
XOSERVE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

XOSERVE LIMITED

COMPANY INFORMATION

Directors	S Carroll Y Cohen D Handley M Hogg C Jones N Shaw A Nixon (appointed 24 January 2024) J Clarke (appointed 15 May 2024) I Hansen (appointed 1 June 2024)
Company secretary	E L Bradley
Registered number	05046877
Registered office	Lansdowne Gate 65 New Road Solihull B91 3DL
Independent auditors	PKF Smith Cooper Audit Limited Statutory Auditors 158 Edmund Street Birmingham West Midlands B3 2HB

XOSERVE LIMITED

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XOSERVE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2024

Introduction

The Directors present their Strategic Report for the year ended 31 March 2024.

Business review

Principal activities

Founded in 2005, Xoserve (the Company) is the Central Data Service Provider ("CDSP") to Great Britain's gas market. Established by gas market regulations, the Company provides transactional billing, settlement activities and other data services on behalf of gas network operators (who are responsible for transporting gas through eight gas distribution networks) and National Gas (previously National Grid Gas Transmission). In addition, the Company provides essential reporting and other services to gas shippers, retailers and other industry participants as well as maintaining the register for the circa 25 million gas meter points in Great Britain.

Services are delivered under an industry-wide contract, the Data Services Contract ("DSC"), between the Company and all Gas Transporters and Shippers.

The Company has outsourced the delivery of the majority of services to a portfolio of specialist third parties.

Funding Arrangements and Ownership

On 1 April 2017, following a review of its funding, governance and ownership arrangements, the Company was formally appointed by the Gas Transporters (for whom it had previously acted as agent) as the gas industry's CDSP, collectively funded and governed by Shippers, Gas Distribution Networks, National Gas, and the Independent Gas Transporters (all of whom are "DSC Parties").

The DSC Parties provide the majority of the Company's funding through the charges they pay for the Company's services. Accordingly, they are consulted on the Company's Business Plan and budget and are represented at governance meetings. Customer constituency nominating bodies also appoint Non-executive Directors to the Board. The CDSP arrangements prohibit the distribution of profits to the Company's shareholders, with any budget which is no longer needed being returned to DSC Parties.

Results for the year

For the year ended 31 March 2024, the Company recognised a break-even P&L result, both before and after tax (2023 - £0.0m profit before tax and £0.0m profit after tax). As at 31 March 2024 the Company had cash at bank of £5.1m and a money fund account (readily accessible) of £20.5m (2023 - £1.4m and £17.5m).

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 £80.1m (91% of turnover) (2023 - £75.2m (93% of turnover)) following adjustments for deferred revenue in respect of projects.

In addition, during the year the Company earned further revenue of £8.3m (9% of turnover) (2023 - £5.4m (7% of turnover)) through the provision of other contracted services, mainly to the Retail Energy Code Company (RECCo) and gas Shippers.

Financial position

The financial position of the Company is presented in the Statement of financial position. Total shareholders' funds at 31 March 2024 were £2.7m (2023 - £2.7m) comprising fixed assets of £39.7m (2023 - £49.5m); net current assets of £25.0m (2023 - net current assets of £16.7m) less accruals, deferred income and provisions for liabilities of £61.0m (2023 - £63.5m).

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 £2.0m (2023 - £13.9m).

XOSERVE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2024

Business Strategy

As CDSP, the Company's core business strategy is to deliver critical services to gas market participants, helping the market to run efficiently and reliably, underpinned by contract management and assurance best practice.

As a long-term vision, the Company believes in a simplified, low-carbon energy market which takes advantage of existing gas capability. In this regard, it has continued its involvement in decarbonisation activities on behalf of the industry at the request of the Gas Networks, including providing support in a number of hydrogen related projects / trials and contributing industry expertise and insights on their behalf at panels and forums.

The Company also continued to support Ofgem in its long-term priority to develop and deliver market and governance reform and delivered the administration of the Government's energy support schemes in support of vulnerable customers.

IS Applications

The Company 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 the financial year, key events have included:

- The continuation of a series of projects to upgrade the Gemini system which delivers capacity management and energy balancing solutions for the gas industry on behalf of National Gas.
- A further three phases (total 5 to date) were implemented to a new workflow query handling system (Contact Management System or CMS). The final phase of this project is planned to be completed during 2024.
- Three major releases which deliver industry and customer led changes to key systems and processes were delivered.
- Ongoing required maintenance and upgrades to the UK Link estate have been delivered. Work has commenced on the UK Link Roadmap to assess optionality and feasibility of the mandatory upgrade required later this decade.

People

For the year ended 31 March 2024, the average number of employees and agency staff in aggregate was 61 (2023 – 59). Total employee and contractor costs of £4.8m were incurred for the year ended 31 March 2024 (2023- £4.2m).

The Company's direct employees are supported by a small number of third-party specialist contractors to cover short term resourcing gaps. In line with legislation, the Company continues with the IR35 process for all third-party contractors.

The Company's commitment to the learning and development of our People is outlined in our s172(1) statement from page 4.

XOSERVE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2024

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. The Company maintains the ISO27001 certification, and the ongoing security and privacy threat landscape continues to be monitored and assessed with the aim that all prominent security vulnerabilities are managed.

Working with its outsourcing partner to deliver the Security and Data Privacy Improvement Programme, the Company continues to evolve safety of the Company's critical systems and the data within them.

Major system replacement

The Company is actively working with external advisors to understand the options and develop the delivery model for replacement of key SAP ISU system (UK Link) prior to the expected expiry of support later this decade. This is a significant programme of work and steps are being taken to learn from other industry significant system upgrades to ensure the right assurance processes are in place with all suppliers.

Budget

There is an ongoing risk of appeal to the Company's budget (which is set out in the annual Business Plan). An appeal was received against BP22 and BP23 (which set the budget for financial year 2022-23 and 2023-24 retrospectively) seeking retrospective adjustment to our budget. The Company has challenged the basis of appeal in both cases, and at the time of writing, no decision has yet been reached on the outcome of the appeals by Ofgem (the Office of Gas and Electricity Markets). No appeal was received against BP24 (which sets out the charges for the financial year 2024-25).

An external efficiency review was completed considering value for money and provided positive assurance for the majority of Xoserve costs. This will be a repeatable assessment; the outputs have been shared with customers and a Programme which includes a Customer Advisory Board was established to progress potential improvement opportunities.

Corporate Governance

A modification proposal to the Uniform Network Code (UNC) was raised in March 2023 which sought to modify the processes for agreeing and managing the Company budget. This has now been redrafted and supported by the industry and subsequently has not resulted in any challenge to the existing governance arrangements or decision-making authority of the Company and focusses on independent assurance of the business planning processes.

Performance Scorecard Measures

The Company reports to its Board on a number of targets through a 'Balanced Scorecard' reflecting its core purpose and strategic aims. The Scorecard is approved by the Board and assesses the performance of the Company in three key areas:

- Delivery of CDSP services to customers.
- Managing contracts and assuring supplier performance.
- Xoserve as an Organisation.

Service performance for the year 2023/24 saw achievement of 21 out of 23 measures.

XOSERVE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2024

Future Developments

The Company will continue to provide the Gemini system and services on behalf of National Gas delivering a programme of sustaining activities to improve and enhance the technology platforms and user interfaces.

A core component of our other major system, UK Link, is expected to go out of vendor support towards the end of this decade. Technology options will be analysed alongside market influences, such as decarbonisation of the gas network, when assessing the requirements for future settlement, invoicing and supply point administration services as the country moves towards net zero targets.

The Company will continue its involvement in discussions over decarbonisation, enhancing engagement with other customer constituencies (Shippers, IGTs) as the implications of various scenarios are considered.

As Ofgem and DESNZ move forward with Energy Code Reform, the Company will continue to provide inputs and responses to consultations on this topic and will consider how it can best support the transformation of the regulatory landscape and the subsequent Code Manager arrangements.

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.

The Board delegated the day-to-day management of the Company's activities to the CEO and Senior Leadership Team who are responsible for the execution of the Company's strategy within the plans agreed by the Board.

During the year the assessment of the organisational Design was completed with implementation of the new structure going live on 1st April 2024.

Long term decisions

The board discussed the long-term strategy of the business and recognises its responsibility to act fairly between all its stakeholders.

Customers

Customer satisfaction is monitored through a number of customer surveys issued during the year and measured through an externally run annual survey by the Institute of Customer Service (ICS). The overall ICS score increased from 78.9 to 81.2 this year.

The Business Planning process was further refined responding to customer feedback, providing opportunities for customers to consult on the investments required to deliver and improve services.

Suppliers

The Company was dependent on a range of third-party relationships in support of the services provided to customers throughout the year.

XOSERVE LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2024**

The Company's main supplier, Correla Limited, provides both CSDP-related services (under the commercial outsourcing contract, DSC+) and certain corporate services to the Company. A formal performance and governance framework is in place to ensure the relationship between the two parties is appropriately monitored and managed.

The Company also uses a number of other third-party suppliers and proactively reviews its supplier base on a regular basis, undertaking contract renegotiations and retendering where required. The Company's Supplier Code of Conduct includes focus on information security and the minimum ethical standards expected of suppliers.

The Company 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).

With effect from April 2023 the Company has taken over responsibility from the Gas Networks for the provision of Daily Meter Read service and improved service provision of the performance for non-Daily Meter Reads through the engagement and management of a new third-party supplier contract.

People

The People function continues to focus on all activities relating to employees including Resourcing, Learning & Development, Wellbeing, Environment, Health & Safety, Operations and Engagement.

Engaging with Employees

Communication with employees occurred through a series of monthly Company-wide briefings from the Chief Executive Officer ("CEO") and other members of the Senior Leadership Team, ad hoc communications through our social and communication platform and by email. Consultation was taken where required, for example with the staff union in relation to the annual staff pay review.

The Company measured its employee engagement through an internal anonymised survey, measuring a wide range of factors relating to employee engagement twice during the year. The September 2023 survey saw a score of 8.52 (90.5% response rate) and the March 2024 survey saw a score 8.02 (84% response rate) which continued to indicate a high level of engagement. The Company welcomes all feedback and continues to assess, share and where necessary address any key themes.

During the year the Company continued to operate a performance framework as a basis for setting individual objectives and monitoring performance of employees aligned to Company strategy. This provides the basis for informing personal performance bonus awards.

Developing capabilities

The Company continues to fund and support employees in undertaking specialist qualifications in support of their roles.

The Company continued its membership with World Commerce & Contracting (World CC) in support of its focus on contract management and assurance. Through World CC, the Company has provided training and upskilling opportunities in the area of contracting to the majority of employees including seven members of staff who participated in World CC's professional Commercial & Contract Management (CCM) certification program.

The Company maintains a learning management system, which through bespoke training supports all levels of the organisation with mandatory training, leadership, core and technical skills training and, where appropriate, personal coaching.

XOSERVE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2024

Inclusion and Diversity

Inclusion and Diversity continued to be actively supported in the business.

All applications for employment, regardless of any protected characteristics were considered solely on qualifications, experience and capabilities with unconscious bias being removed from the shortlisting process via anonymisation.

In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company can continue 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.

The Company has three trained Mental Health First Aiders ("MHFA") who continue to help support wellbeing and colleagues across the business are encouraged to share their own experiences of mental wellbeing and inclusion and diversity, with the objective that every member of staff has a voice.

Sustainability

The Company takes its responsibility to safeguard the environment very seriously. It will offset its unavoidable emissions of 5.169 tCO₂e and, moving forward, will continue to reduce and offset its carbon emissions in support of the wider Government goal of reducing carbon emissions to zero by 2050.

The Company's carbon footprint has been calculated using the 2021 conversion factors established by BEIS, now DESNZ, and the UK Department for Environment, Food and Rural Affairs (Defra), which are multiplied with the company's Greenhouse Gas (GHG) activity data. This was selected as the preferred method of calculation as an approach recognised by the UK Government via its Streamline Energy Carbon Report Regulations (SECR).

The continued use of hybrid working models for employees following the Covid-19 pandemic has significantly reduced the Company's GHG emissions compared to prior years. The Company has noted that in assessing its GHG emissions from 1 April 2023 to 31 March 2024, in accordance with the SECR, despite meeting the criteria for being a large company for reporting purposes, it has consumed less than 40,000 kWh of energy and is therefore deemed to be a low energy user. As such, no further disclosures are required.

The Company plans to continue the policy of hybrid working and will also continue to apply environmental best practice in dealings with customers, supply partners and industry.

The Company has an Environmental, Social and Corporate Governance working group to provide oversight of related activities and promote best practice.

Funding and Going concern

The Company continues to be funded by contributions from customers to support major expenditure investment programmes and the delivery of data services to the gas market. 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, and the nature of its revenue charging model, means that revenues are resilient. It is unlikely that any significant income downturn would not be balanced by a similar reduction in costs.

The Company has agreed its Business Plan for the year ending to 31 March 2025 with the Board following a multi-phased engagement process with customers. The business planning process for the year ending 31 March 2026 is currently in progress reflecting Xoserve's role as the Central Data Service Provider (CDSP) under the terms of the Data Services Contract (DSC).

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.

XOSERVE LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2024**

At 31 March 2024 the Company had cash at bank of £5.1m and a money fund account (readily accessible) of £20.5m (2023 - £1.4m and £17.5m). Cash year on year has increased as a result of holding deposits as security against potential customers defaults, as directed by customers and an increase in the investment related deferred income position, some of which constitutes the rebate to be offset against BP24 customer charges.

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.

Actual results for the year ended 31 March 2024 and in the subsequent months of April and May 2024 showed revenue and collectability levels to be on budget and these are expected to continue for the agreed business plan period to 31 March 2025.

Average collections by Payment Due Date (PDD) remained high in the year at 98.01% and at PDD + 3 days at 98.89%.

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 30 September 2025.

Ofgem's decision in May 2019 to confirm a pass-through arrangement for the Company's funding for the RIIO-2 period post March 2021 for Gas Transporters further serves 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.

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.

This report was approved by the board on 6th August 2024 and signed on its behalf.

Michael Hogg

M Hogg
Director

XOSERVE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2024

The Directors present their report and the financial statements for the year ended 31 March 2024.

Directors' responsibilities statement

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

In preparing these financial statements, the Directors are required to:

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

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

Results and dividends

The profit for the year, after taxation, amounted to £NIL (2023 - £34,000).

Financial performance

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

Business context can be found in the Review of the Business section of the Strategic Report on page 1, under the heading "Principal Activities".

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.

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.

XOSERVE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2024**

The Company receives a significant proportion of its services from a third party Service Provider, Correla Limited, via a commercial contract (DSC+) which establishes a fixed price for running the current scope of services (referred to as Service & Operate costs (S&O) in the annual Business Plan) and has been subject to baseline assumptions being maintained throughout the year ending 31 March 2024. This reflects the underpinning principle of predictable pricing with no unanticipated or hidden charges. Charges for new scope are negotiated at the time the scope is fixed.

The price that customers pay to the Company for the CDSP services each year is set out in the annual Business Plan, which is created in consultation with customers, prior to approval by the Company's Board.

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 of £1m.

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 with output summarised to the Senior Leadership 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 (2023/24 – 49%, 2022/23 – 56%). The role of the Gas Networks as part of Britain's critical national infrastructure, and their resulting financial stability, significantly reduces the Company's exposure to cash flow risk.

A schedule of monthly charges was determined prior to the commencement of the financial year based on the Company's forecast expenditure.

Inflation Risk

The company has contracts and processes in place to mitigate inflation risk, including through mirroring the inflationary increases in its supply chain costs in its arrangements with customers. Management therefore considers that the financial exposure relating to inflationary pressures is low.

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.

XOSERVE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2024**

Directors

The Directors who served during the year were:

S Brittan (resigned 30 November 2023)
S Carroll
Y Cohen
D Handley
M Hogg
C Jones
C Logue (resigned 24 January 2024)
N Shaw
A Nixon (appointed 24 January 2024)
C Spottiswoode (resigned 25 October 2023)

Future developments

Details of future developments can be found in the Strategic Report on page 4.

Greenhouse gas emissions, energy consumption and energy efficiency action

The Company has not disclosed information in respect of greenhouse gas emissions, energy consumption and energy efficiency action as its energy consumption in the United Kingdom for the year is 40,000 kWh or lower. See page 6 of the Strategic report for further comments on sustainability and emissions.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

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.

Auditors

The auditors, PKF Smith Cooper Audit Limited, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

XOSERVE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2024**

This report was approved by the board on 6th August 2024 and signed on its behalf.

Michael Hogg

M Hogg
Director

XOSERVE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XOSERVE LIMITED

Opinion

We have audited the financial statements of Xoserve Limited (the 'Company') for the year ended 31 March 2024, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes, 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2024 and of its result 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.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The Directors are responsible for the other information contained within the Annual Report. 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 AUDITORS' REPORT TO THE MEMBERS OF XOSERVE LIMITED (CONTINUED)

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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' Responsibilities Statement set out on page 8, 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.

Auditors' 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 Auditors' 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.

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.

XOSERVE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XOSERVE LIMITED (CONTINUED)

Based on our understanding of the Company and industry in which it operates, key laws and regulations that we identified included:

- Companies Act;
- FRS 102;
- Tax legislation;
- Ofgem and the energy market regulations;
- The Bribery Act 2010;
- Health and safety legislation;
- Employment legislation.

We identified that the principal risk of fraud or non-compliance with laws and regulations related to:

- Management bias in respect of accounting estimates and judgements made;
- Management override of control; and
- Posting of unusual journals or transactions.

We focused on those areas that could give rise to a material misstatement in the Company's financial statements.

Our procedures included, but were not limited to:

- Enquiry of management, discussion with in-house legal counsel and the Audit and Risk Committee and those charged with governance around actual and potential litigation and claims including instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of those charged with governance where available;
- Reviewing legal expenditure in the year to identify instances of non-compliance with laws and regulations and fraud;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias, in particular the recording of project based expenses and the corresponding impact this would have on the release of deferred revenue and the appropriateness of revenue recognition.

It is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

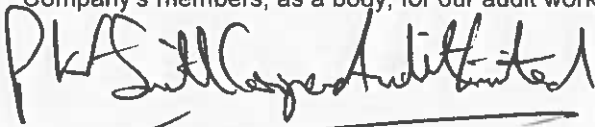
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

XOSERVE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XOSERVE LIMITED (CONTINUED)

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 Auditors' 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.



~~Stephen Newman~~ (Senior Statutory Auditor)

for and on behalf of
PKF Smith Cooper Audit Limited

Statutory Auditors

158 Edmund Street
Birmingham
West Midlands
B3 2HB

Date: 6th August 2024.

XOSERVE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2024**

	Note	2024 £000	2023 £000
Turnover	4	88,421	80,591
Other operating income	5	2,104	1,544
Administrative expenses		(91,478)	(82,368)
Operating loss	5	(953)	(233)
Interest receivable and similar income	8	953	267
Profit before tax		-	34
Tax on profit	9	-	-
Profit for the financial year		-	34

There was no other comprehensive income for 2024 (2023-*ENIL*).

The notes on pages 21 to 42 form part of these financial statements.

XOSERVE LIMITED
REGISTERED NUMBER: 05046877

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024

	Note	2024 £000	2024 £000	2023 £000	2023 £000
Fixed assets					
Intangible assets	11		38,926		49,441
Tangible assets	12		778		28
			<u>39,704</u>		<u>49,469</u>
Current assets					
Debtors: amounts falling due after more than one year	13	476		476	
Debtors: amounts falling due within one year	13	9,904		7,420	
Current asset investments	14	20,499		17,478	
Cash at bank and in hand	15	5,110		1,409	
			<u>35,989</u>	<u>26,783</u>	
Creditors: amounts falling due within one year	16	(10,959)		(10,111)	
Net current assets			<u>25,030</u>		<u>16,672</u>
Total assets less current liabilities			<u>64,734</u>		<u>66,141</u>
Provisions for liabilities					
Other provisions	19		(1,106)		(1,106)
Accruals and deferred income	20		(60,960)		(62,367)
Net assets			<u>2,668</u>		<u>2,668</u>
Capital and reserves					
Called up share capital	21		1		1
Profit and loss account	22		2,667		2,667
			<u>2,668</u>		<u>2,668</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Michael Hogg

M Hogg
 Director

Date: 06-Aug-2024 | 14:08 BST

The notes on pages 21 to 42 form part of these financial statements.

XOSERVE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2024**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 April 2022	1	2,633	2,634
Profit for the year	-	34	34
At 1 April 2023	1	2,667	2,668
Profit for the year	-	-	-
At 31 March 2024	1	2,667	2,668

The notes on pages 21 to 42 form part of these financial statements.

XOSERVE LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2024**

	2024	2023
	£000	£000
Cash flows from operating activities		
Profit for the financial year	-	34
Adjustments for:		
Amortisation of intangible assets	11,828	11,191
Depreciation of tangible assets	127	6
Interest receivable and similar income	(953)	(267)
RDEC tax credit (see note 5)	(199)	(150)
(Increase) / decrease in debtors	(2,484)	6,937
(Decrease) / increase in creditors - including accruals and deferred income	(360)	192
Settlement of provisions (see note 19)	-	(500)
Tax refunded	-	794
Net cash generated from operating activities	7,959	18,237
Cash flows from investing activities		
Purchase of intangible fixed assets	(1,313)	(13,672)
Purchase of tangible fixed assets	(877)	(34)
Interest received and similar income	953	267
Net cash from investing activities	(1,237)	(13,439)
Net increase in cash and cash equivalents	6,722	4,798
Cash and cash equivalents at beginning of year	18,887	14,089
Cash and cash equivalents at the end of year	25,609	18,887
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	5,110	1,409
Current asset investments	20,499	17,478
	25,609	18,887

XOSERVE LIMITED

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 MARCH 2024**

	At 1 April 2023 £000	Cash flows £000	At 31 March 2024 £000
Cash at bank and in hand	1,409	3,701	5,110
Current asset investment	17,478	3,021	20,499
	<u>18,887</u>	<u>6,722</u>	<u>25,609</u>

The notes on pages 21 to 42 form part of these financial statements.

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

1. General information

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.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in 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 3.

The Company's financial and presentational currency is Sterling. The financial statements level of rounding to the nearest thousand pounds.

The following principal accounting policies have been applied:

2.2 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 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 2025 which forms the basis of its revenues for the next financial year. The business planning process for the year ending 31 March 2026 is currently in progress and the business model endures with Xoserve 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 2024 the Company had cash at bank of £5.1m and a money fund account (readily accessible) of £20.5m (2023 - £1.4m and £17.5m). Cash year on year has increased as a result of now holding funds as security against bad debts and an increase in the rebate that is included against BP24 charges.

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 and have confirmed this to be the case.

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

2. Accounting policies (continued)

2.2 Funding and going concern (continued)

Actual results for the year ended 31 March 2024 and in the subsequent months of April and May 2024 showed revenue and collectability levels to be on budget and these are expected to continue for the agreed business plan period to 31 March 2025.

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 at least 30 September 2025.

Ofgem's decision in May 2019 to confirm a pass-through arrangement for the Company's funding for the RIIO-2 period post March 2021 for Gas Transporters further serves 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.

2.3 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 and are then released as turnover evenly over the useful life of the relevant asset. To present a true and fair view deferred income is presented separately on the face of the Statement of financial position in accruals and deferred income.

2.4 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 and deferred taxation assets and liabilities are not discounted.

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.

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.

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

2. Accounting policies (continued)**2.4 Taxation (continued)*****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.

2.5 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.

Annual bonus arrangements

The Company operates an annual bonus scheme for employees based on performance. An expense is recognised in the Statement of comprehensive income 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.

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.

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 Gas Transmission plc (see note 10).

2.6 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:

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

2. Accounting policies (continued)

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.

Intangible assets are assessed at each Statement of financial position date to determine whether there is an indication that they 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.

2.7 Tangible fixed 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:

Fixtures and fittings, computer hardware and associated software - 2 - 11 years
Leasehold improvements and dilapidation 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in Statement of comprehensive income.

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

2. Accounting policies (continued)

2.8 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.9 Operating leases: the Company as lessor

Rental income from operating leases is credited to profit or loss on a straight-line basis over the lease term.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight-line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

2.10 Debtors

Short-term debtors are measured at transaction price, less any impairment.

2.11 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.

2.12 Creditors

Short-term creditors are measured at the transaction price.

2.13 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.

2.14 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 TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

2. Accounting policies (continued)

2.15 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.

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

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 Gas Transmission plc 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 Gas Transmission 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 should one be identified. No such deficit was identified in the latest actuarial valuation as at 31 March 2022. This position will be reviewed at each Actuarial Valuation, the next of which will be calculated as at 31 March 2025, the results of which are not expected until Q4 of the financial year ended 31 March 2026. Should the Company be specifically included on the Schedule of Contributions following a future valuation then the Company would be formally notified by National Gas Transmission 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 10).

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 and externally 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 2.6 for amortisation periods.

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.

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

4. Turnover

Analysis by customer group:

	2024	2023
	£000	£000
External customers (including contributions to capital expenditure)	45,411	35,615
Related undertakings (including contributions to capital expenditure)	43,010	44,976
	88,421	80,591

	2024	2023
	£000	£000
Analysis by service type		
General services	68,324	63,964
Other contracted services	8,312	5,430
Contributions to capital expenditure funded from general services	11,785	11,197
	88,421	80,591

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

5. Operating loss

The operating loss is stated after charging:

	2024	2023
	£000	£000
Amortisation of intangible fixed assets	11,828	11,191
Depreciation of tangible fixed assets	127	6
Impairment of trade debtors	-	5
Operating lease charges	811	821

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

	2024	2023
	£000	£000
Fees payable for services provided by the current Company's auditors		
Statutory audit of the Company's financial statements	29	27
Other services	3	3
	<u>32</u>	<u>30</u>

Other income

Other income of £2,104,000 (2023 - £1,544,000) relates to £199,000 of Research and Development Expenditure Credit (RDEC) recognised for the financial year (2023 - £150,000), £1,630,000 of rent recharges to Correla (2023 - £1,326,000), Energy Bill Relief Scheme (EBRS) administration charges £268,000 (2023 - £50,000) and interest on late payment of CDSP invoices of £7,000 (2023 - £18,000).

6. Employees

Staff costs, including Directors' remuneration, were as follows:

	2024	2023
	£000	£000
Wages and salaries	3,679	3,060
Social security costs	438	399
Cost of pension (note 10)	457	391
Agency costs	196	326
	<u>4,770</u>	<u>4,176</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2024	2023
	No.	No.
Employees	59	55
Agency	2	4
	<u>61</u>	<u>59</u>

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

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:

	2024	2023
	£000	£000
Salaries and other short-term benefits	878	708
Other pension costs	119	120
	997	828
	997	828

7. Directors' Remuneration

	2024	2023
	£000	£000
Directors emoluments	237	225
	237	225
	237	225

Of the 10 (2023 - 11) Directors who served during the year, 4 (2023 - 5) 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 £66,000 (2023 - £75,000).

8. Interest receivable and similar income

	2024	2023
	£000	£000
Dividend receivable from current asset investment	953	267
	953	267
	953	267

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

9. Taxation

	2024	2023
	£000	£000
Current tax		
Current tax on profits for the year	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>-</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2023 - lower than) the standard rate of corporation tax in the UK of 25% (2023 - 19%). The differences are explained below:

	2024	2023
	£000	£000
Profit on ordinary activities before tax	-	34
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2023 - 19%)	-	6
Effects of:		
Expenses not deductible for tax purposes	3	95
R&D expenditure credits	(50)	(29)
Deferred tax not recognised	47	(72)
Total tax charge for the year	<u>-</u>	<u>-</u>

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

9. Taxation (continued)

Factors that may affect future tax charges

Corporation tax is calculated at 25% (2023 - 19%) of the estimated assessable profit for the year.

Deferred taxes at the Statement of financial position date have been measured using enacted rates increasing the corporation tax rate from 19% to 25% from April 2023. As this rate was enacted as at the Statement of financial position date it has been used to calculate the deferred tax balances.

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

10. 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 Gas Transmission plc 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.

Should the Company be specifically included on the Schedule of Contributions following a future valuation that calculates the scheme to be in deficit then the Company would be formally notified by National Gas Transmission 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 arrangement is funded with assets held in a separate trustee administered fund. The current arrangement is managed by a trustee company with a board consisting of member appointed directors and directors appointed by National Grid. Following the sale of National Gas Transmission by National Grid, the defined benefit arrangement is expected to transfer from the current scheme to a new scheme, that will continue to be run in a similar manner, but with the board consisting of National Gas Transmission and member appointed directors. The directors of both the current and the new scheme 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 Gas Transmission, the Scheme 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.

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

Pensions (continued)

The last full actuarial valuation was carried out by Lane Clark & Peacock (LCP) as at 31 March 2022. The market value of the Scheme's assets was £5,753m and the value of the assets represented 100.5% of the actuarial value of benefits due to members, calculated on the basis of pensionable earnings and service at 31 March 2022 on an ongoing basis and allowing for projected increases in pensionable earnings. This valuation showed the scheme had a funding surplus of £27m. The previous deficit has been fully funded by National Gas Transmission. No further deficit contributions are required to be made. If this were to change in the 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 2025, with the valuation expected to be finalised in the first half of 2026.

Following the 2022 actuarial valuation, the employers contribute 51.4% of pensionable salary less member contributions, in respect of ongoing service. In addition, Xoserve makes payments to National Gas Transmission to cover its share of the contribution National Gas Transmission makes 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:

	2024	2023
	£000	£000
Current period contributions	183	177

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:

	2024	2023
	£000	£000
Current period contributions	274	214

There were no amounts outstanding to defined contribution schemes at the Statement of financial position date (2023 - £Nil).

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

11. Intangible assets

	Assets in the course of construction £000	Software and licences £000	Total £000
Cost			
At 1 April 2023	407	141,780	142,187
Additions	406	907	1,313
Reclassification	(407)	407	-
At 31 March 2024	<u>406</u>	<u>143,094</u>	<u>143,500</u>
Amortisation			
At 1 April 2023	-	92,746	92,746
Charge for the year	-	11,828	11,828
At 31 March 2024	<u>-</u>	<u>104,574</u>	<u>104,574</u>
Net book value			
At 31 March 2024	<u>406</u>	<u>38,520</u>	<u>38,926</u>
At 31 March 2023	<u>407</u>	<u>49,034</u>	<u>49,441</u>

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 accruals and deferred income on note 20 (amounts falling due within one year) are contributions to the cost of intangible fixed assets amounting to £7,785,000 (2023 - £11,701,000).

Included within accruals and deferred income on note 20 (amounts falling due after more than one year) are contributions to the cost of intangible fixed assets amounting to £31,141,000 (2023 - £37,740,000).

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.

XOSERVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

12. Tangible fixed assets

	Leasehold improvement, fixtures and fittings £000	Computer hardware and associated software £000	Total £000
Cost			
At 1 April 2023	993	285	1,278
Additions	-	877	877
At 31 March 2024	<u>993</u>	<u>1,162</u>	<u>2,155</u>
Depreciation			
At 1 April 2023	965	285	1,250
Charge for the year	11	116	127
At 31 March 2024	<u>976</u>	<u>401</u>	<u>1,377</u>
Net book value			
At 31 March 2024	<u>17</u>	<u>761</u>	<u>778</u>
At 31 March 2023	<u>28</u>	<u>-</u>	<u>28</u>

Additions to Tangible fixed assets 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 accruals and deferred income on note 20 (amounts falling due within one year) are contributions to the cost of tangible fixed assets amounting to £156,000 (2023 - £7,000).

Included within accruals and deferred income on note 20 (amounts falling due after more than one year) are contributions to the cost of tangible fixed assets amounting to £622,000 (2023 - £21,000).

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.

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

13. Debtors

	2024	2023
	£000	£000
Due after more than one year		
Other debtors	476	476
	476	476

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

	2024	2023
	£000	£000
Due within one year		
Trade debtors	4,764	3,388
Amounts owed by related undertakings (see note 26)	637	1,833
Prepayments and accrued income	4,503	2,199
	9,904	7,420

Trade debtors are stated after provisions for impairment of £466,000 (2023 - £478,000).

14. Current asset investments

	2024	2023
	£000	£000
Money Fund Account	20,499	17,478
	20,499	17,478

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

15. Cash and cash equivalents

	2024	2023
	£000	£000
Cash at bank and in hand	5,110	1,409
	5,110	1,409

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

16. Creditors: Amounts falling due within one year

	2024 £000	2023 £000
Trade creditors	7,693	6,992
Amounts owed to related undertakings	669	793
Other taxation and social security	221	152
Other creditors	2,376	2,174
	<u>10,959</u>	<u>10,111</u>

17. Financial instruments

The Company has the following financial instruments:

	2024 £000	2023 £000
Financial assets that are debt instruments measured at amortised cost:		
Trade debtors (note 13)	4,764	3,388
Amounts owed by related undertakings (note 26)	637	1,833
Cash at bank and in hand (note 15)	5,110	1,409
Current asset investments (note 14)	20,499	17,478
	<u>31,010</u>	<u>24,108</u>

	2024 £000	2023 £000
Financial liabilities measured at amortised cost:		
Trade creditors (note 16)	7,693	6,992
Amounts owed to related undertakings (note 26)	669	793
Other creditors (note 16)	2,376	2,174
Accruals	1,115	1,082
	<u>11,853</u>	<u>11,041</u>

18. Deferred taxation

Deferred tax at the Statement of financial position date amounted to £nil (2023 - asset £nil). The asset is not recognised as its future recovery is uncertain. Trading losses offset against fixed asset timing differences and are available to carry forward indefinitely.

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

19. Provisions

	Other provision £000
At 1 April 2023	1,106
At 31 March 2024	1,106

Other provisions

The Company subleases its business premises from National Grid Property Limited, a former fellow subsidiary of National Gas Transmission plc. In December 2015 the Company started the lease for a 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.

20. Accruals and deferred income

	2024 £000	2023 £000
Amounts falling due within one year	29,197	24,606
Amounts falling due after more than one year	31,763	37,761
	60,960	62,367

Accruals and deferred income falling within one year include deferred contributions to capital expenditure of £7,941,000 (2023 - £11,708,000).

Accruals and deferred income falling due after more than one year include deferred contributions to capital expenditure of £31,763,000 (2023 - £37,761,000).

Accruals and deferred income falling within one year include amounts owed to related undertakings of £11,628,000 (2023 - £8,826,000).

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

21. Share capital

	2024	2023
	£000	£000
Allotted, called up and fully paid		
100,000 (2023 - 100,000) Ordinary shares of £0.01 each	<u>1</u>	<u>1</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.

22. Reserves**Profit and loss account**

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

23. Contingent liabilities

Appeals to the DSC budget have been filed with Ofgem by one of Xoserve's customers in relation to the FY22/23 and FY23/24 business plans. The claims are predominantly in relation to the efficiency of costs and value for money delivered under the DSC contract. The details of the charges incurred under the DSC contract are included in the annual charging statement which can be found on the Company's website.

The Directors of Xoserve are engaged in managing the defence of these matters and are working with Ofgem towards resolution of both the BP22 and BP23 appeals. However, the timeline for resolution of the appeals is not clear. The Directors are unable to conclude on the likely success of the grounds for appeal at this stage and accordingly have concluded that this matter has resulted in a contingent liability and no provision has been recognised in the financial statements as at 31 March 2024.

24. Capital and other commitments

At 31 March 2024 the Company had capital commitments as follows:

	2024	2023
	£000	£000
Contracts placed for future capital expenditure not provided for in the financial statements	<u>2,018</u>	<u>13,898</u>
	<u>2,018</u>	<u>13,898</u>

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

25. Commitments under operating leases

At 31 March 2024 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2024	2023
	£000	£000
Lessee		
Not later than 1 year	1,013	814
Later than 1 year and not later than 5 years	1,838	2,183
	<u>2,851</u>	<u>2,997</u>

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.

	2024	2023
	£000	£000
Lessor		
Not later than 1 year	920	920
Later than 1 year and not later than 5 years	1,611	2,531
	<u>2,531</u>	<u>3,451</u>

XOSERVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

26. 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	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
National Gas Transmission plc	16,172	15,989	-	-
Cadent Gas Limited	12,934	15,342	-	1,251
Southern Gas Networks plc	4,732	5,367	-	-
Scotland Gas Networks plc	2,337	2,075	1	-
Northern Gas Networks plc	3,504	3,107	318	291
Wales & West Utilities Limited	3,331	3,096	318	291

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	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
National Gas Transmission plc	1,599	1,332	4,756	4,749
Cadent Gas Limited	-	-	3,832	974
Southern Gas Networks plc	-	-	1,306	974
Scotland Gas Networks plc	-	-	619	974
Northern Gas Networks plc	-	-	880	974
Wales & West Utilities Limited	-	-	904	974

Related parties provided a number of services to Xoserve during the year, the cost of these were £1,599,000 (2023: £1,332,000).

Amounts owed to related parties of £12,297,000 (2023 - £9,619,000) are unsecured and on normal commercial terms. Amounts owed include £11,628,000 of deferred income (2023 - £8,662,000).

27. Controlling party

No entity has a controlling interest in the Company.