Company Registration No. 08998664

Indigo Pipelines Holdco 2 Limited

Annual Report and Financial Statements

For the year ended 31 March 2017

SATURDAY

S68B2OX5

SCT 10/06/2017 #158

COMPANIES HOUSE

Indigo Pipelines Holdco 2 Limited

Annual Report and financial statements 2017

Contents

	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Directors' responsibilities statement	6
Independent auditor's report	7
Profit and loss account	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12

Indigo Pipelines Holdco 2 Limited

Annual Report and financial statements 2017

Officers and professional advisers

Directors

Gary Le Sueur
Andrew Low
Antony Robison
Adam Delaney (Appointed 12 April 2017)

Registered Office

One London Wall
London
EC2Y 5AB

Bankers

The Royal Bank of Scotland plc
City of London
1 Princess Street
London
EC2R 8BP

Solicitors

Maclay Murray & Spens LLP
1 George Square
Glasgow
G2 1AL

Auditor

Deloitte LLP
Statutory Auditor
110 Queen Street
Glasgow
G1 3BX
United Kingdom

Indigo Pipelines Holdco 2 Limited

Strategic report

The Directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal Objectives and Strategies

The Company's principal activity is to act as a holding and financing company for Indigo Pipelines Limited, a licensed gas transporter, acquiring, owning and operating gas connections to domestic housing and commercial developments throughout the UK. It is regulated by Ofgem, and is responsible for safely transporting gas through its networks to over 166,000 residential and commercial properties across the UK. The Company has external borrowing facilities in place to facilitate Indigo Pipeline's acquisition of further gas connections. As such, the directors' strategy and business monitoring remains focussed on the underlying performance of the subsidiary.

Key Performance Indicators and Business Review

The Company, its parent Indigo Pipelines Holdco 1 Limited and Indigo Pipelines Limited – collectively "the Group" has lending arrangements in place with external borrowers, which are subject to regular covenant testing. The Group has been performing well and has been compliant with the covenants laid out in the group loan agreement.

The operating loss in the period was £6,000 (2016: Loss of £6,000).

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group concern ensuring the Board of Directors is satisfied with the quality of service delivery provided by SSE Utility Solutions Ltd and ensuring the Group's network is operated in a safe and regulatory compliant manner. These areas are actively monitored by the Board of Directors.

The Board of Directors also manage the financial risk of the business through ensuring it continues to operate profitably and according to its business plan. Management of financial risks include the directors ensuring appropriate controls are in place with regard to cash control, working capital management and the effective collection of debtors.

Compliance risks (such as anti-bribery, anti-fraud, data protection and regulation) are managed by prudent and verifiable controls.

The Group aims to achieve a zero harm target to life, property and the environment and this is the absolute priority of all operations

Strategic report (continued)

Future Developments

The directors intend to continue to hold its investment in Indigo Pipelines Limited and to continue to fund, via its external borrowing facilities, the subsidiary company's strong pipeline of new gas opportunities.

The directors intend for the business to continue to operate in line with its financial forecasts, contractual terms and do not anticipate any strategic changes to the current business plan.

Approved by the Board of Directors and signed on behalf of the Board



Gary Le Sueur
Director
07 June 2017

Indigo Pipelines Holdco 2 Limited

Directors' report

The directors present their annual report on the affairs of the Company together with the financial statements and auditor's report for the year ended 31 March 2017.

Results and Dividends

The profit for the financial year amounted to £1,775,000 (2016: Loss of £69,000). The directors do not recommend the payment of a dividend.

Future developments

Details of future developments can be found in the Strategic Report on page 3.

Directors

The directors who served during the year and to the date of this report were as follows unless otherwise stated:

Gary Le Sueur
Andrew Low
Antony Robison
Adam Delaney (Appointed 12 April 2017)

Directors' indemnities

The Group 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.

Financial risk management objectives and policies

The Company's activities expose it primarily to a number of financial risks including: cash flow risk and interest rate risk, as detailed below:

Cash flow risk

The Group has a commitment that the Company can drawdown funds from the bank on behalf of Indigo Pipelines Limited to fund its capital expenditure requirements. Monthly forecast cash flows show that secure trading from existing connections keeps the Group in a low risk environment.

Interest rate risk

As a result of its external borrowing facilities which have interest charged based on LIBOR, the Company is exposed to fluctuations in interest rates. The Company has entered into interest rate swaps in order to hedge movements in future interest rates.

Going Concern

The Board of Directors expects that the strong operational and financial performance of the business will continue into 2017/18 and beyond, in line with its business plan.

The Group and Company have lending arrangements in place with external borrowers, which are subject to regular covenant testing. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to continue to be profitable and cash generative going forward. The forecasts give due regard to available banking facilities and show that the Group and Company will continue to remain within related covenant requirements.

On this basis the directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Directors' report (continued)

Auditor

Each of the persons who is a director 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 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP was appointed by the directors during the year. Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Andrew Low
Director
07 June 2017

Indigo Pipelines Holdco 2 Limited

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 Accouting 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 to 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 Indigo Pipelines Holdco 2 Limited

We have audited the financial statements of Indigo Pipelines Holdco 2 Limited for the year ended 31 March 2017 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year ended 31 March 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on matters prescribed in 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 and the Directors' Report.

Independent auditor's report to the members of Indigo Pipelines Holdco 2 Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

David Mitchell CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
7 June 2017

Indigo Pipelines Holdco 2 Limited

Profit and loss account
Year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Turnover		60	60
Cost of Sales		(60)	(60)
Gross profit		-	-
Administrative expenses		(6)	(6)
Operating loss	3	(6)	(6)
Interest receivable	6	1,743	1,599
Interest payable	7	(1,517)	(1,697)
Income from shares in subsidiary undertakings	8	1,600	-
Profit/(loss) on ordinary activities before taxation		1,820	(104)
Tax on profit/(loss) on ordinary activities	9	(45)	35
Profit/(loss) for the financial year		1,775	(69)

The above results are derived from continuing operations unless otherwise noted.

The Company has no other recognised gains or losses other than the profit (2016: loss) in the current year. Accordingly, no Statement of Comprehensive Income has been presented.

The accompanying notes form part of these financial statements.

Indigo Pipelines Holdco 2 Limited

Balance sheet
As at 31 March 2017

	Notes	2017 £'000	2016 £'000
Fixed Assets			
Investments	10	54,221	54,221
Current assets			
Cash		223	596
Debtors			
– due within one year	11	26	42
– due after one year	12	11,161	7,320
– deferred tax asset	12,15	104	152
		11,514	8,110
Creditors: amounts falling due within one year	13	(497)	(2,745)
Net current assets		11,017	5,365
Total assets less current liabilities		65,238	59,586
Creditors: amounts falling due after more than one year	14	(59,666)	(55,789)
Net assets		5,572	3,797
Capital and reserves			
Called up share capital	17	5,000	5,000
Profit and loss account		572	(1,203)
Shareholders' funds		5,572	3,797

The financial statements of Indigo Pipelines Holdco 2 Limited, registered number 08998658 were approved by the Board of Directors on 07 June 2017.

Signed on behalf of the Board of Directors

Gary Le Sueur
Director

Indigo Pipelines Holdco 2 Limited

Statement of changes in equity
As at 31 March 2017

	Called up Share Capital £'000	Profit & Loss Account £'000	Total Equity £'000
At 1 April 2015	5,000	(1,134)	3,866
Loss for the financial period	-	(69)	(69)
Total comprehensive income	5,000	(1,203)	3,797
At 31 March 2016	5,000	(1,203)	3,797
Total comprehensive income	-	1,775	1,775
As at 31 March 2017	**5,000**	**572**	**5,572**

Notes to the financial statements
For the year ended 31 March 2017

1. Principal accounting policies

Basis of accounting

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

General Information and basis of accounting

Indigo Pipelines Holdco 2 Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 2.

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 functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements are also presented in pounds sterling.

Indigo Pipelines Holdco 2 Limited meets the definition of a qualifying entity under FRS 102 and therefore has taken advantage of the exemption in relation to financial instruments, disclosure of intra-group transactions and presentation of cash flow statement on the grounds that the ultimate parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Indigo Pipelines Holdco 1 Limited, it has taken advantage of the exemption contained in Financial Reporting Standard 102, Section 33 and has therefore not disclosed transactions or balances with entities which form part of the Group headed by Indigo Pipelines Holdco 1 Limited. In addition the Company has not prepared consolidated financial statements as its results are included within the consolidated financial statements prepared by Indigo Pipelines Holdco 1 Limited.

Going concern

The Board of Directors expects that the strong operational and financial performance of the business will continue into 2017/18 and beyond in line with its business plan.

The Company and Group have lending arrangements in place with external borrowers, which are subject to regular covenant testing.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to continue to be profitable and cash generative going forward. The forecasts give due regard to available banking facilities and show that the Group will continue to remain within related covenant requirements.

On this basis, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Turnover

Turnover, stated exclusive of Value Added Tax, relates to a recharge of management services in the UK to Group undertakings.

Notes to the financial statements
For the year ended 31 March 2017

1. Principal accounting policies (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, 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.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the financial statements
For the year ended 31 March 2017

1. Principal accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provision 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.

(i) 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 finance 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.

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

(a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.
(b) 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.
(c) 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 relevant taxation or law.

There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one year 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.

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 Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Notes to the financial statements
For the year ended 31 March 2017

1. Principal accounting policies (continued)

Financial assets and liabilities (continued)

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

(ii) Investments

In the Company balance sheet, investments (including investments in associates) are measured at cost less impairment.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iv) Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the current period the directors do not consider there to be any key source of estimation uncertainty.

Notes to the financial statements
For the year ended 31 March 2017

3. Operating loss is arrived at after charging:

	2017 £'000	2016 £'000
Professional fees	6	-
Auditor's remuneration	3	3

4. Staff costs and numbers

The Company employs no staff.

5. Directors' remuneration

No director received remuneration in respect of their service to the Company.

6. Interest receivable

	2017 £'000	2016 £'000
Interest receivable from group undertaking	1,743	1,599
Total interest receivable	1,743	1,599

7. Interest payable

	2017 £'000	2016 £'000
Interest payable to banks	(1,483)	(1,416)
Mark to market on interest rate swap	236	(10)
Amortisation of debt arrangement fees	(271)	(271)
Net interest payable	(1,518)	(1,697)

Notes to the financial statements
For the year ended 31 March 2017

8. Income from shares in subsidiary undertakings

	2017 £'000	2016 £'000
Dividend income received	1,600	-

9. Taxation

	2017 £'000	2016 £'000
Current tax:		
United Kingdom corporation tax	(3)	(19)
Adjustments in respect of previous periods	-	(31)
Total Corporation tax	(3)	(50)
Deferred tax:		
Origination and reversal of timing differences	47	(2)
Effect of change in tax rate	1	17
Total Deferred tax	48	15
Total tax on profit/(loss) on ordinary activities	**45**	**(35)**

The credit for the period can be reconciled to the loss per the profit and loss account as follows:

	2017 £'000	2016 £'000
Profit/(loss) before tax	1,820	(104)
Tax on loss on ordinary activities at standard UK corporation tax rate of 20% (2016: 20%)	364	(21)
Effects of:		
Differences in rates	1	17
Adjustments in respect of prior period	-	(31)
Income not taxable	(320)	-
Tax charge/(credit) for period	45	(35)

Notes to the financial statements
For the year ended 31 March 2017

10. Fixed asset investments

Subsidiary undertaking	Loan £'000	Shares £'000	Total £'000
As at 31 March 2016 and 31 March 2017	26,828	27,393	54,221

On 1 September 2014, the Company acquired 100 per cent of the issued share capital of Indigo Pipelines Limited, a company whose primary activity is being an independent gas transporter, for consideration comprising of cash and paying off the intercompany debt. The fair value of the total consideration was £54,221,000.

Subsidiary undertaking	Registered office address	Principal activity	Holding	%
Indigo Pipelines Limited	One London Wall, London, EC2Y 5AB	Gas Transporter	Ordinary shares	100

11. Debtors due within one year

	2017 £'000	2016 £'000
Amounts due from subsidiary undertakings	15	15
Prepayments and accrued income	8	8
Group relief receivable	3	19
	26	42

12. Debtors due after one year

	2017 £'000	2016 £'000
Deferred tax asset (note 15)	104	152
Amounts due from subsidiary undertaking	11,161	7,320
	11,265	7,472

13. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Amounts owed to parent undertaking	440	2,740
Accruals and deferred income	57	5
	497	2,745

Notes to the financial statements
For the year ended 31 March 2017

14. Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Bank loans	38,292	34,451
Debt issue costs after amortisation	(655)	(927)
Amounts due to parent undertaking	21,420	21,420
Derivative financial instruments (note 16)	609	845
Total	59,666	55,789

	2017 £'000	2016 £'000
Bank loans		
Less than one year	-	-
Between one and two years	-	-
Between two and five years	38,292	34,451
	38,292	34,451

The bank loans comprise an acquisition facility and a capex facility which was not fully drawn down at the period end. The loan agreements were entered into on 29 August 2014 and are repayable in one instalment on the 5th anniversary of the agreement. Interest is charged at a margin over LIBOR and the facilities are secured by fixed and floating charges by the Company and guarantees from other group undertakings.

15. Deferred taxation

Deferred taxation is provided as follows:

	2017 £'000	2016 £'000
Other timing differences	104	152

	31 March 2017 £'000
At 15 April 2016	152
Profit and loss account	(48)
At 31 March 2017	104

Notes to the financial statements
For the year ended 31 March 2017

16. Derivative financial instruments

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Interest rate swap contracts

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

Average contract fixed interest rate	Notional principal value				Fair value	
	2017 %	2017 £'000	2016 %	2016 £'000	2017 £'000	2016 £'000
Pay fixed, received floating 2 to 5 years	1.887%	28,355	1.887%	28,355	609	845
		28,355		28,355	609	845

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months' LIBOR. The Company will settle the difference between the fixed and floating interest rate on a net basis.

A profit of £236,000 (2016: loss of £10,000) has been recognised in the profit and loss account relating to the fair value of derivative liabilities during the year.

17. Share capital and other reserves

	Number	£
Allotted and called up:		
5,000,000 ordinary shares of £1 each	5,000,000	5,000,000

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

Notes to the financial statements
For the year ended 31 March 2017

18. Ultimate Holding Company

The immediate parent undertaking is Indigo Pipelines Holdco 1 Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Indigo Pipelines Holco 1 Limited consolidated financial statements can be obtained from the Company Secretary at One London Wall, London, EC2Y 5AB.

The ultimate parent is Environmental Capital Fund LP, an infrastructure fund managed by Scottish Equity Partners LLP. Environmental Capital Fund LP is owned by a number of investors with no one investor having individual control.

19. Related party transactions

There is a monthly management charge in the ordinary course of business that passes through the Company from Scottish Equity Partners LLP of £5,000 to the Company's subsidiary undertaking. As at 31 March 2017 £15,000 (2016: £15,000) was due outstanding with Scottish Equity Partners LLP.

The Company has three loans to Indigo Pipelines Limited. The term and keepwell facilities are charged at the effective fixed rate (which includes the interest rate swap) plus an additional 1% margin. The capex facility is charged at the floating bank rate plus 1% margin.