

Northern Gas Networks Finance Plc

Annual Report and accounts
for the year ended 31 March 2018

Registered number: 05575923

Strategic report

For the year ended 31 March 2018

The directors present their Annual Report on the affairs of the company, together with the accounts and auditor's report for the year ended 31 March 2018.

Review of the business

The company's primary role is to ensure that the Northern Gas Networks Holdings Limited (NGNH) group continues to have access to the required funds needed to operate. The company accesses long term facilities which are then utilised by the group.

Financial and operational review

The company's balance sheet shows that the financial position at 31 March 2018 is broadly consistent with prior year with net assets of £50,000 (2017: £50,000).

The company is managed as part of the overall group. For this reason, the company's directors believe that specific key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the group, including the company, is discussed in the NGNH Annual Report.

Future prospects and subsequent events

The directors expect the future prospects of the company to be consistent with performance shown within this Annual Report and accounts. From 1 April 2013, the current price control (RIIO-GD1) period commenced, which gives the group of which the company is a member security over regulated revenue until 31 March 2021. Further going concern details can be found within the Directors' report. There are no material post balance sheet events.

Principal risks and uncertainties

The company is financed by bonds, the proceeds of which have been loaned to its parent company Northern Gas Networks Limited (NGN). Associated risks are discussed in the next section.

No areas of uncertainty exist, as these are borne by the parent company.

Strategic report (continued)

Financial risk management objectives and policies

The company's financial instruments comprise guaranteed bonds and intercompany debt. The main purpose of these financial instruments is to finance the group's operations.

The main qualitative and quantitative risks arising from the company's financial instruments are liquidity risk, credit risk and interest rate risk. The directors review and agree the policies for managing each of these risks and they are summarised below.

Liquidity risk

The maturity of group debt facilities and other amortising loans, are managed such that at any one time all have a time to maturity of more than one year, and that at least 50% by value have a time to maturity of more than two years. Note, the company currently has £200m of debt with a maturity being less than one year as detailed in the going concern assessment on page 4.

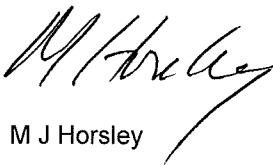
Debt and facility maturities avoid excessive concentrations in any twelve month period, as well as the period around regulatory reset dates where possible.

The balance sheet of the company and note 3 shows group intercompany balances with the parent of the company, being Northern Gas Networks Limited which is a going concern. The directors do not consider the recovery of this debt a risk.

Credit and interest rate risk

Any credit and interest rate exposure to the company is borne by the parent company as all costs are recharged.

By order of the Board



M J Horsley

Director

19 July 2018

Directors' report

For the year ended 31 March 2018

The directors present their Annual Report on the affairs of the company, together with the accounts and auditor's report for the year ended 31 March 2018. The following disclosures have been disclosed in the strategic report and are included in this report by cross referenced here: principal activities, business review including KPI's, principal risks and uncertainties, and future prospects and subsequent events.

Directors

The directors, who served throughout the year and subsequently except as noted, were as follows:

A J Hunter (Chairman)
M J Horsley (Chief Executive Officer)
H L Kam
C T Wan
N D McGee
D N Macrae
L S Chan
C C Tsai
S D Beer

The Board of Directors

The daily operations of the business are managed by a Senior Management Team ("SMT") and the Chief Executive Officer ("CEO"). All significant decisions are referred to the Northern Gas Networks Limited Board of Directors. The Northern Gas Networks Finance Plc Board of Directors ("the Board") meets at least twice a year. The number of Board meetings held during the year and attendees (including alternates) at the Board meetings are detailed below:

Year ended 31 March 2018		Year ended 31 March 2017	
Date	Attendees	Date	Attendees
26 July 2017	7 out of 9	19 July 2016	8 out of 9
23 January 2018	9 out of 9	25 January 2017	9 out of 9

The effectiveness of systems and internal controls are reviewed on an ongoing basis by the SMT. The Board is ultimately responsible for the system of internal controls and for the review of their overall effectiveness.

Directors indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Dividends

The directors do not recommend payment of a dividend (2017: £nil).

Directors' report (continued)

Going concern

The company's business activities, performance and position, together with the principal risks and uncertainties likely to affect its future development and performance, are set out above. Given the role of the company is to access debt on behalf of the group, going concern is assessed on a group basis.

It should be noted that the company has £200m of debt falling due within July 2019, being within 1 year of the signing of these accounts, and that no replacement finance has been confirmed. The directors are satisfied that the required refinancing will be completed prior to the maturity of the £200m of debt in July 2019 due to the following factors: (1) the group have refinanced comparable amounts without issue in the past; (2) investors confidence in the group remains strong due to the reliable regulated revenue and valuable asset held (the gas network); (3) the shareholders of the company have the ability to fund the refinancing in the highly unlikely circumstance that this be needed. It was agreed by the Board that the treasury policy provision requiring long term debt to be refinanced at least 12 months before its maturity date, could be waived.

The directors have made enquiries and reviewed the forecasts, and in light of the facilities available, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and accounts.

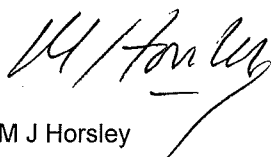
Auditor

Each of the directors at the date of approval of this report confirms that:

- 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 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.

The directors will place a resolution before the annual general meeting to reappoint Deloitte LLP as auditor for the ensuing year.



M J Horsley

Director

1100 Century Way, Leeds, LS15 8TU

19 July 2018

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Northern Gas Networks Finance Plc

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- 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 year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Northern Gas Networks Finance plc (the 'company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 9.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

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 matters that we identified in the current year were: the recoverability of debtors from group undertakings and management override of controls.
Materiality	The materiality that we used in the current year was £2,500,000 which was determined on the basis of the total current assets position of the business.
Scoping	Audit work to respond to the risks of material misstatement were performed directly by the audit engagement team.

Independent auditor's report (continued)

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.

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.

Recoverability of debtors from group undertakings

Key audit matter



description

Debtors from group undertakings are stated in the balance sheet at £1,153,000,000 (2017: £1,105,000,000).

There is judgement involved in determining the recoverability of these debtors from group undertakings based on the financial position and future prospects of the group undertakings. This takes into consideration a range of factors such as the trading performance of the group undertakings, the expected revenue growth and discount rates.

Further details are included within the critical accounting estimates and judgements section of the statement of accounting policies and the debtors' note 3 in the financial statements.

How the scope of our audit responded to the key audit matter







We reviewed the directors' judgements regarding the appropriateness of the carrying value through obtaining a copy of the latest audited financial information and our understanding of the future trading performance of the group undertakings by assessing the ability of the group undertakings to repay these amounts.

We reviewed management's cash flow projections, challenging the key assumptions based on our knowledge of the business and general market conditions affecting the group undertakings, our understanding of the future performance of the business and assessed the potential risk of management bias.

We reviewed the historical accuracy of management's forecasts by comparing the actual results to forecasts.

Independent auditor's report (continued)

Key observations 	Based on the work performed we concluded that debtors from group undertakings are appropriately stated.
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Management Override of Controls	
Key audit matter  description	<p>Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Further details are included within the critical accounting judgments and key sources of estimation uncertainty section of the statement of accounting policies included in the financial statements.</p>
How the scope of our audit responded to the key audit matter 	<p>We reviewed the controls in place regarding the posting of journals and performed substantive testing on the total postings in the financial year.</p> <p>We reviewed the journal postings around the judgmental areas of the balance sheet and profit and loss.</p>
Key observations 	Based on the work performed we concluded that the financial statements are not materially misstated due to management override of controls.

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.

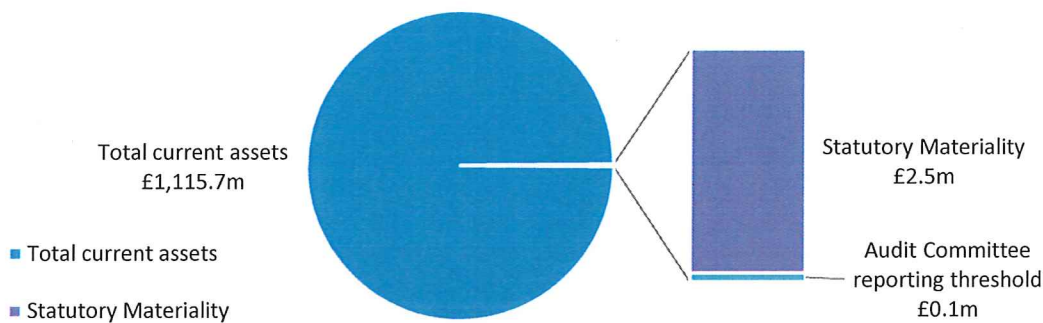
Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£2,500,000
Basis for determining materiality	Materiality was based on total current assets and considering group materiality the materiality figure equates to 0.2% of total current assets.

Independent auditor's report (continued)

Rationale for the benchmark applied

The principle activity of the business is to act as a financial intermediary, therefore the total current assets is the most appropriate benchmark for this entity.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £100,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee 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. The company is a financing and investment holding company comprising one business segment, therefore the whole company was in scope for audit purposes. 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.

Independent auditor's report (continued)

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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 year 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.

Independent auditor's report (continued)

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.

Other matters

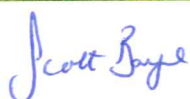
Auditor tenure

We were appointed by the Company at its annual general meeting on 1 May 2005 to audit the financial statements of the Company for the period ending 31 December 2004 and subsequent financial periods. Following a tender process, we were reappointed as auditor of the Company for the period ending 31 March 2018 and subsequent financial periods.

Our total uninterrupted period of engagement is 14 years, covering periods from our initial appointment through to the period ending 31 March 2018.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).



Scott Bayne, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom

19 July 2018

Statement of comprehensive income

For the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Operating result		-	-
Finance charges (net)	1	-	-
Result on ordinary activities before taxation		-	-
Tax on result on ordinary activities		-	-
Result for the financial year		-	-
Other comprehensive result		-	-
Total comprehensive result		-	-

The above results arise from continuing operations.

Profit for the year is all attributable to the equity shareholders of the company.

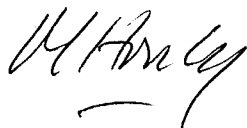
The accompanying notes on pages 15 to 21 are an integral part of this statement of comprehensive income.

Balance sheet
As at 31 March 2018

	Notes	2018 £'000	2017 £'000
Current assets			
Debtors			
– due within one year	3	23,710	23,243
– due after one year	3	900,130	900,130
		<u>923,840</u>	<u>923,373</u>
Creditors: Amounts falling due within one year	4	<u>(23,003)</u>	<u>(23,003)</u>
Net current assets		900,837	900,370
Creditors: Amounts falling due after more than one year	5	<u>(900,787)</u>	<u>(900,320)</u>
Net assets		<u>50</u>	<u>50</u>
 Capital and reserves			
Called-up share capital	6	50	50
Profit and loss account		-	-
Shareholders' funds		<u>50</u>	<u>50</u>

The accompanying notes on pages 15 to 21 are an integral part of this balance sheet.

The accounts of Northern Gas Networks Finance Plc, Registered number 05575923, were approved by the Board of Directors and authorised for issue on 18 July 2018 and signed on its behalf by:



M J Horsley

Director

19 July 2018

Statement of changes in equity

For the year ended 31 March 2018

	Profit and loss account £'000	Called up share capital £'000	Total £'000
At 1 April 2016	-	50	50
Total comprehensive result	-	-	-
At 31 March 2017	-	50	50
Total comprehensive result	-	-	-
At 31 March 2018	-	50	50

The accompanying notes on pages 15 to 21 are an integral part of this statement of changes in equity.

Statement of accounting policies

For the year ended 31 March 2018

Notes to the accounts

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the prior year.

Basis of accounting

Northern Gas Network Finance plc is a company incorporated in the United Kingdom under the Companies Act 2006. The company is a private company limited by shares and is registered in England and Wales. The address of the company is 1100 Century Way, Leeds, LS15 8TU. The accounts have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. Principal activities and nature of operations are shown in the strategic report. The functional and presentational currency is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

The company is exempt from the requirement of FRS102 (Section 7) to present a cash flow statement as it is a wholly owned subsidiary of NGNH, which prepares consolidated accounts which are publicly available. Disclosure exemptions have been taken in relation to financial instruments, and remuneration of key management personnel on the basis that it is a wholly owned subsidiary of NGNH which produce consolidated accounts.

Going concern

The company's business activities, performance and position, together with the principal risks and uncertainties likely to affect its future development and performance, are set out in the strategic report on page 2. The directors have made enquiries and reviewed the forecasts, and in light of the facilities available, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and accounts (further details are provided within the Directors' report).

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Statement of accounting policies (continued)

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Statement of accounting policies (continued)

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Critical accounting judgements and key sources of estimation uncertainty

The directors are not aware of any critical accounting judgements or key sources of estimation uncertainty with these accounts.

Notes to the accounts

For the year ended 31 March 2018

1 Finance charges (net)

	2018 £'000	2017 £'000
Interest payable on bonds	48,591	48,560
Interest receivable and similar income	(48,591)	(48,560)
	<u>-</u>	<u>-</u>

Interest receivable and similar income is all received from the immediate parent undertaking. All interest payable on the bonds is recharged to the parent company through an intercompany loan under equivalent terms as the external bonds.

2 Directors remuneration and auditor's fee

The directors did not receive or accrue any remuneration in relation to their services to the company during the current or prior year. The total remuneration received by the directors during the year was £1,072,000 (2017: £1,026,000) which was paid by other group companies for their services to the group. The audit fee of £6,000 (2017: £6,000) will be borne by Northern Gas Networks Limited. There are no employees other than the directors (2017: none).

3 Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	23,710	23,243
	<u>23,710</u>	<u>23,243</u>
Amounts falling due after one year:		
Amounts owed by group undertakings	900,130	900,130
	<u>900,130</u>	<u>900,130</u>
	<u>923,840</u>	<u>923,373</u>

Notes to the accounts (continued)

3 Debtors (continued)

The intercompany debtor due within one year is interest free and repayable on demand.

The amounts owed by group undertakings falling due after one year is an intercompany loan repayable in four tranches, £198.2m on 8 July 2019, £250.0m on 30 June 2027, £255.0m on 15 November 2035 and £196.9m on 23 March 2040 in line with the related bond repayments (see note 5). Interest is paid annually in line with the related bond interest payment dates as set out in note 5 at a rate equivalent to that paid on the related bonds.

The amounts owed by group undertakings are not impaired in any way and are fully recoverable as the group undertaking holding the debt has been deemed a going concern by the directors of that company due to a net asset position and future profit forecasts.

4 Creditors: Amounts falling due within one year

	2018 £'000	2017 £'000
Accruals and deferred income	23,003	23,003
	<u>23,003</u>	<u>23,003</u>

5 Creditors: Amounts falling due after more than one year

	2018 £'000	2017 £'000
Bond due 2040	196,622	196,480
Bond due 2019	199,657	199,382
Guaranteed bond due 2027	249,793	249,768
Guaranteed bond due 2035	254,715	254,690
	<u>900,787</u>	<u>900,320</u>

The bond due 2040 of £200.0m matures on 23 March 2040 and will be redeemed at par. Interest is paid annually on 23 March at a rate of 5.625%. The bond due 2019 of £200.0m matures on 8 July 2019 and will be redeemed at par. Interest is paid annually on 8 July at a rate of 5.875%. The guaranteed bond due 2027 of £250.0m matures on 30 June 2027 and will be redeemed at par. Interest is paid annually on 30 June at a rate of 4.875%. The guaranteed bond due 2035 of £255.0m matures on 15 November 2035 and will be redeemed at par. Interest is paid annually on 15 November at a rate of 4.875%.

Notes to the accounts (continued)

5 Creditors: Amounts falling due after more than one year (continued)

Maturity analysis of bonds

	2018	2017
Maturity analysis of interest and repayments:	£'000	£'000
In one year or less	47,619	47,619
In more than one year but less than two years	239,669	47,619
In more than two years but less than five years	107,081	319,356
In more than five years but less than ten years	420,207	179,344
In more than ten years but less than twenty years	462,814	741,568
In more than twenty years	222,502	233,750
	<u>1,499,892</u>	<u>1,569,256</u>

Maturity is measured as actual cash flows.

6 Called-up share capital and reserves

<i>Share capital</i>	2018	2017
	£'000	£'000
<i>Allotted, called-up and fully paid</i>		
50,000 ordinary shares of £1 each	<u>50</u>	<u>50</u>

The profit and loss account is the accumulative earnings retained by the company.

7 Financial commitments

The company has a total commitment of £7.1m (2017: £7.6m) over the term of the 2027 and 2035 bonds in relation to a financial guarantee from FGIC UK Limited (FGIC) to cover the 2027 and 2035 bonds included within long term borrowings in note 5.

The company has also entered into a Guarantee and Reimbursement Agreement with FGIC in conjunction with its parent NGN, in relation to those bonds. NGN Limited guarantees the punctual payment of any and all sums and fees due to FGIC and undertakes to pay any amount due from the company but not paid by it. NGN Limited also indemnifies FGIC against any loss or liability suffered, if any obligation guaranteed by FGIC is, or becomes, unenforceable, invalid or illegal. The amount of the loss or liability under the indemnity is equal to the amount FGIC would otherwise have been entitled to recover.

Notes to the accounts (continued)

8 Related party transactions

The company is a wholly owned subsidiary and utilises the exemption contained in FRS 102 section 33 2.2, "Related Party Disclosures", not to disclose any transactions with wholly owned entities that are part of the group.

9 Ultimate controlling party

The directors regard NGNH, a company incorporated in England and Wales, as the ultimate parent company and the ultimate controlling party. NGN is the immediate parent company.

NGNH is the parent company of the largest and smallest group of which the company is a member and for which group accounts are drawn up. Copies of the accounts are available from 1100 Century Way, Thorpe Park Business Park, Colton, Leeds, LS15 8TU.

The Shareholders of NGNH are a consortium consisting of:

PG (April) Limited (47.1%)

Beta Central Profits Limited (41.3%)

SAS Trustee Corporation (11.6%)