

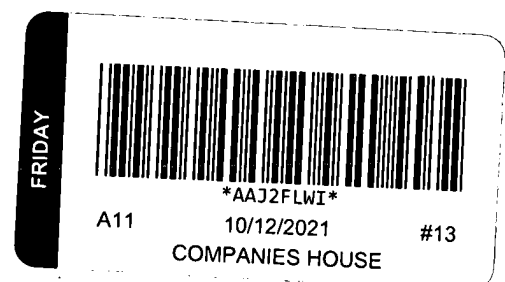
## **Xoserve Limited**

Report and Financial Statements

Year Ended

31 March 2021

Company Number 05046877



# **Xoserve Limited**

## **Report and financial statements for the year ended 31 March 2021**

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### **Directors**

S Brittan  
S Carroll  
Y Cohen  
M Hogg  
C Jones  
I Radley  
P Rogers  
N Shaw  
C Spottiswoode

### **Secretary and registered office**

E L Bradley, Lansdowne Gate, 65 New Road, Solihull, B91 3DL

### **Company number**

05046877

### **Auditors**

BDO LLP, Two Snowhill, Birmingham, B4 6GA

# Xoserve Limited

## Strategic report for the year ended 31 March 2021

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The Directors present their Strategic Report for the year ended 31 March 2021.

### Review of the business

#### *Principal activities*

Founded in 2005, Xoserve (the Company) is central to Britain's commercial gas market. As the Central Data Services Provider ("CDSP") for the gas industry, it offers a single consistent point of service for our customers, ensuring that their data is managed securely and consistently.

During the year, the Company continued to provide transactional billing and other data services under the Data Services Contract ("DSC") on behalf of gas network operators in the United Kingdom, who are responsible for transporting gas through eight gas distribution networks and the National Transmission System. In addition, the Company provides essential reporting and other services to gas shippers, retailers and other industry participants.

In late 2019 the Xoserve Board of Directors undertook a comprehensive strategic review into how Xoserve discharges its role as the Central Data Service Provider (CDSP) for the UK gas market. The Board considered the implications of a net-zero future, an increasing need for flexibility, innovation, and value for money. The Board concluded that Xoserve's current delivery model for CDSP services restricted how Xoserve can respond to the changing shape of the energy market and that without action, this would impede Xoserve's strategy to increase customer satisfaction, reduce the cost of service delivery and bring innovative solutions to market.

As a result, Xoserve restructured its business model and became a specialised contract management company, retaining its role as the CDSP and accountability for delivery of the Data Services Contract (DSC) to Xoserve's customers. Xoserve's funding, governance and ownership remained unchanged.

Meanwhile, a new company, Correla Limited (Correla), was created by Xoserve as an independent business, backed by private investment, to deliver services to Xoserve through a commercial contract (known as the DSC+), and fuel innovation in the centre of the gas market. To achieve this, Correla was initially set up as a subsidiary undertaking, then sold to an external investor, NorthEdge Capital LLP on 31 March 2021.

#### *Funding Arrangements and Ownership*

On 1 April 2017, Xoserve was appointed by the Gas Transporters as the gas industry's CDSP collectively funded and governed by Shippers, Gas Distribution Networks, National Grid Gas Transmission, and the Independent Gas Transporters (all of whom are "DSC Parties").

The DSC Parties provide the majority of Xoserve's funding through the charges they pay for Xoserve's services. Accordingly, they are consulted on Xoserve's Business Plan and Budget, and participate in governance meetings. They also have rights to appoint customer nominated Directors to the Xoserve Board. Specifically, the CDSP arrangements prohibit the distribution of profits to Xoserve's shareholders.

As mentioned above, these arrangements are unaffected by the business restructure which saw the formation and sale of Correla.

### Results for the year

For the year ended 31 March 2021, the Company's profit before tax was £0.5m and profit after tax was £0.5m (2020 - £0.3m before tax and £0.3m after tax). This will be retained in reserves to provide a buffer for any unexpected expenditure during the next financial year. At 31 March 2021 the Company had cash at bank of £0.4m and a money fund account (readily accessible) of £10.0m (2020 £1.9m and £25.4m).

During the year, the Company sold its entire shareholding in its new subsidiary undertaking, Correla. The profit it realised on the disposal of Correla (£11,099,000) was utilised in providing a reduction of in year customers' General Services costs with the associated cash rebate occurring post year end.

#### *Income*

The principal source of revenue for the Company comes from the Data Services Contract (DSC) for the provision of general transactional and data management services. These services accounted for £71.2m (95% of turnover) (2020 - £76.4m (95% of turnover)). These amounts include deferred revenue recognised in respect of amounts paid in advance by customers to fund major capital projects.

# Xoserve Limited

## Strategic report for the year ended 31 March 2021 (*continued*)

In addition, during the year the Company earned further revenue of £3.8m (5% of turnover) (2020: £4.3m (5% of turnover)) through the provision of other contracted services, mainly to gas Shippers, Major Energy Users and Meter Asset Managers.

### **Financial position**

The financial position of the Company is presented in the Statement of financial position. Total shareholders' funds at 31 March 2021 were £2.5m (2020: £2.0m) comprising fixed assets of £43.3m (2020: £50.6m); net current liabilities of £11.3m (2020: net current liabilities of £13.2m) less long-term creditors and provisions for liabilities of £29.5m (2020: £35.4m).

As part of the creation of Correla in the year, assets and liabilities with a total value of £3,501,000 were transferred under an Asset Transfer Agreement dated 28 February 2021.

At the end of the financial year the Company had commitments for contracts placed for future capital expenditure not provided for in the financial statements of £21.3m (2020: £10.2m) primarily related to the DSC+ contract.

### **Business Strategy**

Xoserve believes that it has a responsibility to allow energy consumers to realise the benefits of the significant investment in industry assets that they have funded previously and to not burden them with unnecessary additional costs. This is captured in the Company's vision statement: To simplify the Energy Market through maintaining and leveraging industry assets for the benefit of all.

During the year, this vision was delivered through focus on six strategic objectives:

- Customer Centric – moving from Reliability to Trust
- Data Driven – moving from Stewardship to Value Creation
- Change Leading – moving from Consistency to Certainty
- Operationally Excellent – moving from Necessity to Choice
- People Powered – moving from Learning to Leading
- Responsible Business – moving from Assurance to Confidence

The desire to increase customer satisfaction, reduce the cost of service delivery and bring innovative solutions to market in the delivery of these strategic objectives was the driving force behind the restructure which led to the creation and sale of Correla, as described on page 1.

Xoserve retains its role as the CDSP, including responsibility for delivery of the Data Services Contract (DSC) and accountability for the annual business planning process. It now delivers the majority of activities via a commercial contract with Correla (DSC+), which is aligned to DSC and embraces existing commitments within it, whilst also adding the flexibility to deliver new products and services. Xoserve has become a specialised contract management and assurance function, deploying its deep industry knowledge and experience to ensure that Britain's retail gas market runs efficiently and reliably through the services delivered by Correla and other third parties.

### **IS Applications**

The Company, through Correla, operates a number of major Information Systems ("IS applications") to support services to its customers. These require significant investment to maintain and ensure their availability as well as keeping pace with customer requirements. This activity is funded through the annual Business Plan.

During 2020/21 the Gemini programme (market energy balancing) completed the re-platforming of the solution to a private cloud from its existing on-premise solution. This involved an upgrade of critical components to a sustained and fully supported state. This has increased the resiliency of the application and introduced growth capability within the entire Gemini estate.

Xoserve continued to fulfil its role with the DCC on behalf of Gas Transporters and Independent Gas Transporters, in support of the rollout of Smart meters.

# **Xoserve Limited**

## **Strategic report for the year ended 31 March 2021 (continued)**

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### **IS Applications (continued)**

As a result of the COVID-19 global pandemic Xoserve was able to successfully move to working entirely remotely, whilst still delivering new collaboration tools such as Microsoft Teams and Whiteboarding, which enhanced our ability to collaborate and therefore still deliver our core processes. In support of the separation of the businesses, Payroll, Workforce Management and internal ERP Finance and Expenses systems were migrated to separate instances for each organisation.

In addition, Xoserve's data transfer infrastructure (IX) was migrated to a more secure and resilient network at a lower overall cost to customers. There were some operational challenges during the year in completing the full replacement of the existing IX network provider and associated infrastructure, which was compounded by COVID-19. However, the IX migration project completed successfully in February 2021.

During the year there was a significant uptake in the use of Data Discovery Platform (DDP) which allows customers easy and secure access to their data through interactive dashboards and other data visualisation tools.

### **People**

Xoserve's direct employees are supported by agency staff, employed through external companies and not directly by the Company, performing process as well as management and technical roles. For 2020/21, the average number of employees and agency staff in aggregate was 494 (2019/20: 476). The increase in headcount reflected delivery of more change activities for our customers in the year.

Total employee and agency staff costs of £33.8m were incurred for the year ended 31 March 2021 (2020: £31.7m).

Following the sale of Correlia, Xoserve's headcount reduced to 43 as at 1 April 2021.

The People team have progressed with the IR35 process for all our third-party contractors in preparation for introduction of the legislation.

Our commitment to the learning and development of our People is outlined in our s172(1) statement from page 6.

### **Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks.

#### **Information Security & Data Privacy**

The Company manages data on behalf of the gas network operators and operates a number of Information Systems in support of this. Against the backdrop of an evolving cyber security landscape, we recognise that Information Security is vital to ongoing operation, and the key areas of risk that we actively manage include; unauthorised access to Xoserve's critical systems and data, data privacy and cyber security, in an environment of ongoing change to our working practice through increased home working. As part of our multi-year strategy, Xoserve's Information Security and Privacy teams have continued to strengthen security measures, have matured critical systems security in line with external benchmarked assessment, and incorporated the latest recommended controls into our unified control framework. We have maintained ISO27001 accreditation and continuing to deliver key Security and Privacy Improvement Programmes remains a priority.

# Xoserve Limited

## Strategic report for the year ended 31 March 2021 (*continued*)

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### ***Managing demand and ongoing change***

In a challenging business environment in the last year, Xoserve has achieved notable successes in prioritising change delivery to meet the key needs of our customers. The Company continues to review existing and new activities to ensure suitable capacity, capabilities and control frameworks are in place to mitigate any additional risks that may be created, and to exploit potential opportunities that may arise. Our Audit and Change Assurance teams take a prioritised, risk-based approach to protecting key processes, and encouraging successful outcome delivery for our customers.

### ***COVID-19***

The Company has been highly successful this year in mitigating the risk of disruption to business operations and our workforce from the COVID-19 Pandemic. Operations have been maintained throughout the outbreak through remote working arrangements that will remain our business model. Our workforce's safety and wellbeing have been a key focus, and we continue to work closely with our partners around the globe to ensure that their teams' exposure to local COVID-19 escalation, does not significantly impact their wellbeing or Xoserve's operations.

See more detail within the Funding and Going Concern section on page 22 and in note 1.

### **Key performance indicators (KPIs)**

The Company reports on a number of targets against a 'Balanced Scorecard' of measures as approved by the Board, to track progress against its strategic aims. The 2020/21 outcome is described below:

#### ***Responsible Business***

The Company has achieved its target for total expenditure to be less than budget, ensuring that all spend can be funded from its charges for the year.

An information security maturity assessment audit was performed by an external assessor in March 2021 which resulted in an outcome of 2.94 against a target maturity of 2.8.

#### ***Customer Centric***

Customer satisfaction is measured through a number of customer surveys issued during the year. The Institute of Customer Services (ICS) measures Xoserve's customer view of its performance across several independently benchmarked metrics on an annual basis, with the UK Customer Satisfaction Index ("CSI") adopted for the Balanced Scorecard.

The overall UKICS score achieved for 2020/21 was 75, up from 67.1 last year and saw significant improvements across all categories measured. The overall results showed Xoserve to be the most improved in comparison to the entire UK Utilities sector and the second most improved across all sectors in the UK (which we also achieved two years ago). We are now looking at actions to capitalise on our improvements in 2021/22.

#### ***Operational Excellence***

The operational Right First Time performance increased month-on-month throughout the performance year to a year end position of 90.26%, exceeding the annual target of 85.56%. A strong turnaround in Annual Quantity (AQ) calculations aided by the work undertaken by the AQ Task Force, as well as reductions in the number of defects encountered post-delivery of project changes, contributed significantly to this success during 2020/21.

# Xoserve Limited

## Strategic report for the year ended 31 March 2021 (*continued*)

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### **Change Leading & Data Driven**

Across the year, in respect of Change, we delivered 97.1% of investments to time, budget and quality, exceeding the target of 95% for the year.

The Customer Satisfaction measure within the Customer Change Survey was 9.8 out of 10 against a target of 8, calculated as an average of the survey scores received across the financial year.

The targets to increase use of DSC Data Discovery Platform, DSC visualisation and API usages by 50% were met and exceeded in all areas. An increase of 199% against the baseline at the end of 2020 was achieved.

### **People Powered**

Employee engagement increased to 8.1 out of 10, up from 7.7 last year, despite Covid-19 and the restructure. The employee net promoter score increased to 40 from 15 and work is now underway to plan what engagement approaches we need to implement to align to our new ways of working, once we can return to the office.

### **Future Developments**

Xoserve's principal contract for the provision of services to all Gas Transporters ("GT"), Shippers and independent Gas Transporters, the DSC, is established under the GT Licence and Uniform Network Code arrangements and has no contractual end date.

Following the restructure described on page 1, which led to the separation and sale of Correla, Xoserve now delivers the majority of its contractual obligations via a commercial sub-contract with Correla (known as DSC+), which is aligned to DSC and embraces existing commitments within it, whilst also adding the flexibility to deliver new products and services. As a result of this restructure, Xoserve's delivery focus will turn to the management and assurance of services delivered by third parties, deploying its deep industry knowledge and experience to ensure customer requirements are captured and assessed and that its contracted arrangements with Correla and other third parties are delivered to the levels committed to customers under DSC. Thus, Xoserve will continue to ensure that Britain's retail gas market runs efficiently and reliably through the services delivered by its third-party suppliers.

Xoserve will also continue its programme of investment in strategic initiatives to sustain its services and prepare for future change demand, based on its IT Architectural Roadmap and industry changes. These will cover the following key themes:

- Exceptional customer experience
- Opening up our data
- Gemini Roadmap
- UK Link Roadmap
- Protecting Against Cyber Crime
- General UNC Change
- General REC Change

Xoserve will deliver these both directly and through its service provider Correla.

Customer engagement will remain pivotal in ensuring delivery against agreed priorities and that all stakeholders understand the delivery plans and their implications. At an operational level, engagement will be led primarily by Correla who will deliver on behalf of Xoserve as our main subcontractor. Strategic engagement with customers and the industry will remain with Xoserve, who will manage and assure Correla's performance to meet contracted requirements.

# Xoserve Limited

## Strategic report for the year ended 31 March 2021 (*continued*)

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### Future Developments (continued)

Ofgem continues to move forward with its programme of work to place obligations on the Data Communications Company ("DCC") to procure, deliver and operate a Central Switching Service ("CSS"). The formation of RECCo and their appointed Code Managers will facilitate code consolidation across gas and electricity and the subsequent introduction of CSS. This will move the governance of the Gas Enquiry Services provided by Xoserve into the Retail Energy Code ("REC"). Xoserve continues to support the industry to redraft necessary industry codes, specifically the Uniform Network Code ("UNC") and the new Retail Energy Code ("REC") to support these revised arrangements.

### Introduction of RIIO-2

Ofgem sets price controls for Gas Transporters. This is carried out by setting Revenue using Incentives to deliver Innovation and Outputs ("RIIO"). RIIO was introduced in 2013 and a second round of price controls ("RIIO-2") will begin in 2021. As part of this process, in May 2020, Ofgem confirmed a pass-through arrangement for gas distribution networks for Xoserve costs for the RIIO-2 period.

In response to Ofgem's requirement for information from gas network companies to inform the RIIO-2 price control setting process, Xoserve has provided a financial forecast through to March 2026. This is 2 years further out than the usual timelines for the Company's annual business planning cycle (which focussed on the next 3 years) and, as such, could be subject to further change.

### Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board of Directors consider that the decisions they have made during the financial year and the way they have acted have promoted the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act).

The Board meets as a minimum on a quarterly basis and the agenda typically includes reports on current trading and financial performance, legal and governance updates, a review of the strategic plan and more detailed discussions of areas of importance. The Board considers the company's key stakeholders to include employees, shareholders, customers, suppliers and the local community.

Throughout the year, the Board also retained oversight of the project to establish Correla and its sale to ensure that risks were suitably understood and mitigated.

The Board delegated the day-to-day management of the Company's activities to the CEO and Executive management team who are responsible for the execution of the Company's strategy within the plans agreed by the Board. From 1 March 2021 and going forward this continues with the CEO and Senior Leadership Committee (SLC).

Sufficient handover has been made between the former Executive Team and the current SLC to enable the SLC to have confidence that support for the Board of Directors in performing their statutory duties required under s172(1) has been provided throughout the year.

### Long term decisions

The Board discussed the long-term strategy of the business, in line with the strategic pillars and key themes. The Board recognises its responsibility to act fairly between all its stakeholders.



# **Xoserve Limited**

## **Strategic report for the year ended 31 March 2021 (continued)**

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### **Customers**

This year, further progress was made building trust with our customers. We believe that what customers see and experience must align with what we perceive ourselves to be, and that principle is at the heart of our Customer Promise.

The Company made significant improvements in communication with customers in terms of reduced customer effort and in our ability to deliver services right first time. The Business Planning process was further refined, providing greater opportunity for customers to understand the investments required to deliver and improve our services, and continuing to deliver on the promise to give customers the maximum opportunity to engage with the Company and share their views.

Customer satisfaction is measured through a number of customer surveys issued during the year. These are referenced further within our Key Performance Indicators.

The Company received positive feedback from Customers regarding the communication and dedication to the continuation of high-quality service during the COVID-19 pandemic, with all services uninterrupted throughout periods of lockdown.

### **Suppliers**

Xoserve was dependent on a range of significant third-party relationships in support of the services provided to customers throughout the year. We continued to evolve our supply chain, moving to a more federated model that provides us the opportunity to invest in smaller and UK-based suppliers.

With the scale and impact of COVID-19, supplier engagement has been crucial to ensure we support them during this difficult time. Xoserve's approach has enabled financially vulnerable suppliers to be identified early, offering improved cash flow in many cases. The steps previously taken to improve our payment performance ensured 95% of all invoices were paid on time with our smaller suppliers offered shorter payment terms.

Security was identified as a key theme of the Company's supplier code of conduct which has been reflected in the minimum standards expected of key suppliers. There has been continued investment in security to protect the critical customer data managed in-house with both self-assessment processes and audits to confirm compliance with the standards set.

Moving forward, following the restructure, Correla will be Xoserve's main supplier, providing both CSDP-related services (under DSC+) and certain corporate services. A formal governance framework is in place to ensure the relationship between the two parties is appropriately managed.

Xoserve has significantly reduced the number of suppliers it deals with as a result of the novation of contracts to Correla, aligned to scope. Xoserve continues to procure (and contract for) services on behalf of the gas industry, such as the Performance Assurance Framework Administrator (PAFA) and Allocation of Unidentified Gas Expert (AUGE)

### **People**

The People Function continued to focus on all activities relating to our people including: Training, Development and Wellbeing, Health & Safety, Operations, Insights and Engagement. In addition, our Platforms continued to oversee all the internal technology that our people use day to day, including our back-office finance and HR systems, laptop devices and desktop services as well as all of our people tools and platforms. The function has continued to evolve to refine the ultimate ambition for the people element of the Company's strategy to reflect the desire to create an exceptional experience for people, so they can continue to deliver an exceptional service to customers.

### **Engaging our People**

Engagement with employees and their representatives has continued at all levels, ensuring that their views are considered when decisions are made that could affect their interests and that employees are made aware of the financial and economic performance of the Company.

# Xoserve Limited

## Strategic report for the year ended 31 March 2021 (*continued*)

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### People (*continued*)

#### ***Engaging our People***

Engagement with employees and their representatives has continued at all levels, ensuring that their views are considered when decisions are made that could affect their interests and that employees are made aware of the financial and economic performance of the Company.

Communication with employees occurred through a series of six-monthly Company-wide briefings, briefings from the Chief Executive Officer ("CEO") and other members of the Executive team, ad hoc bulletins and communications through our social and communication platform. Consultation was taken where required, for example with the staff union in relation to the annual staff pay review. A series of breakfast meetings between members of the Executive management team and staff were held throughout the year as well as listening sessions with the CEO and Executive team members, and a series of video logs (vlogs) published which proved especially successful during the move to home working in reaction to COVID-19.

We measured our people engagement through an independent external questionnaire, this year run by The Happiness Index, which measures a wide range of factors which affect employee engagement. We use the output to assess our progress and develop proposals to address themes for within the feedback. Since 2019/20 we delivered a 3.1% improvement in engagement across the business.

During the year the Company operated a performance management scheme as a basis for setting individual objectives and monitoring performance of employees. This provides the basis for informing personal performance bonus awards. The new Objectives & Key Results (OKR) framework was successfully launched in 2020/21, which ensured our people have objectives which link to the Company Strategy.

#### ***Developing our capabilities***

The Xoserve Academy launched in 2019/20, has evolved and continued to support the development and enhancement of Leadership, Data, Change and Operational Excellence capabilities. We continued to successfully internally re-skill a number of people from operational roles into both Microsoft and SAP development and support roles as well as testing roles to support our intention to strengthen our in-house change capability.

#### ***Inclusion and Diversity***

Inclusion and Diversity is actively supported in the business by the Inclusion & Diversity Action Group and Diversity Champions. Our Company trained Mental Health First Aiders ("MHFA") continue to help support wellbeing. A series of online articles were written by colleagues across the business sharing their own experiences of mental wellbeing and inclusion and diversity which have proven popular. The leadership programme is a key part of improving inclusion, developing our leaders to ensure all of our people have a voice and their value is recognised.

Applications for employment by disabled persons are always fully considered, taking account of the qualifications, experience and capabilities of all applicants. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate adjustments and training are arranged. It is the policy of the Company that the training and career development of a disabled person should, as far as possible, remain identical to that for a person who does not suffer from a disability.

#### ***Business Restructure***

The business restructure saw 416 people transfer to Correla under TUPE legislation on 1 March 2021, following a full consultation process. 37 of the original Xoserve employees remained with Xoserve. Of the 416 people transferred, 75 exited the National Grid Defined Benefit pension scheme and joined Correla's Defined Contribution pension scheme. 9 Xoserve employees remained in the National Grid Defined Benefit Scheme at the end of the financial year.

From a people engagement perspective, each member of Xoserve's Senior Leadership Committee continues to engage with their team and the CEO holds regular 'All Company' sessions, which are providing our people with valuable updates of the business and the overall strategy. The People function is led by the Head of Finance and Support Services and has two HR professionals providing the full people lifecycle experience for all Xoserve employees.

# Xoserve Limited

## Strategic report for the year ended 31 March 2021 (continued)

### Future Focus

The Company has and continues to make a significant investment in infrastructure for desktop and network and will focus now on maximising the use of the capabilities for our existing toolset while enhancing the security and the user experience as well as ensuring the building space meets our future needs.

The Company will continue to support our people in the future hybrid working environment.

### Sustainability

The Board is aware of its responsibility to safeguard the environment. We believe as a Responsible Business, it is ethically the right thing. Last year Xoserve offset its unavoidable emissions of 120 tCO<sub>2</sub>e, making Xoserve a Carbon Neutral company working toward becoming a Carbon+ company by 2025. Going forward Xoserve will continue to reduce and offset its Carbon emissions in support of the wider goal the industry is aspiring to achieve of reducing carbon emissions to zero by 2050.

Xoserve's carbon footprint was calculated using the 2020 conversion factors established by the Department for Business, Energy & Industrial Strategy (BEIS) and the UK Department for Environment, Food and Rural Affairs (Defra). These factors are multiplied with the company's GHG activity data. This was selected as the preferred method of calculation as a government recognised approach.

The COVID 19 pandemic defined energy and emissions trends during the year, driving down commercial fossil fuel consumption. The assessment of Xoserve greenhouse gas (GHG) emissions from 1 April 2020 to 31 March 2021, in accordance with the Streamline Energy Carbon Report Regulations provided the following output:

Scope	Activity	2020/21 Tonnes CO <sub>2</sub> e	2019/20 Tonnes CO <sub>2</sub> e
Scope 1 subtotal	Site gas	99.47	167.44
	Company car travel	0.20	2.41
Scope 2 subtotal		<b>99.67</b>	<b>169.85</b>
Scope 3 subtotal	Electricity generation	<b>20.31</b>	<b>56.95</b>
	Flights	-	18.81
	Electricity transmission & distribution	-	4.84
	Grey fleet	-	3.05
	Rail travel	-	1.32
Overall total		<b>119.98</b>	<b>254.82</b>
Tonnes of CO <sub>2</sub> e per employee		<b>0.24</b>	<b>0.66</b>
Tonnes of CO <sub>2</sub> e per £M turnover		<b>1.60</b>	<b>2.78</b>

As we move to a hybrid working environment, Xoserve will continue to apply environmental best practice in dealings with customers / supply partners and industry.

# Xoserve Limited

## Strategic report for the year ended 31 March 2021 (*continued*)

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### Funding and Going concern

The Directors consider that the unique role of the Company's activities in providing services to major gas supply and transport companies under the monitoring of Ofgem (the Office of Gas and Electricity Markets) and the nature of its revenue charging model (whereby costs to be incurred are agreed and charged to customers for investment change and delivery of core services) means that revenues are resilient and the risk of any significant income downturn that is not balanced by a similar reduction in costs is therefore unlikely in future years.

The Company has agreed its business plan with the Board following a multi-phased engagement process with customers for the year to 31 March 2022 which forms the basis of its revenues for this year. The business planning process for the year ending 31 March 2023 is currently in progress but the business model will remain intact as the Central Data Service Provider (CDSP) under the terms of the Data Services Contract (DSC).

The Company continues to be funded by contributions from customers to support major capital expenditure investment programmes through the delivery of data services to the gas market.

The Company's business activities and funding arrangements, together with the factors affecting its future development and position are set out in this Strategic Report.

At 31 March 2021 the Company had cash at bank of £0.4m and a money fund account (readily accessible) of £10.0m (2020 £1.9m and £25.4m), the reduction in cash year on year a result of transacting the Asset Transfer Agreement and prepayments for DSC+ investment programmes, both with Correla. Correla sale proceeds of £14.6m were received on 1 April 2021. The Company also has access to a £1m revolving overdraft facility.

Post the successful sale of Correla, the Company recognised a profit for the year but has net current liabilities as at 31 March 2021. In determining the appropriate basis of preparation of the financial statements, the Directors have considered whether the Company can continue in operational existence for a period of at least 12 months from the date of the approval of the financial statements.

Profit and Loss and Balance sheet reports together with the associated cash flow forecasts have been prepared for a 5-year period together with a more detailed cash flow forecast for the 12 months ended 31 August 2022 supporting the conclusion that the company will be able to operate and meet its external liabilities as they fall due for payment during this period.

Actual results for the year ended 31 March 2021 and in the subsequent months of April and May 2021 showed revenue and collectability levels to be on budget and these are expected to continue for the agreed business plan period to 31 March 2022.

The Covid-19 global pandemic has had and continues to have a minimal impact on trading and the management of cash balances required to support the business. Average collections by Payment Due Date (PDD) remained high at 95.6% and at PDD + 3 days at 98.5%. Current cash collections have improved with both PDD and PDD+3 running at more than 99%.

The Directors continue to assess the going concern requirements of the business and have performed appropriate impact assessments and sensitivity analyses in respect of a reduction of Customer income and the associated impact on cash balances to ensure that adequate cash levels are being maintained to support the expected level of business activity in the period to 31 August 2022.

Ofgem's decision in May 2019 to confirm a pass-through arrangement for Xoserve's funding for the RIIO-2 period post March 2021 for Gas Transporters has now been implemented and will further serve to reduce the Company's going concern risk exposure as any uncertainties in spend year on year would become more recoverable for all parties concerned.

## Xoserve Limited

Strategic report  
for the year ended 31 March 2021 (continued)

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On the basis of the above the directors consider that it is appropriate that the financial statements have been prepared on a going concern basis

Approved by the Board and signed on its behalf by:

M Hogg

Director

Date:



04/08/21

# **Xoserve Limited**

## **Directors' report for the year ended 31 March 2021**

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The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2021.

### **Financial Performance**

Please refer to Results for the Year section of the Strategic Report on page 1.

Business context, including a summary of the business restructure that Xoserve undertook during the year, can be found in the Review of the Business section of the Strategic Report on page 1, under the heading "Principal Activities".

### **Company Restructuring**

Full details of the company restructuring and eventual sale of Correla to NorthEdge Capital LLP is highlighted within the Strategic Report on page 1 and note 24 to the Financial Statements.

### **Future Developments**

Details of future developments can be found in the Strategic Report on page 5.

### **Dividends**

Dividends were not paid during the year or the previous year. The Company's funding model restricts the Company's ability to distribute dividends in the future.

### **Financial risk management**

The Company continued to actively manage any exposure to credit risk through a Credit Review Panel (an internal committee) and managed other financial risks via its contracting arrangements.

### **Price risk**

The Company's exposure to price risk is not considered to be material.

Following the business restructure previously described, the Company now receives a significant proportion of its services from Correla, via a commercial contract (DSC+) which envisages a fixed price for running the current scope of services (referred to as MTB in the annual Business Plan) and is subject to baseline assumptions being maintained throughout the year ending 31 March 2022. This reflects the underpinning principle of predictable pricing with no unanticipated or hidden charges.

Looking to the future, the DSC+ contract also includes a 5-year price plan. The price that customers pay to Xoserve for the CDSP services each year is set out in the annual Business Plan, which is created with input from Correla and reviewed in detail with customers, prior to approval by Xoserve's Board. Any changes that Correla wishes to make to the price for its services must be agreed with Xoserve as part of this process.

Where feasible, the Company aims to engage with other third parties on a fixed price basis.

### **Liquidity risk**

The Company invests surplus funds in AAA rated Money Market Funds which are repayable on demand. It also has an agreed overdraft facility with its bankers.

# **Xoserve Limited**

## **Directors' report for the year ended 31 March 2021 (continued)**

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### **Credit risk**

During the year the Company followed its credit policy and associated rules for limiting its exposure to the risk of financial loss resulting from the provision of services and/or supply of goods to its customers. This required the active monitoring of its current and future contractual exposures to its customers against an approved framework in accordance with the Company's governance structure.

Day to day operation of the policy was overseen by the Credit Review Panel reporting to the Executive Committee and overseen by the DSC Credit Committee consisting of industry representatives. As at the year end, potential bad debts were identified by the Company and provision for such was made within the financial statements as appropriate.

Existing DSC arrangements transfers a large part of the Company's credit risk to DSC customers, leading to a consistent on time customer payment performance above 97% each month.

### **Cash flow risk**

The Company continued to earn a significant proportion of its revenue stream through its contracts with the gas networks (2021/20: 48%, 2019/20: 66%). A schedule of monthly charges was determined prior to the commencement of the financial year based on the Company's forecast expenditure. The certainty of a major proportion of its income stream significantly reduces the Company's exposure to cash flow risk.

### **Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006**

Further information about how the directors have engaged with employees, how they have had regard to employee interest, and the effect of that regard can be found in the strategic report.

A summary of how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard can also be found in the strategic report.

### **Directors**

The Directors of the Company during the year and up to the date of signing of the financial statements were:

S Brittan (appointed 1 September 2020)  
S Carroll  
Y Cohen  
M Hogg  
C Jones (appointed 1 November 2020)  
I Radley  
C Rees (to 28 September 2020)  
P Rogers (appointed 1 November 2020)  
T Sands (to 5 October 2020)  
D Sedgwick (to 31 August 2020)  
N Shaw  
C Spottiswoode

## Xoserve Limited

### Directors' report for the year ended 31 March 2021 (continued)

#### Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

#### Disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, in the case of each Director in office at the date the Directors' Report is approved, the Directors confirm that

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) he/she has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### Directors' indemnities and insurance

The Company has purchased insurance to indemnify individual Directors' and Officers' personal legal liability and cost for claims arising out of actions taken in connection with the business of Xoserve.

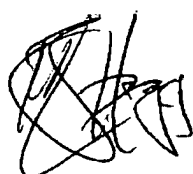
This insurance was in place during the year and continues to be in place at the date of approval of these financial statements.

Approved by the Board and signed on its behalf by:

M Hogg

Director

Date:



04/08/21



# **Xoserve Limited**

## **Independent auditor's report**

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### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Xoserve Limited ("the Company") for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remain 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### **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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

# **Xoserve Limited**

## **Independent auditor's report (*continued*)**

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We have nothing to report in this regard.

### **Other Companies Act 2006 reporting**

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 material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

### **Responsibilities of Directors**

As explained more fully in the Directors' Report, 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.

# Xoserve Limited

## Independent auditor's report (continued)

### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, through discussion with management and our knowledge of the industry. We focussed on significant laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice), Employment Law, the Bribery Act 2010 and tax legislations.
- We considered compliance with these laws and regulations through discussions with management, discussions with the in-house legal counsel, discussions with the external legal counsel and discussions with the Audit Committee. Our procedures also included reviewing communications with the external legal counsel and the minutes from board meetings of those charges with governance to identify any instances of non-compliance with laws and regulations.
- We assessed the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. In addressing the risk of fraud including management override of controls and improper revenue recognition, we tested the appropriateness of journal entries made throughout the year by applying specific criteria.
- We performed a detailed testing of the entity's journals throughout the year, investigated any that appeared unusual as to nature or amount; assessed whether the judgements made in accounting estimates were indicative of a potential bias and tested the application of revenue recognition.
- We identified areas at risk of management bias and challenged key estimates and judgements applied by management in the financial statements to assess their appropriateness.
- We remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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.

DocuSigned by:

*Samantha Lifford*

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**Samantha Lifford** (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

Birmingham, UK

Date: 06 August 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Xoserve Limited

## Statement of comprehensive income for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
<b>Turnover</b>	3	74,961	80,668
Administrative expenses		(87,455)	(80,546)
Other operating income	4	1,853	-
<b>Operating profit</b>	4	(10,641)	122
Profit on disposal of operations	24	11,099	-
Interest receivable and similar income	7	44	163
Interest payable and similar expenses	7	(2)	(5)
<b>Profit before taxation</b>		500	280
Tax on profit	8	-	-
<b>Profit for the financial year</b>		500	280
Other comprehensive income for the year (net of tax)		-	-
<b>Total comprehensive profit for the year</b>		500	280

All amounts relate to continuing activities.

There are no material differences between the profit before taxation and the retained profit for the financial years stated above and their historical cost equivalents.

The disposal of Correia does not create a discounted operation for presentation in the profit and loss account. Further detail on the disposal is included in note 24 to the financial statements.

The notes on page 22 to 43 form part of these financial statements.

# Xoserve Limited

## Statement of financial position at 31 March 2021

Company number 05046877	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
<b>Fixed assets</b>					
Intangible assets	11		43,225		44,844
Tangible assets	12		55		5,790
Fixed asset investments	10		-		-
			<u>43,280</u>		<u>50,634</u>
<b>Current assets</b>					
Debtors (including £480,000 (2020 - £nil) due after one year)	13	37,237		8,260	
Current asset investments	14	10,026		25,417	
Cash at bank and in hand		366		1,872	
		<u>47,629</u>		<u>35,549</u>	
<b>Creditors: amounts falling due within one year</b>	15	(58,905)		(48,805)	
<b>Net current liabilities</b>			<u>(11,276)</u>		<u>(13,256)</u>
<b>Total assets less current liabilities</b>			<u>32,004</u>		<u>37,378</u>
<b>Creditors: amounts falling due after more than one year</b>	16		(27,930)		(33,804)
<b>Provision for liabilities</b>	17		(1,606)		(1,606)
<b>Net assets</b>			<u>2,468</u>		<u>1,968</u>
<b>Capital and reserves</b>					
Called up share capital	19		1		1
Profit and loss account			2,467		1,967
<b>Total equity</b>			<u>2,468</u>		<u>1,968</u>

The financial statements were approved by the Board of Directors and authorised for issue on

M Hogg  
Director



04/08/21

The notes on page 22 to 43 form part of these financial statements.

## Xoserve Limited

### Statement of changes in equity for the year ended 31 March 2021

	Called up share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2019	1	1,687	1,688
Profit for the year	-	280	280
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2020</b>	<b>1</b>	<b>1,967</b>	<b>1,968</b>
	<hr/>	<hr/>	<hr/>
Balance at 1 April 2020	1	1,967	1,968
Profit for the year	-	500	500
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2021</b>	<b>1</b>	<b>2,467</b>	<b>2,468</b>
	<hr/>	<hr/>	<hr/>

The notes on page 22 to 43 form part of these financial statements.

# Xoserve Limited

## Statement of cash flows for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
<b>Cash flows from operating activities</b>			
Profit for the financial year		500	280
Adjustments for:			
Profit on disposal of operations		(11,099)	-
Loss on disposal of fixed assets		266	-
Interest receivable and similar income		(44)	(163)
Interest payable and similar income		2	5
Depreciation of tangible fixed assets		1,010	921
Amortisation of intangible fixed assets		15,953	15,625
Write down of intangible fixed assets		266	-
Increase in debtors		(16,453)	(1,896)
Increase in creditors		12,997	3,930
Increase/(decrease) in provisions for liabilities and charges		-	(237)
<b>Cash from operations</b>		<b>3,398</b>	<b>18,465</b>
Interest paid		(2)	(5)
Tax refunded		396	-
<b>Net cash generated from operating activities</b>		<b>3,792</b>	<b>18,460</b>
<b>Cash flows from investing activities</b>			
Purchases of intangible fixed assets		(17,315)	(12,226)
Interest received		44	163
Sale of business operations, net of cash received	24	(3,322)	-
<b>Net cash from investing activities</b>		<b>(20,593)</b>	<b>(12,063)</b>
<b>Cash flows from financing activities</b>			
Net capital movement of finance leases		(96)	(92)
<b>Net cash from financing activities</b>		<b>(96)</b>	<b>(92)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(16,897)</b>	<b>6,305</b>
Cash and cash equivalents at beginning of year		27,289	20,984
<b>Cash and cash equivalents at end of year</b>		<b>10,392</b>	<b>27,289</b>
<b>Cash and cash equivalents comprise:</b>			
Cash at bank and in hand		366	1,872
Current asset investment	14	10,026	25,417
		<b>10,392</b>	<b>27,289</b>

The notes on page 22 to 43 form part of these financial statements.

# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021

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### 1 Accounting policies

The Company is a private limited Company limited by shares and is incorporated and domiciled in England. The address of its registered office during the year was Lansdowne Gate, 65 New Road, Solihull, B91 3DL.

The financial statements of Xoserve Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The following principal accounting policies have been applied:

#### ***Basis of preparation***

These financial statements have been prepared on the going concern basis under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Consolidated financial statements are only prepared where a subsidiary is held at either balance sheet date.

#### ***Funding and going concern***

The Company has been funded by contributions from customers to support major capital expenditure programmes and cash flows generated from the delivery of data services to the gas market. At 31 March 2021 the Company had cash at bank of £0.4m and a money fund account (readily accessible) of £10.0m. The Company also had access to a £1m revolving overdraft facility. The decrease in liquid cash reserves over the prior year is a result of prepaying deferred investment funds to Correla in advance of receiving the subsequent Correla sale proceeds at the beginning of April.

The Company recognised a profit for the year but has net current liabilities as at 31 March 2021. In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Company can continue in operational existence for a period of at least 12 months from the date of the approval of the financial statements.

Detailed Profit and Loss and Balance sheet reports together with the associated cash flow forecasts have been prepared for a five year period together with a more detailed cash flow forecast for the 12 months ended 31 August 2022 supporting the conclusion that the company will be able to operate and meet its external liabilities as they fall due for payment during this period.

Actual results for the year ended 31 March 2021 and in the subsequent months of April and May 2021 showed revenue and collectability levels to be on budget and these are expected to continue for the agreed business plan period to 31 March 2022.



# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021

### 1 Accounting policies (continued)

The Covid-19 global pandemic has had and continues to have a minimal impact on trading and the management of cash balances required to support the business. Average collections by Payment Due Date (PDD) remained high at 95.6% and at PDD + 3 days at 98.5%. Current cash collections have improved with both PDD and PDD+3 running at more than 99%.

The Directors continue to assess the going concern requirements of the business and have performed appropriate impact assessments and sensitivity analyses in respect of a reduction of customer income and the associated impact on cash balances to ensure that adequate cash levels are being maintained to support the expected level of business activity in the period to 31 August 2022.

The Directors consider that the unique role of the Company activities in providing services to major gas supply and transport companies under the monitoring of Ofgem (the Office of Gas and Electricity Markets) and the nature of its revenue charging model (whereby costs to be incurred are agreed and charged to customers for investment change and delivery of core services) means that revenues are resilient and the risk of any significant income downturn that is not balanced by a similar reduction in costs is therefore unlikely during the period. The Company has agreed its business plan with the Board following a multi-phase engagement process with customers for the year to 31 March 2022 and this forms the basis of its revenue for this year.

The business plan outline for the five years ending 31 March 2026 has been provisionally agreed and the underlying model will remain intact as the Central Data Service Provider (CDSP) under the terms of the Data Services Contract (DSC).

The Company moved quickly to ensure a safe working environment for its employees and has not suffered from any significant staff absences as a result of the pandemic. It continued to operate a full set of services remotely through the lock-down. Longer term, Ofgem's decision in May 2020 to confirm a pass-through arrangement for Xoserve's funding for the RIIO-2 period post March 2021 for Gas Transporters will further serve to reduce the Company's going concern risk exposure as any uncertainties in spend year on year would become more recoverable for all parties concerned.

After careful consideration of the above aspects and other factors connected to the impact of COVID-19 on the Company the directors remain of the view that the cash forecast is achievable and that the headroom within the forecast should be sufficient to enable the Company to operate and meet its liabilities as they fall due for payment throughout the period. Whilst the directors note the possible continuing impact of COVID-19 on future activities and cash flows, this is not considered a significant risk to the Company given the arrangements and mitigation options noted above and the currently available cash balances. On this basis the directors consider that it is appropriate to prepare the financial statements on the going concern basis.

#### **Turnover**

Turnover comprises the value of services provided excluding value added tax. Turnover is recognised when it can be reliably measured and it is probable that future economic benefits will flow to the Company and in the period that the service is provided. The Company bases its estimates on historical results and the specifics of each arrangement.

The Company receives contributions from customers to fund its expenditure for the development of Fixed Assets. These contributions are credited to a deferral account within creditors (within accruals and deferred income) and are then released as turnover evenly over the useful life of the relevant asset.

# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021 (*continued*)

### 1 Accounting policies (continued)

#### **Employee benefits**

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

#### **1. Annual bonus arrangements**

The Company operates an annual bonus scheme for employees based on performance. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the scheme as a result of past events and a reliable estimate of the obligation can be made.

#### **2. Short term benefits**

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the benefit is accrued.

#### **3. Pensions**

The majority of employees are members of a defined contribution pension plan, which is a Master Trust pension plan operated by Standard Life. A proportion of the Company's employees are members of the defined benefit Section B of The National Grid UK Pension Scheme. The Company's share of the underlying assets and liabilities of the defined benefit scheme cannot be identified separately. Consequently, the Company accounts for the Scheme as if it were a defined contribution scheme, recognising a charge equivalent to cash paid or payable to the scheme and to the scheme's sponsoring Company, National Grid plc (see note 9).

#### **Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case tax is also recognised directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

#### **1. Current tax**

Current tax for the current and prior periods is provided at the amount expected to be paid (or recovered) using the tax rates and tax laws that have been enacted or substantively enacted by the Statement of financial position date.

#### **2. Deferred tax**

Deferred tax is provided in full on timing differences which result in an obligation at the Statement of financial position date to pay more tax, or the right to pay less tax, at a future date, at tax rates expected to apply when the timing differences reverse based on tax rates and tax laws that have been enacted or substantively enacted by the Statement of financial position date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

#### **3. Research and development tax claims**

Tax receivable in respect of R&D tax claims is recognised only to the extent that it is reasonably certain that they will be agreed with HMRC and recovered.

# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021 (*continued*)

### 1 Accounting policies (continued)

#### ***Intangible assets***

Intangible fixed assets are included in the statement of financial position at their historical purchase cost less accumulated amortisation. Additions represent the purchase or construction of new assets, and extensions to, or significant increases in the capacity of, intangible fixed assets. Cost includes internal costs incurred which are directly attributable to the construction of intangible fixed assets where it is probable that the expected future economic benefits that are attributable to the asset created will flow to the Company and the cost or value of the asset can be measured reliably.

In making this assessment on a particular intangible fixed asset the Company considers things such as the technical feasibility of the development project for the asset, the likelihood of the asset being created being used, how the asset will generate future economic benefits, the availability of resources to complete the asset and realise value and the ability of the Company to reliably measure the expenditure incurred on the asset.

Intangible fixed assets are amortised, principally on a straight-line basis, at a rate estimated to write off their book value over their useful economic lives assuming no residual value. In assessing estimated useful economic lives, which are reviewed on a regular basis, consideration is given to any contractual arrangements and operational requirements relating to particular assets. Unless otherwise determined by operational requirements, the amortisation periods for the principal categories of intangible fixed assets are as follows:

Software and licences - 2 - 5 years

No amortisation is charged on assets in the course of construction. When these assets are subsequently brought into use they are reclassified to the relevant asset category and amortised at the appropriate rate.

#### ***Tangible assets***

Tangible fixed assets are included in the Statement of financial position at their historical purchase cost less accumulated depreciation. Additions represent the purchase or construction of new assets, and extensions to, or significant increases in the capacity of, tangible fixed assets. Cost includes internal costs incurred which are directly attributable to the construction of tangible fixed assets where it is probable that the expected future economic benefits that are attributable to the asset created will flow to the Company and the cost or value of the asset can be measured reliably.

In making this assessment on a particular tangible fixed asset the Company considers things such as the technical feasibility of the development project for the asset, the likelihood of the asset being created being used, how the asset will generate future economic benefits, the availability of resources to complete the asset and realise value and the ability of the Company to reliably measure the expenditure incurred on the asset.

Tangible fixed assets are depreciated, principally on a straight-line basis, at rates estimated to write off their book values over their estimated useful economic lives assuming no residual value. In assessing estimated useful economic lives, which are reviewed on a regular basis, consideration is given to any contractual arrangements and operational requirements relating to particular assets. Unless otherwise determined by operational requirements, the depreciation periods for the principal categories of tangible fixed assets are as follows:

Office equipment, fixtures and fittings - 2 – 11 years  
Dilapidations provision - Over the life of the lease

No depreciation is charged on assets in the course of construction. When these assets are subsequently brought into use they are reclassified to the relevant asset category and depreciated at the appropriate rate.

# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

### 1 Accounting policies (continued)

#### **Leased assets: Lessee**

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Finance lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

#### **Leased assets: Lessee (continued)**

For leases entered into on or after 1 January 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

Where the Company has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

#### **Leased assets: Lessor**

The Company sub leases part of its leased property under non-cancellable operating leases to Correla. The annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash at bank and short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within current liabilities.

#### **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

#### **Impairment of non-financial assets**

At each Statement of financial position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount.

#### **Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, bank overdrafts or deposits with financial institutions.

# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021 (*continued*)

### 1 Accounting policies (*continued*)

#### ***Client accounts***

The Company operates a number of client bank accounts that are in the Company's name for which the beneficial interests belong solely with another party. The Directors have considered the definitions of assets (and liabilities) contained within FRS 102 to assess whether these cash assets and related liabilities should be recorded on the Company's Statement of financial position. The Directors consider that these bank accounts are not resources controlled by the Company as a result of past events and from which future economic benefits (such as interest) are expected to flow to the Company and also that there could be no residual risks impacting on the Company connected to these accounts as a result of the contractual nature of the arrangements. Therefore, these client accounts are not recorded as assets and related liabilities on the Company's Statement of financial position.

### 2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Critical judgements in applying the entity's accounting policies*

#### ***Defined benefit pension scheme***

Certain employees participate in a defined benefit pension scheme with companies in the National Grid group (the Company's former parent undertaking). There is no contractual arrangement or stated policy for charging to individual group companies the net defined benefit cost of the scheme as a whole. National Grid have confirmed that current arrangements between parties mean that the Company has no current legal obligation to contribute towards any of the Section B deficit identified in March 2019. This position will be reviewed at each Actuarial Valuation, the next of which will be as at 31 March 2022. Should the Company be specifically included on the Schedule of Contributions following a future valuation then the Company would be formally notified by National Grid and past liabilities would need to be identified and a commensurate proportion of the deficit assigned to the Company. For these reasons the Directors consider that it is appropriate that the Company accounts for the scheme as a defined contribution scheme and recognises a cost equal to their contribution payable for the period (see note 9).

#### ***Valuation of assets in the course of construction***

The Company estimates accruals due relating to the value of assets in the course of construction by considering the degree of completion in respect of significant contracts within the project which are still to be invoiced. Employee costs are capitalised within internally developed assets by an allocation of time recorded by employees on activities that can be directly attributed to the construction of the asset. Employee costs incurred on project management activities within a project are apportioned between capital and operating expenditure in proportion to the allocation of costs for the activities being managed.

#### ***Contributions to capital expenditure***

Contributions received from customers towards the construction of Fixed Assets are recognised as turnover within the Statement of Comprehensive Income evenly across the asset's useful life.

#### *Critical accounting estimates and assumptions*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### ***Useful economic lives of intangible fixed assets***

The annual amortisation charge for internally developed software within intangible fixed assets is sensitive to changes in the estimated useful lives of the assets which are re-assessed annually. They are amended when necessary to reflect current estimates based on economic utilisation and future investment plans for replacement or upgrade. See note 11 for the carrying amount of software and licences and note 1 for amortisation periods.

# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021 (*continued*)

### 2 Critical accounting estimates and judgements (*continued*)

#### ***Useful economic lives of tangible fixed assets***

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful lives of the assets which are re-assessed annually. They are amended when necessary to reflect current estimates based on economic utilisation and future investment plans for replacement or upgrade. See note 12 for the carrying amount of tangible fixed assets and note 1 for depreciation periods.

#### ***Provisions***

Provision is made for dilapidation obligations, onerous contracts and tax liabilities. These provisions require management's best estimate of the cost and whether it will be incurred based on legislative and contractual requirements and the timing of cash flows. See note 17 for detail of the amounts provided for each of these items.

#### ***Impairment of tangible and intangible assets***

Given the year-end date and the key date in the COVID-19 pandemic, COVID-19 is regarded as an adjusting event and therefore an indicator of impairment for tangible and intangible assets. Based on forecasts prepared for the period to 31 March 2022, longer term business plans and the nature of the assets concerned the directors do not consider that there have been any impairments of non-financial or financial assets at the year-end. However, it is noted that the issues and uncertainties connected to COVID-19 remain in place and the impact on asset values will continue to be monitored.

#### ***Impairment of debtors***

The Company has a good history of collecting debts due and only makes provision for the impairment of debtors in specific circumstances where all options available to the Company have been exhausted and the debt is not considered to be recoverable. See note 13 for the net carrying amount of debtors and associated impairment provision.

#### ***Client accounts***

The Directors consider that certain bank accounts with a value of £32,004,000 (2020 - £52,725,000) operated as client accounts on behalf of another party should not be recorded on the Statement of financial position of the Company as they are not resources controlled by the entity from which future economic benefits are expected to flow. This treatment is based on the guidance as to the definitions of assets and liabilities contained within accounting standards. If these standards or key aspects of the arrangements were to change in the future the directors would need to consider whether these bank accounts needed to be recorded on the Statement of financial position of the Company.

# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021 (*continued*)

### 3 Turnover

	2021 £'000	2020 £'000
<i>Analysis by customer group</i>		
External customers (including contributions to capital expenditure)	32,234	27,366
Related undertakings (including contributions to capital expenditure)	42,727	53,302
	<u>74,961</u>	<u>80,668</u>
<i>Analysis by service type</i>		
General services	53,725	59,925
Other contracted services	3,781	4,305
Contributions to capital expenditure, funded from General services	17,455	16,438
	<u>74,961</u>	<u>80,668</u>

Geographical analysis of turnover is not provided as the Company's operations are all undertaken in the UK for customers based in the UK.

### 4 Operating profit

	2021 £'000	2020 £'000
This is arrived at after charging/(crediting):		
Amortisation of intangible fixed assets	15,953	15,625
Depreciation of tangible fixed assets – owned assets	915	826
Depreciation of tangible fixed assets – under finance lease and hire purchase contracts	95	95
Loss on disposal of fixed assets	266	-
Impairment of trade debtors	67	5
Operating lease charges	1,051	934
Correla related disposal costs	2,894	-
Dilapidations provisions	-	(114)
Commercial provisions	-	(120)
	<u>2021 £'000</u>	<u>2020 £'000</u>
<b>Fees payable for services provided by the current Company's auditors:</b>		
Statutory audit of the Company's financial statements	42	32

#### Other income

Other income of £1,853,000 (2020 - £nil) relates to the recognition of RDEC claims for the financial years ended 31 March 2019, 2020 and 2021.

# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021 *(continued)*

### 5 Employees

	2021 £'000	2020 £'000
Staff costs (including Directors) consist of:		
Wages and salaries (including bonuses)	20,498	18,927
Social security costs	2,355	2,227
Defined benefit pension costs (see note 9)	1,542	1,207
Defined contribution pension costs (see note 9)	1,439	1,183
Agency costs	7,974	8,163
	<u>33,808</u>	<u>31,707</u>

The analysis of staff costs has been restated to correctly present staff costs gross of amounts capitalised in intangible and tangible assets when they were previously presented net of amounts capitalised. This has resulted in an increase in the prior year comparatives as follows: Wages and salaries (including bonuses) £836,000; Social security costs £96,000; Defined benefit pension costs £22,000; Defined contribution pension costs £75,000 and Agency costs £2,642,000. There was no impact on the reported net assets or profit for the prior year as a result of the restatement. There was no impact on Directors' emoluments.

The average number of employees (including Directors) during the year was as follows:

	2021 Number	2020 Number
Employees	416	398
Agency	78	78
	<u>494</u>	<u>476</u>

### Key management compensation

Key management includes the members of the Xoserve executive team. The compensation paid or payable to key management for employee services is shown below:

	2021 £'000	2020 £'000
Salaries and other short-term benefits	1,321	1,528
Other pension costs	121	147
	<u>1,442</u>	<u>1,675</u>



# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021 (*continued*)

### 6 Directors' remuneration

	2021 £'000	2020 £'000
Directors' emoluments	230	251

Of the 12 (2020 - 12) Directors who served during the year, 4 (2020 - 6) waived their right to remuneration. No Directors participated in either the Company's defined benefit pension scheme or the defined contribution pension scheme.

Emoluments of the highest paid Director were £84,000 (2020 - £84,000).

### 7 Interest receivable and similar income

	2021 £'000	2020 £'000
Dividend receivable from current asset investment	44	163

### Interest payable and similar expenses

	2021 £'000	2020 £'000
Finance leases and hire purchase contracts	2	5

### 8 Tax on profit for the year

	2021 £'000	2020 £'000
<i>Current tax</i>		
UK corporation tax	-	-
Total current tax	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Tax on profit for the year	-	-

# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

### 8 Tax on profit for the year (continued)

The tax assessed for the year is lower (2020 - lower) than the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £'000	2020 £'000
Profit before taxation	500	280
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	95	53
Effect of:		
Fixed asset differences	-	15
Expenses not deductible for tax purposes	2	53
Non-taxable income	(711)	(1,079)
Transfer of carried forward losses to Correlia Limited	3,063	-
R&D expenditure credits	(111)	-
Deferred tax not recognised	(2,338)	1,321
Rate changes	-	(363)
	<hr/>	<hr/>
Total tax (credit) for the year	-	-
	<hr/>	<hr/>

#### Factors affecting future tax charges

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from 1 April 2023. This rate has not been substantively enacted at the Statement of financial position date, as result deferred tax balances as at 31 March 2021 continue to be measured at 19%. If all of the deferred tax was to reverse at the amended rate the impact to the closing DT position would be to increase the deferred tax liability by £nil.

# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

### 9 Pensions

The Company operates a number of pension schemes for its employees.

#### **Defined benefit scheme**

The Company has certain employees who participate in a defined benefit pension scheme with companies in the National Grid group (the Company's former parent undertaking). There is no contractual arrangement or stated policy for charging to individual companies the net defined benefit cost of the scheme as a whole. The scheme administrator has confirmed that whilst it would be possible to calculate the liabilities relating to the Company it is not possible to allocate the assets specifically to the Company. National Grid have confirmed that current arrangements between parties mean that the Company has no current legal obligation to contribute towards any of the Section B deficit identified in March 2020. This position will be reviewed at each actuarial valuation.

Should the Company be specifically included on the Schedule of Contributions following a future valuation then the Company would be formally notified by National Grid and past liabilities would need to be identified and a commensurate proportion of the deficit assigned to the Company. Therefore, the net defined benefit cost is recognised in the individual company financial statements of the company that is legally the sponsoring employer of the scheme. The other companies in their individual financial statements recognise a cost equal to their contribution payable for the period and Xoserve accounts for its pension arrangements in this way.

For these reasons the Directors consider it is appropriate that the Company accounts for the scheme as a defined contribution scheme and recognises a cost equal to their contribution payable for the period.

The defined benefit arrangements are funded with assets held in separate trustee administered funds. The arrangements are managed by a trustee company with a board consisting of National Grid and member appointed directors. The directors are required to manage the arrangements in accordance with local regulations and the arrangements' governing documents, acting on behalf of its beneficiaries.

The arrangements are subject to independent actuarial funding valuations at least every three years and following consultation and agreement with National Grid, the qualified actuary certifies the employers' contributions, which, together with the specified contributions payable by the employees and proceeds from the Scheme's assets, are expected to be sufficient to fund the benefits payable.

The last full actuarial valuation was carried out by Willis Towers Watson as at 31 March 2019. The market value of the Scheme's assets was £5,765m and the value of the assets represented approximately 99% of the actuarial value of benefits due to members, calculated on the basis of pensionable earnings and service at 31 March 2019 on an ongoing basis and allowing for projected increases in pensionable earnings. This valuation showed the scheme had a funding deficit of £66m. This deficit is being fully funded by National Grid Gas plc with no obligation for the Company to make any contributions. The final payment to clear the deficit will be made by National Grid Gas plc in September 2020. No further deficit contributions are required to be made. If this were to change in future it would occur as part of a future valuation agreement. The next full actuarial valuation is due to be carried out as at 31 March 2022.

Following the 2020 actuarial valuation, the employers contribute 51.4% of pensionable salary less member contributions, in respect of ongoing service. In addition, National Grid makes payments to the scheme to cover administration costs and the Pension Protection Fund Levy.

The amount recognised as an expense for the defined benefit scheme was:

	2021 £'000	2020 £'000
Current period contributions	1,542	1,185

# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

### 9 Pensions (continued)

#### Defined contribution scheme

Following the closure of the defined benefit schemes to new entrants, the Company provides a defined contribution scheme for its employees.

The amount recognised as an expense for the defined contribution scheme was:

	2021 £'000	2020 £'000
Current period contributions	1,439	1,108

### 10 Fixed asset investments

	£'000
Cost	
At 1 April 2020	-
Additions	3,501
Disposals	(3,501)
At 31 March 2021	-

During the year, Xoserve incorporated Correla Limited as a wholly owned subsidiary. On 31 March 2021, Xoserve sold its entire shareholding in Correla Limited to NorthEdge Capital LLP. The accounts have therefore not been consolidated on the basis that Correla Limited was not a subsidiary at the Statement of financial position date. Further detail of the transaction is presented in note 24 to the financial statements.

# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

### 11 Intangible assets

	Assets in the course of construction £'000	Software and licences £'000	Total £'000
<i>Cost</i>			
At 1 April 2020	8,617	90,390	99,007
Additions	15,595	1,721	17,316
Reclassifications	(661)	661	-
Disposals	(1,942)	(4,930)	(6,872)
	<hr/>	<hr/>	<hr/>
At 31 March 2021	21,609	87,842	109,451
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At April 2020	-	54,163	54,163
Charge for the year	-	15,953	15,953
Disposals	-	(3,890)	(3,890)
	<hr/>	<hr/>	<hr/>
At 31 March 2021	-	66,226	66,226
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2021	21,609	21,616	43,225
	<hr/>	<hr/>	<hr/>
At 31 March 2020	8,617	36,227	44,844
	<hr/>	<hr/>	<hr/>

The Company has an ongoing programme of investment in its IS infrastructure and is recovering the cost of this investment from the gas network operators in the form of capital contributions over the course of the programme, although the assets will still be owned by the Company. Additions to assets under this programme are classified as "Assets in the course of construction" and reclassified as "Software" when the assets are commissioned for use.

Included within creditors (amounts falling due within one year) are contributions to the cost of intangible fixed assets amounting to £15,295,000 (2020 - £15,852,000).

Included within creditors (amounts falling due after more than one year) are contributions to the cost of intangible fixed assets amounting to £27,930,000 (2020 - £28,992,000).

The contributions to the cost of intangible fixed assets noted above are released to turnover evenly over the useful life of the corresponding asset, in line with amortisation.

Disposals includes the transfer of intangible fixed assets with a net book value of £2,979,000 to Correlia Limited under the Asset Transfer Agreement dated 28 February 2021.

# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

### 12 Tangible assets

	Computer hardware £'000	Leasehold improvement, fixtures and fittings £'000	Total £'000
<i>Cost</i>			
At 1 April 2020	2,391	8,113	10,504
Additions	-	-	-
Disposals	(2,106)	(7,154)	(9,260)
At 31 March 2021	285	959	1,244
<i>Amortisation</i>			
At April 2020	381	4,333	4,714
Charge for the year	471	539	1,010
Disposals	(622)	(3,913)	(4,535)
At 31 March 2021	230	959	1,189
<i>Net book value</i>			
At 31 March 2021	55	-	55
At 31 March 2020	2,010	3,780	5,790

The Company has an ongoing programme of investment in its IS infrastructure and is recovering the cost of this investment from the gas network operators in the form of capital contributions over the course of the programme, although the assets will still be owned by the Company. Additions to assets under this programme are classified as "Assets in the course of construction" and reclassified as "Office equipment, fixtures and fittings" when the assets are commissioned for use.

Included within creditors (amounts falling due within one year) are contributions to the cost of tangible fixed assets amounting to £55,000 (2020 - £989,000).

Included within creditors (amounts falling due after more than one year) are contributions to the cost of tangible fixed assets amounting to £nil (2020 - £4,213,000).

The contributions to the cost of tangible fixed assets noted above are released to turnover evenly over the useful life of the corresponding asset, in line with depreciation.

The net book value of tangible fixed assets includes an amount of £55,000 (2020 - £151,000) in respect of assets held under finance leases and hire purchase contracts. During the year, £95,000 was charged to depreciation in relation to these assets.

Disposals includes the transfer of tangible fixed assets with a net book value of £4,196,000 to Correla Limited under the Asset Transfer Agreement dated 28 February 2021.

## Xoserve Limited

### Notes forming part of the financial statements for the year ended 31 March 2021 (*continued*)

#### 13 Debtors

	2021 £'000	2020 £'000
<b>Due within one year:</b>		
Trade debtors	6,638	4,250
Amounts owed by related undertakings (see note 22)	2,345	1,463
Consideration receivable (see note 24)	14,600	-
Corporation tax receivable	-	396
Other debtors	4,039	-
Prepayments and accrued income	9,135	2,151
	<u>36,757</u>	<u>8,260</u>
<b>Due after more than one year:</b>		
Other debtors	480	-
	<u>37,237</u>	<u>8,260</u>

Trade debtors are stated after provisions for impairment of £110,000 (2020 - £47,000).

Other debtors due after more than one year relate to committed dilapidations receivable. The amounts have not been discounted.

#### 14 Current asset investments

	2021 £'000	2020 £'000
Money Fund Account	10,026	25,417

The Company invests its surplus cash balances in a short-term liquidity money fund account which is payable on demand.

During the year, the Company continued to provide Credit Risk and Neutrality services to the UK gas industry under sections F and X of the Uniform Network Code (UNC), by acting as agents of National Grid's National Transmission System (NTS). In delivering this service, the Company operates a number of client bank accounts that are in the Company's name for which the beneficial interests belong solely with National Grid plc. The net balance on these accounts as at 31 March 2021 was £32,004,000 (2020 - £52,725,000). As explained in note 1 "Client Accounts" the Company does not recognise these assets or related liabilities on its own Statement of financial position. National Grid plc have confirmed in writing that they regard these accounts as being under their ownership and have recorded these balances and related liabilities on their Statement of financial position.

## Xoserve Limited

### Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

#### 15 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	19,464	4,283
Amounts owed to related undertakings (see note 22)	12,361	9,130
Other taxation and social security payable	178	916
Obligations under finance lease and hire purchase contracts	49	96
Other creditors	2,435	3,063
Accruals and deferred income	24,418	31,317
	<u>58,905</u>	<u>48,805</u>

Included in trade creditors are credit notes in respect of rebates due to be issued to customers of £5,062,000 (2020 - £nil).

Accruals and deferred income include deferred contributions to capital expenditure of £15,350,000 (2020 - £17,391,000).

#### 16 Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Obligations under finance lease and hire purchase contracts	-	49
Accruals and deferred income	27,930	33,755
	<u>27,930</u>	<u>33,804</u>

Accruals and deferred income include deferred contributions to capital expenditure of £27,930,000 (2020 - £33,755,000).

The maturity of sources of debt finance are as follows:

	Finance leases	
	2021 £'000	2020 £'000
In one year or less, or on demand	49	96
In more than one year but not more than two years	-	49
In more than two years but not more than five years	-	-
	<u>49</u>	<u>145</u>



# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

### 17 Provisions for liabilities

	Other provisions £'000	Deferred tax provision £'000	Total £'000
1 April 2020	1,606	-	1,606
Charged to profit and loss account	-	-	-
	<u>1,606</u>	<u>-</u>	<u>1,606</u>
31 March 2021	1,606	-	1,606
	<u>1,606</u>	<u>-</u>	<u>1,606</u>

### Other provisions

The Company subleases its business premises from National Grid Property Limited, a former fellow subsidiary of National Grid plc. The lease for the Company's former business premises expired in July 2016. Final settlement of dilapidation costs was formally agreed between National Grid Property Limited and the ultimate landlord in April 2020 and the Company expects to utilise this provision in the next year to settle any potential sub-tenancy liability in respect of these dilapidation costs. In December 2015 the Company started a new lease for a new property which is due to expire in December 2026. A provision has been made for the Company's expected future liability based on an estimate of the costs. The Company expects to utilise this provision after the expiry of the lease.

### Deferred tax provision

	2021 £'000	2020 £'000
Fixed asset timing differences	-	-
Tax losses	-	-
Other short-term timing differences	-	-
	<u>-</u>	<u>-</u>
Deferred tax liability	-	-
	<u>-</u>	<u>-</u>
	2021 £'000	2020 £'000
Deferred tax liability/(asset) at 1 April	-	-
Charged to profit and loss account	-	-
Credited to reserves	-	-
	<u>-</u>	<u>-</u>
Deferred tax liability at 31 March	-	-
	<u>-</u>	<u>-</u>

A deferred tax asset totalling £340,000 (2020 - £4,424,000) has not been recognised as the future recovery is uncertain. Trading losses are available to carry forward indefinitely.

# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

### 18 Financial instruments

The Company has the following financial instruments:

	2021 £'000	2020 £'000
Financial assets that are debt instruments measured at amortised cost:		
Trade debtors (note 13)	6,638	4,250
Amounts owed by related undertakings (note 13)	2,345	1,463
Consideration receivable (see note 24)	14,600	-
Other debtors (note 13)	4,039	-
Cash at bank and in hand	366	1,872
Current asset investments (note 14)	10,026	25,417
	<u>38,014</u>	<u>33,002</u>
Financial liabilities measured at amortised cost:		
Trade creditors (note 15)	19,464	4,283
Amounts owed to related undertakings (note 15)	12,361	9,130
Obligations under finance lease and hire purchase contracts (note 16)	49	145
Other creditors (note 15)	2,435	3,063
Accruals	2,494	8,506
	<u>36,803</u>	<u>25,127</u>

### 19 Share capital

	2021 £	2020 £
<i>Allotted, called up and fully paid</i>		
100,000 ordinary shares of £0.01 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

The Articles of Association (as amended from 1 April 2017) provide that if a Network Operator of a given Network Area ceases to hold a Gas Transportation Licence in respect of that Network Area, or part of the Network Area, then all ordinary shares held by that Network Operator in relation to that Network Area (or if relevant part of Network Area) will convert to deferred shares. All ordinary shares held by a Network Operator in relation to the Network Areas operated by that Network Operator will also convert into deferred shares if an insolvency event occurs in relation to the Network Operator and the Board elects to convert the shares.

# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

### 20 Capital and other commitments

	2021 £'000	2020 £'000
Contracts placed for future capital expenditure not provided for in the financial statements	21,274	10,157

### 21 Commitments under operating leases

#### Lessee

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2021 £'000	2020 £'000
Not later than one year	1,039	1,319
Later than one year and not later than five years	3,548	3,916
Later than five years	595	1,389
	<u>5,182</u>	<u>6,624</u>

#### Lessor

The Company sub leases part of its leased property under non-cancellable operating leases for the following future minimum lease payments. There is no contingent rent.

	2021 £'000	2020 £'000
Not later than one year	920	-
Later than one year and not later than five years	3,682	-
Later than five years	690	-
	<u>5,292</u>	<u>-</u>

# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

### 22 Related party transactions

Transactions and balances with related parties:

The following companies each have a shareholding in Xoserve Limited. Transactions and balances with these companies were as follows:

	Sales and contributions received		Amounts owed by related parties	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
National Grid Gas plc	15,382	24,720	1,822	3
Cadent Gas Limited	13,701	11,668	-	998
Southern Gas Networks plc	4,366	5,469	-	-
Scotland Gas Networks plc	2,773	3,396	-	-
Northern Gas Networks Limited	3,252	4,027	262	231
Wales & West Utilities Limited	3,253	4,022	261	231

Amounts received from related parties represent charges to related party customers. These amounts include contributions to capital expenditure recoverable and do not reflect the amortisation of those amounts recognised as turnover.

Amounts owed by related parties are unsecured and on normal commercial terms.

	Purchases		Amounts owed to related parties	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
National Grid Gas plc	1,568	2,404	4,985	8,245
Cadent Gas Limited	-	266	2,977	177
Southern Gas Networks plc	-	-	1,412	177
Scotland Gas Networks plc	-	-	888	177
Northern Gas Networks Limited	-	-	1,049	177
Wales & West Utilities Limited	-	-	1,050	177

Amounts owed to related parties of £12,361,000 (2020 - £9,130,000) are unsecured and on normal commercial terms. Amounts owed include £4,571,000 of deferred income (2020 - £3,492,000).

# Xoserve Limited

## Notes forming part of the financial statements for the year ended 31 March 2021 *(continued)*

### 23 Ultimate parent company and controlling party

No entity has a controlling interest in the Company.

### 24 Disposals

On 31 March 2021, Xoserve Limited disposed of its wholly owned subsidiary Correla Limited. The profit on disposal is calculated as follows:

	£'000	£'000
Accrued proceeds		14,600
Net assets disposed of:		
Intangible assets	(2,716)	
Tangible assets	(4,459)	
Trade and other debtors	(1,741)	
Cash	(3,322)	
Trade and other creditors	8,737	
Net assets at disposal		(3,501)
Profit on disposal		11,099

The net inflow of cash in respect of the sale of Correla Limited is as follows:

	£'000
Cash consideration received pre-year end	
Cash transferred on disposal	(3,322)
Net outflow of cash	(3,322)