings	683.5	658.5
Accrued interest on group loans	7.0	6.9
	<u>690.5</u>	<u>665.4</u>

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

	31 December 2013 £m	31 December 2012 £m
In one year or less, or on demand	<u>690.5</u>	<u>665.4</u>

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

	31 December 2013 £m	31 December 2012 £m
Fixed rate	512.6	494.0
Floating rate	170.9	164.6
Total	683.5	658.6

The above analysis represents £683.5m (2012 £658.6m) of intra-group indebtedness to its parent undertaking. The remaining £7.0m (2012 £6.9m) owed to parent undertaking constitutes the interest accrued on the principal. Interest was chargeable on these loans at 14% (2012 14%) on the fixed element and LIBOR + 6% (2012 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 December 2013 %	31 December 2012 %	31 December 2013 Years	31 December 2012 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 December 2013 or at 31 December 2012.

8. Leasing commitments

The Company had no operating lease commitments at 31 December 2013 or 31 December 2012.

9. Called up share capital

	31 December 2013 £	31 December 2012 £
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 2013	(13)
Profit retained for the financial year	39
At 31 December 2013	<u>26</u>

11. Directors' and officers' loans and transactions

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

12. Directors and employees

(a) Staff costs

The Company had no employees during the year (nine months ended 31 December 2012 none)

(b) Directors' emoluments

There were no directors' emoluments in the year (nine months ended 31 December 2012 none)

13. Immediate and ultimate parent company

The immediate parent company is Wales & West Gas Networks (Junior Finance) Limited. The ultimate parent company is Wales & West Gas Networks (Holdings) Limited (formerly MGN Gas Networks (UK) 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 December 2013. Copies of the annual consolidated financial statements of Wales & West Gas Networks (Holdings) Limited and Wales & West Gas Networks (Junior Finance) 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.

On 10 October 2012 the ultimate parent company, MGN Gas Networks (UK) Limited was acquired by a consortium led by Cheung Kong (Holdings) Limited. As a result the Company now considers Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong, to be the ultimate controlling party. Subsequent to the change of control, MGN Gas Networks (UK) Limited changed its name to Wales & West Gas Networks (Holdings) Limited on 10 December 2012.

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 comprising Cheung Kong (Holdings) Limited (HK) (30%), Cheung Kong Infrastructure Holdings Limited (HK) (30%), Power Asset Holdings Limited (HK) (30%) and Li Ka Shing Foundation (HK) (10%).