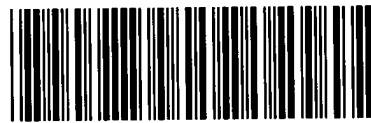


Quadgas Investments Bidco Limited
(formerly known as Telsid Investments Limited)
Private Limited Company

**Directors' report and audited financial statements for the
period from 18 November 2016 to 31 March 2018**

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Quadgas Investments Bidco Limited
(formerly known as Telsid Investments Limited)

Company information

Directors

J Bao – appointed 24 November 2016
M Bradley – appointed 24 November 2016
M W Braithwaite – appointed 24 November 2016
H C Higgins – appointed 24 November 2016
P Noble – appointed 24 November 2016
D A Karnik – appointed 7 December 2016
J Korpancova – appointed 24 November 2016
M J Gregory – appointed 20 July 2017
E Lewis – appointed 26 January 2018
D J Xie – appointed 14 December 2016
A Al-Ansari – appointed 17 May 2018
N J Axam – appointed 17 May 2018
S A H Al-Thani – appointed 11 January 2017, resigned 17 May 2018
R Greenleaf – appointed 14 December 2016, resigned 25 September 2017
P F Hofbauer – appointed 14 December 2016, resigned 26 January 2018
P Koger – appointed 18 November 2016, resigned 24 November 2016
A G Ray – appointed 24 November 2016, resigned 17 May 2018
D E Smith – appointed 18 November 2016, resigned 24 November 2016
G R Tait – appointed 14 December 2016, resigned 18 May 2017

Company Secretary Alter Domus (UK) Limited

Company number 10487004

Registered office 18 St. Swithin's Lane
London
England
EC4N 8AD

Independent Deloitte
Auditors

2 New Street Square
London
EC4A 3BZ

Quadgas Investments Bidco Limited
(formerly known as Telsid Investments Limited)

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Quadgas Investments Bidco Limited
(formerly known as Telsid Investments Limited)

Strategic report

The directors present the strategic report for the Company (formerly known as Telsid Investments Limited until 20 December 2016) for the period from 18 November 2016 to 31 March 2018.

Principal activities, business review and future developments

The Company was incorporated in England and Wales on 18 November 2016 as a private company limited by shares.

In 2017, the Company acquired a 61% interest in Quadgas Holdco Limited ("Holdco") and entered a put and call option to acquire an additional 14% interest in Holdco. The principal activity of the Holdco group is the ownership of and operation of regulated gas distribution networks in the UK.

The main activity of the Company is to hold the investment in Holdco. The Company also holds £550 million of fixed rate subordinated unsecured loan notes due in 2043, which listed on The International Stock Exchange on 22 November 2017.

Results and dividends

The aggregate profit of the Company for the period amounts to GBP 292,250k as disclosed on page 9. During the period, the Company paid dividends of GBP 224,000k.

Key performance indicators

The directors are of the opinion that there are no meaningful financial or non-financial key performance indications that would be necessary or appropriate for an understanding of the development, performance or position of the Company's activities.

Principal risk and uncertainty

The key risks facing the Company are credit and liquidity risks. Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Liquidity risk is the risk that the company will not be able to meet its obligations associated with financial liabilities. The Company is exposed to credit and liquidity risk due to its investment in Holdco. There is a risk that Holdco will not make sufficient distributions to the company and consequently the Company will not be able to meet its debts as they fall due.

On behalf of the board



Mark Braithwaite
Director
Date: 17 August 2018

Quadgas Investments Bidco Limited
(formerly known as Telsid Investments Limited)

Directors' report

The Directors of Quadgas Investments Bidco Limited (the “**Company**”) present the director’s report and the audited financial statements of the Company for the period ended 31 March 2018.

The Company was incorporated as Telsid Investments Limited on 18 November 2016 issuing 25,500 shares of £1 each. The Company changed its name on 20 December 2016 to Quadgas Investments Bidco Limited.

As described in note 14, the share capital of the Company amounts to £3.0 billion at 31 March 2018.

Review of the business and future developments

A review of the business for the period ended 31 March 2018, including an analysis of key financial, other performance indicators and future developments, is included in the Strategic Report on page 1.

Results and dividends

The Company’s profit for the period of GBP 292,250k as disclosed on page 9, was transferred to reserves. During the period, the Company paid dividends of GBP 224,000k.

Principal risk and uncertainty

A review of the principal risks and uncertainty is included in the Strategic Report on page 1.

Post balance sheet events

On 1 May 2018, the Company entered into an option to buy the remaining 25% share in Quadgas HoldCo Limited from the minority interest shareholder, which may exercise at any time between 1 March 2019 and 31 October 2019. This is in addition to the option agreement entered into during the year to acquire an additional 14% share in HoldCo as disclosed in note 8.

Directors

The present membership of the board is set out under the Company information section of these financial statements.

The directors who served during the period were:

J Bao – appointed 24 November 2016
M Bradley – appointed 24 November 2016
M W Braithwaite – appointed 24 November 2016
H C Higgins – appointed 24 November 2016
P Noble – appointed 24 November 2016
D A Karnik – appointed 7 December 2016
J Korpancova – appointed 24 November 2016
M J Gregory – appointed 20 July 2017
E Lewis – appointed 26 January 2018
D J Xie – appointed 14 December 2016

Quadgas Investments Bidco Limited
(formerly known as Telsid Investments Limited)

Directors' report (cont'd)

Directors (cont'd)

A Al-Ansari – appointed 17 May 2018
N J Axam – appointed 17 May 2018
S A H Al-Thani – appointed 11 January 2017, resigned 17 May 2018
R Greenleaf – appointed 14 December 2016, resigned 25 September 2017
P F Hofbauer – appointed 14 December 2016, resigned 26 January 2018
P Koger – appointed 18 November 2016, resigned 24 November 2016
A G Ray – appointed 24 November 2016, resigned 17 May 2018
D E Smith – appointed 18 November 2016, resigned 24 November 2016
G R Tait – appointed 14 December 2016, resigned 18 May 2017

Directors and Officers liability insurance and indemnity agreements

The Company purchased insurance to cover Directors' and Officers' liability as permitted by applicable Law. There are no indemnity agreements for any Director.

Going concern

The financial statements have been prepared on a going concern basis. The director are confident that income from its investment will be sufficient to meet the Company's liabilities as they fall due. The Directors believe that it is therefore appropriate to prepare the financial statements on a going concern basis.

Disclosure of information to auditors

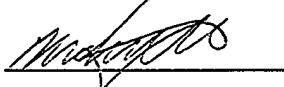
As far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware.

The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, Deloitte LLP, have been appointed as auditors during the period and have indicated their willingness to continue in office. The directors shall propose a resolution to reappoint them subsequent to the period end.

On behalf of the board



Mark Braithwaite
Director
Date: 17 August 2018

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 IFRSs as adopted by the European Union 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUADGAS INVESTMENTS BIDCO LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Quadgas Investments Bidco Limited (the 'Company'):

- **give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the period then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the statement of total comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current period was the valuation of unlisted investments.
Materiality	The materiality that we used in the current period was £45.5 million which was determined on the basis of 1.4% of the Company's net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.




We have nothing to report in respect of these matters.

Quadgas Investments Bidco Limited
(formerly known as Telsid Investments Limited)

Key audit matters

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

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

Valuation of unlisted investments	
Key audit matter description 	<p>The company has unlisted investments of £3,114 million as at 31 March 2018, valued at cost less provision for impairment. These investments comprise investments in Quadgas HoldCo Limited and its subsidiaries and are highly material to the company as they account for 83% of total assets.</p> <p>Judgement is required by the directors as to whether the investments should be impaired based on the financial position and future prospects of the investments. This takes into consideration a range of factors such as the trading performance, the expected revenue growth and discount rates.</p> <p>Further details are included within significant accounting policies in note 2.3 and note 8 (investments in subsidiary) to the financial statements.</p>
How the scope of our audit responded to the key audit matter 	<p>We obtained the most recent audited financial information of the related investments to determine whether they supported the carrying value.</p> <p>We reviewed key assumptions used when determining the carrying value by benchmarking against industry peers. We also reviewed the historical accuracy of management's forecasts by comparing the actual results to forecasts.</p>
Key observations 	<p>Based on the work performed we concluded that the carrying value of the unlisted investments is appropriate.</p>

Our application of materiality

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

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

Materiality	£45.5 million
Basis for determining materiality	1.4% of the Company's net assets.
Rationale for the benchmark applied	We determined materiality based on net assets as this is the key metric used by management, investors, analysts and lenders to assess the value of this company.

Quadgas Investments Bidco Limited
(formerly known as Telsid Investments Limited)

We agreed with the directors that we would report to the directors all audit differences in excess of £2.3 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Other information

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

We have nothing to report in respect of these matters.

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

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

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

Responsibilities of directors

As explained more fully in the 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Quadgas Investments Bidco Limited
(formerly known as Telsid Investments Limited)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

We have nothing to report in respect of this matter.

Use of our report

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



Jacqueline Holden, FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
17 August 2018

Quadgas Investments Bidco Limited

Statement of Total Comprehensive Income for the period from 18 November 2016 to 31 March 2018

		For the period 18 November 2016 to 31 March 2018 GBP 000's
	Note	
Dividend received		225,090
Administrative expenses	4	(875)
Operating profit		224,215
Finance income	5	42,410
Finance costs	6	(43,766)
Fair value movement on derivatives	15	69,391
Profit before tax		292,250
Income tax expense	7	-
Profit for the period		292,250
Total comprehensive income for the period		292,250

The accounting policies and the notes on pages 13 to 26 form an integral part of these financial statements.

Quadgas Investments Bidco Limited

Statement of Financial Position as at 31 March 2018

		As at 31 March 2018 GBP 000's
	Note	
ASSETS		
Non-current assets		
Investment in subsidiary	8	3,114,405
Other financial assets	9	550,220
Derivative financial asset	15	69,391
Total non-current assets		3,734,016
Current assets		
Cash and cash equivalents	10	1,260
Trade and other receivables	11	31
Total current assets		1,291
Total assets		3,735,307
EQUITY AND LIABILITIES		
Equity		
Issued share capital	14	2,960,711
Retained earnings	16	224,077
Total equity		3,184,788
Non-current liabilities		
Borrowings	12	550,220
Total non-current liabilities		550,220
Current liabilities		
Trade and other payables	13	299
Total current liabilities		299
Total liabilities		550,519
Total equity and liabilities		3,735,307

The accounting policies and the notes on pages 13 to 26 are an integral part of these financial statements.

The financial statements on pages 9 to 26 were approved by the Board of Directors on 17 August 2018 and signed on its behalf by:



.....
Mark Braithwaite

Director

Date: 17 August 2018

Quadgas Investments Bidco Limited

Statement of changes in equity for the period ended 31 March 2018

	Issued share capital GBP 000's	Other reserves GBP 000's	Retained earnings GBP 000's	Total equity GBP 000's
Balance as at 18 November 2016	-	-	-	-
Issue of share capital	3,116,538	-	-	3,116,538
Reduction of share capital	(155,827)	-	155,827	-
Profit for the period	-	-	292,250	292,250
Dividends declared and paid	-	-	(224,000)	(224,000)
Balance as at 31 March 2018	2,960,711	-	224,077	3,184,788

The accounting policies and the notes on pages 13 to 26 are an integral part of these financial statements.

Quadgas Investments Bidco Limited

Statement of Cash Flows for the period ended 31 March 2018

		For the period 18 November 2016 to 31 March 2018 GBP 000's
Cash Flow from operating activities	Note	
Profit before tax		292,250
<u>Adjustments:</u>		
Finance costs	6	43,766
Finance income	5	(42,410)
Dividends received		(225,090)
Fair value movement on derivatives	15	(69,391)
Increase in receivables	11	(31)
Increase in payables	13	299
Net cash used in operating activities		(607)
 Cash flows from investing activities		
Acquisition of subsidiary	8	(3,114,405)
Loan to subsidiary	9	(550,220)
Dividends received		225,090
Interest received	5	42,410
Net cash used in investing activities		(3,397,125)
 Cash flow from financing activities		
Proceeds from issue of shares	14	3,116,538
Proceeds from borrowings	12	548,867
Interest payment		(42,413)
Dividend paid		(224,000)
Net cash generated from financing activities		3,398,992
 Net increase in cash and cash equivalents	10	1,260
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalent at end of the period		1,260

The notes on pages 13 to 26 are an integral part of these financial statements.

Quadgas Investments Bidco Limited

Notes to the financial statements for the period ended 31 March 2018

Note 1 – General information

Quadgas Investments Bidco Limited (the “Company”) was incorporated on 18 November 2016 in England and Wales as a private company limited by shares.

The immediate parent of the Company is Quadgas Holdings Topco Limited (“Topco”), a Company incorporated in Jersey, Channel Islands.

In 2017, the Company acquired a 61% interest in Quadgas Holdco Limited (“Holdco”). The principal activity of the Holdco group is the ownership of and operation of regulated gas distribution networks in the UK.

The main activity of the Company is to hold the investment in Holdco and to distribute profit arising from the investment to its shareholders.

Note 2 – Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the whole period presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

2.1.1 Going concern

The financial statements have been prepared on a going concern basis. The director are confident that income from its investment will be sufficient to meet the Company’s liabilities as they fall due. The Directors believe that it is therefore appropriate to prepare the financial statements on a going concern basis.

2.1.2 New standards, amendments and IFRIC interpretations

New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments are not yet effective and have not been adopted early in these financial statements. We do not believe they will have a significant impact on the Financial Statements in the future periods.

Quadgas Investments Bidco Limited

Notes to the financial statements for the period ended 31 March 2018

Note 2 – Significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

2.1.3 New standards, amendments and IFRIC interpretations (cont'd)

New Standards	IASB mandatory effective date (EU mandatory effective date)
IFRS 15 Revenue from Contracts with Customers	01-Jan-18
IFRS 9 Financial Instruments	01-Jan-18
IFRS 16 Leases	01-Jan-19
IFRIC interpretations	
IFRIC 22 Foreign Currency Transactions and Advance Consideration	01-Jan-18
IFRIC 23 Uncertainty over Income Tax Treatments	01-Jan-19

IFRS 9

In July 2014, the IASB issued IFRS 9 Financial Instruments: Recognition and Measurement by publishing the final version of IFRS 9 Financial Instruments. IFRS 9 introduces a new model for classifying financial assets. The standard introduces principle-based requirements for the classification of financial assets, using the following measurement categories: at amortised cost, fair value through OCI and fair value through profit or loss. The standard furthermore provides a new impairment model based on expected credit losses and expands the disclosure requirements and changes in presentation. This final version of IFRS 9 will replace IAS 39 and supersedes all previous versions of IFRS 9 and also IFRIC 9. The new standard is effective for annual reporting periods beginning on or after January 1, 2018, while early application is permitted. The new standard was endorsed on the 22 November 2016.

The Company has assessed the impact of adopting IFRS 9 on the Company's financial statements and has identified the following areas that are likely to be affected:

- **Classification:** IFRS 9 introduces a new model for classifying financial assets. The standard introduces principle-based requirements for the classification of financial assets, using the following measurement categories: at amortised cost, fair value through OCI and fair value through profit or loss. We do not expect at this point any significant changes for the Company's financial statements other than presentation and disclosure notes.
- **Disclosures:** The expanded disclosure requirements are expected to change the nature and extent of the disclosures about the Company's financial instruments particularly in the period of the adoption of the new standard.

IFRS 15/IFRS 16/IFRIC 22/IFRIC 23

The application of these amendments do not have a material impact on these financial statements.

Quadgas Investments Bidco Limited

Notes to the financial statements for the period ended 31 March 2018

Note 2 – Significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

2.1.2 New standards, amendments and IFRIC interpretations (cont'd)

IFRS 9 (cont'd)

At this stage, the Company is not able to estimate the impact of the new rules on the Company's financial statements. The Company will make more detailed assessments of the impact over the upcoming periods.

The Company will adopt IFRS 9 starting with its fiscal period 2018/19, from 1 April 2018 onwards, applying the limited exemption in IFRS 9 para 7.2.15 for the transition.

The financial statements have been prepared on a historical cost basis.

2.2 Foreign currency translation

a) *Functional and presentation currency*

The financial statements have been presented in Pound Sterling ("**GBP**"), which is the Company's functional currency.

2.3 Financial instruments

Recognition and initial measurement of financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and liabilities are described below.

Classification and subsequent measurement of financial instruments

The Company's financial assets include cash and cash equivalents and other receivables, classified in the 'Loans and receivables' category.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Given the short-term maturities, the fair value of current financial assets approximates their carrying value.

The Company's financial liabilities include trade and other payables, borrowings and other current financial liabilities, and are designated at amortised cost.

Financial liabilities measured subsequently at amortised cost use the effective interest rate method. Discounting is omitted where the effect of discounting is immaterial.

Notes to the financial statements for the period ended 31 March 2018

Note 2 – Significant accounting policies (cont'd)

2.3 Financial instruments (cont'd)

Derivative financial instruments

The Company's derivative financial instruments includes a put and call option, and are recognised at fair value, and 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 profit and loss in the period they arise.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Impairment of financial assets

A financial asset is impaired when its carrying amount exceeds its recoverable amount. The Company reviews all of its assets at each reporting date for indicators of impairment.

The carrying amount of impaired financial assets is reduced to its estimated recoverable amount and the amount of change in the current period provision is recognised in the statement of comprehensive income as part of changes in provisions of impairment.

If in a subsequent period, the amount of the impairment on financial assets decreases, the amount is reversed by adjusting the impairment and is recognised in the statement of comprehensive income.

Financial assets are impaired where there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset the estimated future cash flows of the asset have been impacted.

2.4 Investment in subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Then subsidiary is stated at historic cost, less any provision for impairment.

2.5 Consolidation

The Company has taken advantage of the exemption granted by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements in the current period. The results of the Company and its subsidiary undertakings are included in the publicly available consolidated financial statements of its parent company, Quadgas Holdings Topco Limited, a Company registered in Jersey Channel Island.

Notes to the financial statements for the period ended 31 March 2018

Note 2 – Significant accounting policies (cont'd)

2.6 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

2.7 Share capital

Ordinary shares are classified as equity.

2.8 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one period or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.10 Current and deferred tax

a) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Notes to the financial statements for the period ended 31 March 2018

Note 2 – Significant accounting policies (cont'd)

2.11 Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

2.12 Finance income and cost

Finance income and expenses comprise interest receivable and payable on financial assets held-to-maturity and other financial liabilities.

Interest income and expense are recognised in the statement of comprehensive income as they accrues, taking into account the effective yield on the asset or liability.

2.13 Administrative and other general expenses

Administrative and other general expenses comprise recurrent running expenses of the Company.

These expenses are recognised based on an accrual basis.

2.14 Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend distribution 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 directors.

Note 3 – Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

Estimates, assumptions and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The accounting policies that are deemed critical to the Company's results and financial position in terms of materiality and which involve a high degree of judgment and estimation are addressed below.

Valuation of subsidiary

Investments are reviewed annually for impairment by comparison of the cost of the investment with the net assets of the subsidiary undertakings. Where the investment value is not supported by the underlying net assets of the subsidiary undertakings, alternative valuation methodologies are applied to support the carrying value of the investment.

Quadgas Investments Bidco Limited

Notes to the financial statements for the period ended 31 March 2018

Note 3 – Critical accounting estimates and judgements (cont'd)

Valuation of put and call option

The put and call option included in the Company's financial statements require measurement at, and/or disclosure of, fair value.

The put and call option are valued using the discounted cash flow method. This valuation is based on the difference between the estimated option exercise price and the value of the underlying business discounted at an appropriate cost of equity. The key judgements in the valuation analysis performed by management relate to the date on which the transaction may be completed, between 1 March 2019 and 31 October 2019, and the discount rate used for such analysis, this being cost of equity. Consequently the fair value is particularly sensitive to the judgements made by the Directors on discount rates used and assumptions round the timing when the option will be exercised.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Fair value measurement

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur

Note 4 – Administrative expenses

	2018
	GBP 000's
Audit fees	37
Legal and professional fees	674
Other expenses	164
Total administrative expenses	875

Note 5 – Finance income

Finance income	2018
	GBP 000's
Interest on loan notes issued by Subsidiary	42,410
Total finance income	42,410

Quadgas Investments Bidco Limited

Notes to the financial statements for the period ended 31 March 2018

Note 6 – Finance costs

Finance costs	2018 GBP 000's
Interest expenses on loan notes	43,766
Total finance costs	43,766

Note 7 – Income tax expense

The tax assessed for the period is equal to the standard effective rate of corporation in the UK for the period ended 31 March 2018 at 19%.

The tax assessed on the profit before tax is explained below:

	2018 GBP 000's
Current tax:	
Current tax on profits for the period	-
Income tax expense	-
Profit on ordinary activities before taxation	292,250
Profit on ordinary activities multiplied by effective rate in the UK of 19.3%	55,527
Tax effects of:	
- disallowable income	(55,951)
Losses	424
Tax charge / (credit)	-

The standard rate of tax applicable to reported profit on ordinary activities for the period is 19.3% per cent.

Note 8 – Investments in Subsidiary

Name of Investment	Registered office	Percentage of ownership
	Ashbrook Court Prologis Park, Central Boulevard Coventry, UK	
Quadgas Holdco Limited	CV7 8PE	61.00%

Quadgas Holdco Limited is the subsidiary of the Company.

	31 March 2018 GBP 000's
As at 18 November 2016	-
Additions	3,114,405
Total investment in subsidiary as at 31 March	3,114,405

Quadgas Investments Bidco Limited

Notes to the financial statements for the period ended 31 March 2018

Note 8 – Investments in Subsidiary (cont'd)

The Company acquired 61% of the share capital in Quadgas Holdco Limited on 10 February 2017.

In addition, a Further Acquisition Agreement (FAA) was signed during the year whereby the Company could acquire an additional 14% interest in the Subsidiary from the minority shareholder structured as a call/put option. The minority shareholder can deliver a sell notice to sell the shares in the subsidiary for a three month period starting 30 September 2018 for closing from 1 March 2019. The Company can deliver a purchase notice to acquire the shares in the Subsidiary for a three month period starting 1 January 2019 for closing from 1 July 2019.

Since the FAA contains derivative features in the form of put/call options, it is required to be accounted for at fair value through profit and loss.

On 1 May 2018, the Company entered into a Remaining Acquisition Agreement (RAA) with the minority interest shareholder buy the remaining 25% share in HoldCo from the minority interest shareholder, which may complete at any time between 1 March 2019 and 31 October 2019.

Note 9 – Other financial assets

	2018
	GBP 000's
6.7% Loan note to Subsidiary	544,120
6.7% Loan note to Subsidiary	6,100
Total loan to Subsidiary	550,220

On 31 March 2017, the Company entered into two shareholder loan note agreements with Quadgas HoldCo Limited for a maximum amount of £3,678 million and £6.1 million. The loan notes bears interest of 6.7% and is repayable 25 years and 30 days after the date of the agreement. As at 31 March 2018, GBP 544,120k and GBP 6,100k remained outstanding.

Note 10 – Cash and cash equivalent

	2018
	GBP 000's
Cash at bank and in hand	1,260
	1,260

Note 11 – Trade and other receivables

	2018
	GBP 000's
Amount due from Quadgas Holdco Limited	31
Total other current assets	31

Quadgas Investments Bidco Limited

Notes to the financial statements for the period ended 31 March 2018

Note 12 – Borrowings

Loan Notes	2018 GBP 000's
6.7% Loan notes from consortium	550,220
Total loan notes	550,220

Interest is charged on the unsecured loan issued £550 million at a rate of 6.7% issued on 22 November 2017. The debt is listed on The International Stock Exchange (TISE) (which changed its name from Channel Islands Securities Exchange (CISE) on 6 March 2017) and will mature on 29 March 2043.

Note 13 – Trade and other payables

	2018 GBP 000's
Accruals	230
Trade payables	39
Due to Subsidiary	30
Total trade and other payables	299

Note 14 – Issued share capital

Ordinary shares	2018 Shares	2018 GBP 000's
Fully paid	311,653,789,170	2,960,711
Total equity	311,653,789,170	2,960,711

Ordinary shares have a par value of GBP 0.0095. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of shares held.

As at 31 March 2018, the share capital, amounting to GBP 2,960,711k, is represented by 311,653,789k ordinary shares with nominal value of GBP 0.0095. Below is a breakdown of the issued share capital as at the balance sheet date.

	Number of Shares 000's	2018 Par value GBP 000's	Total GBP 000's
At incorporation	25	25	25
Issue of shares	311,653,764	3,116,513	3,116,513
Reduction of shares	-	(155,827)	(155,827)
Total equity	311,653,789	2,960,711	2,960,711

Quadgas Investments Bidco Limited

Notes to the financial statements for the period ended 31 March 2018

Note 14 – Issued share capital (cont'd)

On 25 January 2018, the existing share capital of the Company was reduced from GBP 3,116,537,892 divided into 311,653,789,170 ordinary shares of £0.01 each to GBP 2,960,710,997 divided into 311,653,789,170 ordinary shares of £0.0095 each.

Note 15 – Derivative financial instruments

The Company's derivative financial instruments are call and put options.

Below is a summary of the balances of the Company's derivative financial liabilities as at 31 March 2018:

	2018
	GBP 000's
At the beginning of the period	-
Fair value movement	69,391
At the end of the period	69,391

Transaction date sensitivity

A four months delay in the assumed transaction date would reduce the value of the derivative financial asset by £8.7 million.

Discount rate sensitivity

	Increase/(decrease) in valuation
Discount rate sensitivity	£ million
Increase of 50bps	(39.8)
Decrease of 50bps	43.6

Note 16 – Retained earnings

	2018
	GBP 000's
At the beginning of the period	-
Share capital reduction	155,827
Profit for the period	292,250
Payment of dividends	(224,000)
At the end of the period	224,077

Notes to the financial statements for the period ended 31 March 2018

Note 17 – Financial risk management objectives and policies

The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to market risk (which namely includes interest rate risk), credit risk and liquidity risk arising from the financial instruments it holds.

The Company's senior management oversees the management of those risks. The Management reviews and agrees policies for managing each of those risks, which are summarised below.

17.1 – Market risk

Market risk comprises the following types of risk: interest rate risk, currency risk and price risk. The maximum risk resulting from financial instruments equals their carrying amount.

Interest rate risk

The Company is not exposed to changes in interest rates, as the Company's Loan Notes are issued at a fixed interest rate of 6.7%.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As the presentation currency and functional currency of the Company is the same, i.e. GBP, the Company has minimal exposure to foreign currency risk.

17.2 – Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Company is exposed to credit risk due to its investment in the Subsidiary, and cash and cash equivalents held in bank.

Credit risk is actively managed by monitoring the Subsidiary's performance and ensuring that any cash due from the Subsidiary is paid in a timely manner.

Credit risk also arises from cash and cash equivalents held in banks and other financial institutions. Cash and cash equivalents are invested in major banks. The management of the Company believes that the financial institutions that hold the Company's investments are financially sound and accordingly, minimal credit risk exists with respect to cash and cash equivalents of the Company.

Notes to the financial statements for the period ended 31 March 2018

Note 17 – Financial risk management objectives and policies (cont'd)

17.3 – Liquidity risk

Liquidity risk is defined as the risk the Company will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risks arises because of the possibility that the Company could be required to pay its liabilities earlier than expected.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at 31 March 2018:

	Less than 1 year GBP 000's	Between 1 and 5 years GBP 000's	More than 5 years GBP 000's	Total GBP 000's
Loan notes	-	-	550,220	550,220
Interest payable on loan notes	36,865	184,425	851,525	1,072,815
Trade payables	299	-	-	299
Total at 31 March 2018	37,164	1,025,299	1,401,745	2,464,208

17.4 – Fair value measurement

The Company determines fair values of various financial assets and financial liabilities. Fair value measurements are measured either on a recurring or non-recurring basis.

Fair value of the financial assets and liabilities that are measured at fair value on a recurring basis.

The following table gives information about how the fair value of these financial assets and financial liabilities are determined (in particular, the valuation technique and inputs used).

Financial assets	Fair value as at 2018 GBP 000's	Fair value hierarchy	Valuation techniques and key inputs
Call/put option	69,391	Level 3	Discounted cash flow

There were no transfers between levels in the year.

The Directors consider that the carrying amounts of the financial assets and financial liabilities recognised in the financial statements approximate their fair value.

Quadgas Investments Bidco Limited

Notes to the financial statements for the period ended 31 March 2018

Note 18 – Related party transactions

During the period, the Company issued loan notes to the Consortium as disclosed in note 12. Interest charged during the period is disclosed in note 6.

During the period, the Company provided loans to the Subsidiary as disclosed in note 9. Interest charged during the period is disclosed in note 5.

Note 19 – Events after the reporting date

On 1 May 2018, the Company entered into an option to buy the remaining 25% share in Quadgas HoldCo Limited from the minority interest shareholder, which may complete at any time between 1 March 2019 and 31 October 2019. This is in addition to the option agreement entered into during the year to acquire an additional 14% share in HoldCo as disclosed in note 8.

Note 20 – Ultimate parent company

The immediate and ultimate parent and controlling company is Quadgas Holdings TopCo Limited. Quadgas Holdings TopCo Limited is registered in Jersey, Channel Islands and copies of the consolidated financial statements can be obtained from the registered office, Quadgas Holdings TopCo Limited, First Floor, Waterloo House, Don Street, St Helier, Jersey JE1 1AD