PG (April) Limited

Annual Report and accounts
for the year ended 31 December 2019

Registered number: 06219737

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Strategic report

For the year ended 31 December 2019

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 December 2019. The accounts are presented under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Principal activity

The principal activity of the company is to hold and manage a 47.1% investment in Northern Gas Networks Holdings Limited (NGNH).

Financial and operational review

As shown in the profit and loss account the company has made a profit of £45.7m (2018 - £42.4m) in the year. The balance sheet shows the company's net asset position at the year end of £360.0m (2018 – £356.3m).

Given the company was owned by CKI Gas Infrastructure Limited at the balance sheet date (note 10) and has an investment in Northern Gas Networks Holdings Limited, the company's directors believe that further 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 Northern Gas Networks Holdings Limited is discussed in the Annual Reports of this company which does not form part of this report.

Dividends

The directors do not recommend payment of a final dividend, as consistent with last year. An interim dividend of £41.9m (2018 - £42.3m) was declared and paid in the year, as detailed in note 4.

Outlook

The directors expect the dividend flows to continue in the same manner in the forthcoming year.

Principal risks and uncertainties and financial risk management objectives and policies

The company's activities expose it to a number of financial risks, including liquidity risk. The company is primarily financed by equity, with liquidity risk managed through intergroup assets and liabilities. All intercompany balances are deemed recoverable. The recovery of the investments held in the balance sheet is a risk, but based on the underlying cash flow forecasts the directors deem this risk to be low.

Events occurring after the balance sheet date

The company continues to actively monitor the situation surrounding the outbreak of the COVID-19 virus. The company's investments are characterised by fully (or highly) regulated operations that deliver an essential service with relatively low likelihood of disruption. The investments operate in an industry where revenue receivables are protected by both regulatory frameworks and high-quality credit profiles of the major counterparties. Whilst there are uncertainties that are caused by COVID-19, at a financial level the company does not have any borrowings or other significant cash obligations that would require any significant cash outflow. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and accounts.

Going concern

The company's business activities, performance and position together with its principal risks and uncertainties likely to affect its future development and performance are set out above. The company is reliant on dividend income to remain a going concern. The directors have made enquiries and reviewed the forecasts and have a reasonable expectation that the company has adequate resources and an ongoing dividend income, so to continue operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and accounts.

Approved by the Board of Directors.
Signed on behalf of the Board.

Mark Horsley

M J Horsley
Director
7 May 2020

Directors' report

For the year ended 31 December 2019

The directors present their Annual Report for the affairs of PG (April) Limited, together with the accounts and auditor's report for the year ended 31 December 2019. The principle activity, business strategy, financial and operational review, dividends, outlook, principal risks and uncertainties and going concern are presented in the Strategic report on page 1.

Directors

The directors who served during the year and subsequently were as follows:

- H L Kam
- T C Ip
- A J Hunter
- M J Horsley
- G W Edwards
- G B Ellis
- J T Miller

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 ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006. Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board of Directors.

Signed on behalf of the Board.

M J Horsley, Director

7 May 2020

3 More London Riverside, London, SE1 2AQ

Directors' responsibilities statement

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

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts 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 accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the accounts 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 accounts 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 PG (April) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of PG (April) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 10.

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, 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.

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.

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. 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.

We have nothing to report in respect of these matters.

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.

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.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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.

Scott Bayne FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
7 May 2020

Profit and loss account

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Revenue – dividend income	2	37,186	35,505
Administrative expenses		23	(21)
Operating profit		37,209	35,484
Finance income (net)	1	8,493	8,471
Profit before taxation	2	45,702	43,955
Tax on profit	3	-	(1,605)
Profit for the financial year		45,702	42,350

All results arise from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

There is no other comprehensive income or expenses recognised in in either period other than shown above, consequently no Statement of Comprehensive Income has been presented.

Balance sheet

As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investments	5	269,228	269,228
Current assets			
Debtors			
Falling due within one year	6	15,487	15,487
Falling due after one year	6	84,706	84,706
Cash at bank and in hand		3,804	48
		103,997	100,241
Creditors: Amounts falling due within one year	7	(13,202)	(13,240)
Net current assets		90,795	87,001
Net assets		360,023	356,229
Capital and reserves			
Called-up share capital	8	282,906	282,906
Profit and loss account		77,117	73,323
Shareholders' funds		360,023	356,229

The accompanying notes are an integral part of this balance sheet.

The accounts of PG (April) Limited, Registered number 06219737, were approved by the Board of Directors and authorised for issue on 7 May 2020 and signed on its behalf by:

Mark Horsley

M J Horsley

Director

Statement of changes in equity

For the year ended 31 December 2019

	Profit and loss account	Called up share capital	Total
	£'000	£'000	£'000
1 January 2018	73,323	282,906	356,229
Profit for the year, being total comprehensive income	42,350	-	42,350
Dividends declared on equity shares (note 4)	(42,350)	-	(42,350)
31 December 2018	73,323	282,906	356,229
Profit for the year, being total comprehensive income	45,702	-	45,702
Dividends declared on equity shares (note 4)	(41,908)	-	(41,908)
31 December 2019	77,117	282,906	360,023

Statement of accounting policies

For the year ended 31 December 2019

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

General information and basis of accounting

PG (April) Limited (the company) is a company incorporated in the United Kingdom under the Companies Act. The company is a private company limited by shares and is registered in England and Wales. The address of the company's registered office is shown on page 3.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The transitional provisions relating to the triennial review amendments have not resulted in any restatements of comparative information by the Group.

The functional 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 FRS 102 (Section 7) to present a cash flow statement, certain financial instrument disclosures, and key management personnel disclosures, as it is a wholly owned subsidiary of CK Hutchison Holdings Limited, which prepares consolidated accounts which are publicly available. The company is not required to prepare group accounts as it is a wholly owned subsidiary of CK Hutchison Holdings Limited which prepares consolidated accounts which are publicly available.

Going concern

The company's business activities, performance and position together with its principal risks and uncertainties likely to affect its future development and performance are set out in the Strategic report. The directors have made enquiries and reviewed the forecasts and have a reasonable expectation that the company has adequate resources and an ongoing dividend income, so 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.

Fixed asset investments

Fixed asset investments are shown at cost less provision for impairment. Impairment is calculated by comparing the carrying value with the recoverable amount of the investment.

Net financing income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at the effective interest rate applicable on the carrying amount.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Dividend income

Dividend income from subsidiaries is recognised on receipt of the dividend.

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. All financial assets and liabilities are initially measured at transaction price (including 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. Financial assets and liabilities are only offset in the statement of financial position 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.

Reserves

The profit and loss reserve represents cumulative profits or losses net of dividends paid and other adjustments.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

There are no critical accounting judgements or key sources of estimate uncertainty.

1 Finance income

	2019 £'000	2018 £'000
Interest receivable and similar income		
- Shareholder loans	8,471	8,471
- Bank loans	22	-
	8,493	8,471

2 Profit on ordinary activities before taxation

The directors did not receive any remuneration in relation to their services to the company during the current or prior years. The fees payable to the company's auditor was £6,000 for the financial statements audit (2018 - £6,000) and nil for non-audit tax compliance services (2018 – £15,000). There are no employees other than the directors.

During the year the company received dividend income from its associate undertaking Northern Gas Networks Holdings Limited of £37,186,000 (2018 - £35,505,000).

3 Tax on profit on ordinary activities

The tax charge comprises:

	2019 £'000	2018 £'000
Current tax		
UK corporation tax	-	1,605
Total tax on profit on ordinary activities	-	1,605

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	45,702	43,955
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2018 – 19%)	8,683	8,351
Effects of:		
Income not taxable	(7,065)	(6,746)
Group relief utilised	(1,618)	-
Tax charge for the year	-	1,605

The company earns its profits in the UK. Therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 19%. Finance Bill 2016 included provisions to reduce the main rate of corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the cut in the rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%.

4 Dividends on equity shares

	2019 £'000	2018 £'000
Equity shares		
Interim dividend of 14.8p (2018 – 15.0p) per ordinary share	41,908	42,350

5 Fixed asset investments

	2019 £'000	2018 £'000
Associate (cost and net book value)	269,228	269,228

Analysis of subsidiaries

	£'000
Associate (cost and net book value)	269,228

The associate represents a 47.1% holding in the ordinary share capital of NGNH, which holds a group whose principal activity is the distribution of gas through the North of England network, and is incorporated and registered in England and Wales. The other shareholders of the associate are Beta Central Profits Limited, (registered address 3 More London Riverside, London, SE1 2AQ) and SAS Trustee Corporation (registered address PO Box 1229, Wollongong, NSW 2500).

Northern Gas Networks Holdings Limited is the top holding company of the following group:

Name of entity	Country of incorporation	Shareholding	Nature of business
Northern Gas Networks Operations Limited	England & Wales	100%	Gas distribution
Northern Gas Networks Limited	England & Wales	100%	Gas distribution
Northern Gas Networks Finance plc	England & Wales	100%	Finance company
Northern Gas Networks General Partner Limited	England & Wales	100%	Pensions
Northern Gas Networks Pension Trustee Limited	England & Wales	100%	Pensions
Northern Gas Networks Pension Funding Limited Partnership	England & Wales	100%	Pensions

NGNH and all subsidiaries of NGNH have the registered office of: 1100 century Way, Leeds, LS15 8TU.

6 Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	15,487	15,487
	15,487	15,487
Amounts falling due after more than one year:		
Amounts owed by associate undertakings	84,706	84,706
	84,706	84,706
	100,193	100,193

Amounts owed by group undertakings that are due after more than one year comprise shareholder loans held by NGNH, bearing fixed interest of 10.0% paid annually and are repayable on 18 December 2033. Amounts owed by group undertakings within one year are interest free and receivable on demand.

7 Creditors: Amounts falling due within one year

	2019 £'000	2018 £'000
Accruals and deferred income	22	24
Amounts owed to group undertakings	13,180	13,216
	13,202	13,240

Amounts owed to group undertakings are interest free and repayable on demand.

8 Called-up share capital

	2019 £'000	2018 £'000
Allotted, called-up and fully paid		
282,906,291 (2018 – 282,906,291) ordinary shares of £1 each	282,906	282,906

9 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 entities that are a wholly owned part of the group.

The company received dividend income as detailed in note 2 and shareholder loan interest as detailed in note 1, from its associate investment Northern Gas Networks Holdings Limited. The company declared dividends on equity shares as detailed in note 4.

The loan balance with its associate investment Northern Gas Networks Holdings Limited is £84.7m at 31 December 2019 (2018 – £84.7m) as detailed in note 6.

10 Ultimate controlling party

Fame Plus Global Limited was the immediate parent company at the balance sheet date.

CK Hutchison Holdings Limited, a company listed on the Hong Kong stock exchange, is the ultimate parent company and the largest group of which the company is a member and for which group accounts are drawn up. The registered office of CK Hutchison Holdings Limited is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

CK Infrastructure Holdings Limited is an intermediate parent company, the smallest group of which the company is a member and for which group accounts are drawn up. The registered office of CK Infrastructure Holdings Limited is 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong. Copies of the accounts are available from the registered address of this company as shown in the Directors' report.