

Company Registration Number: 10080921

Cadent Services Limited

Annual Report and Financial Statements

For the year ended 31 March 2024

Cadent Services Limited

Strategic Report

For the year ended 31 March 2024

The Directors present their Strategic Report for Cadent Services Limited (“the company”) for the year ended 31 March 2024.

Review of the business

The company’s principal activities are the provision of services (including property management) to Cadent Gas Limited. In the current year the number of properties in the company’s portfolio has reduced by one (2023: no change) to 21, following a surrender of the lease. The company also acquired the freehold land to a site in Woodford and continued to invest in its property with further additions of £9,935,000.

Results

The company’s turnover of £2,098,000 (2023: £3,101,000) comprises rental income charged on its 21 (2023: 22) properties to Cadent Gas Limited. The decrease in the year is as a result of the surrender of the lease on one of its properties. The company made a profit in the financial year of £1,164,000 (2023: £1,090,000). The increase in the year is due to lower administrative expenses of £616,000 (2023: £1,529,000) and higher interest receivable of £105,000 (2023: £Nil), offset by lower turnover of £2,098,000 (2023: £3,101,000).

Financial position

The financial position of the company is presented in the statement of financial position. Total shareholders’ funds at 31 March 2024 were £5,223,000 (2023: funds of £4,059,000) with the increase due to the profit in the year.

Key performance indicators and principal risks and uncertainties

As the company is part of a larger Group, the management of the company does not involve the use of key performance indicators, other than the profit or loss for the year, in measuring the development, performance or the position of the company, and the principal risks and uncertainties are integrated with the principal risks of Cadent Gas Limited. For information on the development, performance, risks, uncertainties, and position of Cadent Gas Limited and fellow Group subsidiaries, and of the key performance indicators used, refer to the Strategic Report included in Cadent Gas Limited’s Annual Report and Accounts 2023/24, which does not form part of this report.

Future developments

By nature of its operating business, the company has not been significantly impacted by the ongoing macroeconomic and geopolitical volatility, and the Directors believe the current level of operating activity as reported in the income statement will continue in the foreseeable future.

As a company with the principal activity being the provision of services (including property management) to Cadent Gas, the operating company within Quadgas Holdings TopCo Limited Group (the ‘Group’), Cadent Services is not currently directly or significantly impacted by climate change, however Cadent Gas Limited, the Group’s operating company, is. For information on how climate change will impact the Group’s operating company, Cadent Gas Limited, refer to the Strategic Report included in Cadent Gas Limited’s Annual Report and Accounts 2023/2024.

Cadent Services Limited

Strategic Report (continued)

For the year ended 31 March 2024

S172 Statement

The following statement describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172 of the Companies Act 2006.

The company's principal activities are the provision of services, including property management, to Cadent Gas Limited. The company has no employees, however as a wholly owned subsidiary company within the Group, the Directors consider the impact of the company's activities on its shareholder, Ofgem (The Office of Gas and Electricity Markets), members of the consortium who together own the ultimate parent company, Quadgas Holdings TopCo Limited, and other stakeholders. Whilst not directly regulated itself, the company maintains a close relationship with Ofgem, via the fellow Group subsidiary company Cadent Gas Limited.

The company's stakeholders are consulted routinely on a wide range of matters including funding decisions, investment strategy, delivery of the Group's strategy, governance, and compliance with Group policies with the aim of maximising investment returns for the benefit of its shareholder and ensuring that the company maintains high standards of business conduct and governance.

The company owns property and leases these to Cadent Gas Limited, as well as providing other property services. The Board considers the company's activities in light of the Group's environmental, corporate and social responsibility strategies, as such the Board receives information on these topics from management to make better informed Board decisions.

For further information on the Group's activities and disclosure please refer to the Group's operating company, Cadent Gas Limited Annual Report and Accounts 2023/24.

The Strategic Report was approved by the Board and signed on its behalf by:



A O Bickerstaff

Director

18 June 2024

Cadent Services Limited

Directors' Report

For the year ended 31 March 2024

The Directors present their Report and the audited financial statements of the company for the year ended 31 March 2024.

Future developments

Details of future developments have been included within the Strategic Report on page 1.

Dividends

During the year the company did not pay any interim ordinary dividends (2023: £Nil).

The Directors do not recommend the payment of a final ordinary dividend (2023: £Nil).

Political donations and political expenditure

The company did not make any donations during the year (2023: £Nil).

Financial risk management

By nature of its operating business, the company has not been significantly impacted by the ongoing macroeconomic and geopolitical volatility.

The management of the company and the execution of the company's strategy are subject to a number of financial risks. The Directors have identified the need to manage the company's material financial risks, including liquidity, credit and interest rate risks. These risks are monitored through Cadent Gas Limited's Treasury management function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for Cadent Gas Limited and other Group subsidiaries.

Liquidity risk

The company finances its operations through a combination of retained profits, new share issues and intercompany balances to ensure that the company has sufficient long-term and short-term funds available for current operations and future activities.

The company believes its contractual obligations can be met from existing cash and investments, operating cash flows and internal or external financing that we reasonably expect to be able to secure in the future, together with the use of committed facilities if required.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. No material exposure is considered to exist in respect of all loan balances.

Interest rate cash flow risk

The company has no interest-bearing assets and the intercompany liabilities are interest free. Interest charges typically relate to the unwinding of the discount on provisions.

Cadent Services Limited

Directors' Report (continued)

For the year ended 31 March 2024

Directors

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

M W Braithwaite

A O Bickerstaff

Directors' indemnity

A fellow group undertaking, Quadgas HoldCo Limited, has arranged, in accordance with the Companies Act 2006 section 234 and the Articles of Association, qualifying third party indemnities against financial exposure that Directors may incur in the course of their professional duties. Alongside these indemnities, Quadgas HoldCo Limited places Directors' and Officers' liability insurance for each Director and these costs have been borne by Quadgas HoldCo Limited.

Going concern

The statement of financial position shows net current liabilities of £27,216,000 at 31 March 2024 (2023: £29,089,000). This includes a loan payable to the parent company of £27,033,000 (2023: £25,033,000), Quadgas MidCo Limited. The income statement shows turnover for the year ended 31 March 2024 of £2,098,000 (2023: £3,101,000) and the profit for the financial year is £1,164,000 (2023: £1,090,000). The company continues to receive rental income from Cadent Gas Limited which continues to trade and operate as a going concern. See Cadent Gas Limited Annual report and accounts for further details. The leases held with Cadent Gas are typically renewed every 5 years.

The Directors have received a letter of support from the company's parent, Quadgas MidCo Limited, stating that it will not ask for the reimbursement or prepayment of loans granted to the company which would materially affect the company's financial capacity and be willing to give appropriate financial support to enable the company to meet its obligations as they fall due for a further 12 months from date the financial statements are signed. The Directors of Quadgas MidCo Limited consider it appropriate to prepare the financial statements of Quadgas MidCo Limited on a going concern basis. See Quadgas MidCo Limited Annual Report and Accounts for further details.

Having considered the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis. The going concern basis presumes that the company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements are signed. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Capital structure

The share capital of the company consists of 2 ordinary shares of £1 each. There have been no changes in the capital structure during the year.

Post balance sheet events

There were no post balance sheet events in the year.

Cadent Services Limited

Directors' Report (continued)

For the year ended 31 March 2024

Disclosure of information to the auditor

Having made the requisite enquiries, so far as the Directors in office at the date of the approval of this report are aware, there is no relevant audit information of which the auditor is unaware, and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The auditor has indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with UK applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102'). 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 year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently.
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements.
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors 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.

The Directors' Report was approved by the Board and signed on its behalf by:

A O Bickerstaff

Director

18 June 2024



Registered office:

Pilot Way

Ansty

Coventry

CV7 9JU

Registered in England and Wales

Company registration number: 10080921

Independent auditor's report to the members of Cadent Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Cadent Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 16.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

Conclusions relating to going concern

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 auditor's 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.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered 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 considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, in-house legal counsel and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act 2006 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

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



Jane Whitlock ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
18 June 2024

Cadent Services Limited

Statement of comprehensive income

For the year ended 31 March 2024

	Notes	2024 £'000	2023 £'000
Turnover	3	2,098	3,101
Administrative expenses		(616)	(1,529)
Operating profit	4	1,482	1,572
Interest receivable and similar income		105	-
Interest payable and similar charges	6	(159)	(157)
Profit on ordinary activities before tax		1,428	1,415
Tax on profit on ordinary activities	7	(264)	(325)
Profit after tax for the financial year		1,164	1,090
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		1,164	1,090

The results reported above relate to continuing activities. There was no other comprehensive income other than those reported above.

The notes on pages 12 to 24 form an integral part of these financial statements.

Cadent Services Limited

Statement of financial position

As at 31 March 2024

	Notes	2024 £'000	2023 £'000
Non-current assets			
Property and equipment	8	42,310	32,510
Deferred tax asset	7	6,371	6,578
		<u>48,681</u>	<u>39,088</u>
Current assets			
Cash at bank and in hand		539	6,867
		<u>539</u>	<u>6,867</u>
Current liabilities			
Other creditors	9	(27,705)	(26,140)
Provisions	10	(50)	(9,816)
		<u>(27,755)</u>	<u>(35,956)</u>
Net current liabilities			
		<u>(27,216)</u>	<u>(29,089)</u>
Total assets less current liabilities			
		<u>21,465</u>	<u>9,999</u>
Non-current liabilities			
Provisions	10	(16,242)	(5,940)
Net assets			
		<u>5,223</u>	<u>4,059</u>
Equity			
Share capital	11	-	-
Share premium account		6,300	6,300
Retained losses		(1,077)	(2,241)
Total shareholders' funds		<u>5,223</u>	<u>4,059</u>

The notes on pages 12 to 24 form an integral part of these financial statements.

The financial statements on pages 9 to 24 were approved by the Board of Directors on 18 June 2024 and signed on its behalf by:

A O Bickerstaff

Director

Cadent Services Limited

Company registration number: 10080921



Cadent Services Limited

Statement of changes in equity

For the year ended 31 March 2024

	Share capital £'000	Share premium account £'000	Retained losses £'000	Total £'000
At 1 April 2023	-	6,300	(2,241)	4,059
Comprehensive profit for the financial year	-	-	1,164	1,164
At 31 March 2024	-	6,300	(1,077)	5,223

	Share capital £'000	Share premium account £'000	Retained Losses £'000	Total £'000
At 1 April 2022	-	6,300	(3,331)	2,969
Comprehensive profit for the financial year	-	-	1,090	1,090
At 31 March 2023	-	6,300	(2,241)	4,059

Cadent Services Limited

Notes to the financial statements

For the year ended 31 March 2024

1 Summary of significant accounting policies

Cadent Services Limited is a private company and is incorporated and domiciled in the United Kingdom and is registered in England and Wales. The address of its registered office is Pilot Way, Ansty, Coventry, CV7 9JU.

The principal accounting policies applied in the preparation of these financial statements are set out as below.

(a) Basis of preparation and new accounting standards, interpretation and amendments

The financial statements of Cadent Services Limited have been prepared on the historical cost basis and modified to include certain items at fair value where applicable. Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates (the 'functional currency'). The financial statements are presented in pounds sterling which is also the company's functional currency.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council, as it is a member of a group where the parent of the Group prepares publicly available consolidated financial statements which include the company's results.

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and have been prepared in accordance with the requirements of the Companies Act 2006.

As permitted by FRS 102, the company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash-flow statement, standards not yet effective, remuneration of key management personnel and related party transactions.

The Financial Reporting Council (FRC) issued amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs, following its periodic review. The amendments outline a number of changes to FRS 102 including a new model of revenue recognition; lease accounting and various other incremental improvements and clarifications. The effective date of the amendments is 1 January 2026 with the year ended 31 March 2027 being the first year impacted by the proposals. The company is assessing the likely impact of the proposals on the financial statements of the company in future periods.

Where relevant, equivalent disclosures have been presented in the consolidated financial statements of Quadgas MidCo Limited.

The preparation of financial statements may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of turnover and expenses during the year. Actual results could differ from these estimates.

Going Concern

The statement of financial position shows net current liabilities of £27,216,000 at 31 March 2024 (2023: £29,089,000). The income statement shows turnover for the year ended 31 March 2024 of £2,098,000 (2023: £3,101,000) and the profit for the financial year is £1,164,000 (2023: £1,090,000). The company continues to receive rental income from Cadent Gas Limited which continues to trade and operate as a going concern. See Cadent Gas Limited Annual report and accounts for further details. The leases held with Cadent Gas are typically renewed every 5 years.

Cadent Services Limited

Notes to the financial statements (continued)

For the year ended 31 March 2024

Going Concern (continued)

The Directors have received a letter of support from the company's parent, Quadgas MidCo Limited, stating that it will not ask for the reimbursement or prepayment of loans granted to the company which would materially affect the company's financial capacity and be willing to give appropriate financial support to enable the company to meet its obligations as they fall due for a further 12 months from date the financial statements are signed. The Directors of Quadgas MidCo Limited consider it appropriate to prepare the financial statements of Quadgas MidCo Limited on a going concern basis. See Quadgas MidCo Limited Annual Report and Accounts for further details.

Having considered the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis. The going concern basis presumes that the company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements are signed. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(b) Turnover

Turnover comprises rent and associated property income from tenants, derived from properties situated in the United Kingdom and is stated net of value added tax. Rental income from internal sources is recognised monthly in line with the rental service agreements whereas from external sources, it is invoiced quarterly in advance but recognised monthly in line with the rental service provided.

(c) Finance income

Finance income is accrued on a timely basis by reference to the principal outstanding and at the effective interest rate applicable. Loans receivable are carried at amortised cost using the effective interest method less any allowance for estimated impairments. Impairments are calculated using the expected credit loss approach by calculating the probability of default and the estimated recoverable amount given default. A provision is established for impairments using the expected credit loss approach by calculating the probability of default and the estimated recoverable amount given default.

(d) Finance costs

Finance costs comprise of unwinding of discounts on provisions. Any increase in provisions due to the passage of time is recognised as a finance cost.

(e) Property and equipment

The cost of these assets primarily represents the amount initially paid for them. A depreciation expense is charged to the income statement to reflect annual wear and tear and reduced value of asset over time. Depreciation is calculated by estimating the number of years we expect the asset to be used (useful economical life) and charging the cost of the asset to the income statement equally over this period. The depreciation periods for property and equipment are shown in the table below:

Cadent Services Limited

Notes to the financial statements (continued)

For the year ended 31 March 2024

(e) Property and equipment (continued)

Depreciation periods	Years
Freehold and leasehold buildings	Up to 50

No depreciation is provided on freehold land or assets in the course of construction.

The company has a number of properties which are rented to other Group companies and has adopted FRS102 section 16.4 which allows investment properties rented to other group companies to be measured at cost less depreciation and impairment, rather than at fair value, removing the requirement to annually value the properties, and reclassifying them as property and equipment.

Impairment reviews are carried out if there is some indication that impairment may have occurred, or where otherwise required to ensure that the property and equipment are not carried above their estimated recoverable amounts. Impairments are recognised in the income statement, and, where material, are disclosed as exceptional. Impairment reversals are recognised when, in management's opinion, the reversal is permanent.

Impairments of property and equipment are calculated as the difference between the carrying value of the net assets of income generating units and their recoverable amounts. Recoverable amount is defined as the higher of net realisable value or estimated value in use at the date the impairment review is undertaken. Net realisable value represents the amount that can be generated through the sale of assets. Value in use represents the present value of expected future cash flows discounted on a pre-tax basis, using the estimated cost of capital of the income generating unit.

(f) Tax

The tax charge for the year is recognised in the income statement or directly in equity according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax.

Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted by the reporting date.

The calculation of the total tax charge involves a degree of estimation and judgement, and management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes positions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the balance sheet liability method and is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction (other than a business combination) that affects neither the accounting nor the taxable profit or loss.

Cadent Services Limited

Notes to the financial statements (continued)

For the year ended 31 March 2024

(f) Tax (continued)

Deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authorities and the company intends to settle their current tax assets and liabilities on a net basis.

(g) Financial instruments

Initial recognition

Financial assets, liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Classification and measurement

Financial instruments are classified at inception into one of the following categories which then determines the subsequent measurement methodology:

Financial assets are classified into one of the following three categories:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI); and
- financial assets at fair value through profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories

- financial liabilities at amortised cost; and
- financial liabilities at fair value through profit and loss (FVTPL).

Cadent Services Limited

Notes to the financial statements (continued)

For the year ended 31 March 2024

(g) Financial instruments (continued)

Classification and measurement (continued)

Loans receivable are carried at amortised cost using the effective interest method less any allowance for estimated impairments. A provision is established for impairments when there is objective evidence that the company will not be able to collect all amounts due under the original terms of the loan. Interest income, together with losses when the loans are impaired, is recognised using the effective interest method in the income statement.

Borrowings are recorded at their initial fair value which normally reflects the proceeds received, net of direct issue costs less any repayments. Subsequently these are stated at amortised cost, using the effective interest method. Any difference between proceeds and the redemption value is recognised over the term of the borrowing in the income statement using the effective interest method.

Assets and liabilities on different transactions are only netted if the transactions are with the same counterparty, a legal right of set off exists and the cash flows are intended to be settled on a net basis. Gains and losses arising from changes in fair value are included in the income statement in the period they arise.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Cadent Services Limited

Notes to the financial statements (continued)

For the year ended 31 March 2024

(g) Financial instruments (continued)

Impairment of financial assets

Financial assets are impaired by calculating the probability of default and the estimated recoverable amount given default, which is used to calculate the expected credit loss. The company has taken default to be defined as a counterparty that has entered administration.

The company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVTPL, namely:

- trade receivables;
- loan receivables; and
- other receivables.

The company measures the loss allowances for amounts owed by fellow Group companies at an amount equal to the 12 month expected credit loss (representing a stage 1 financial model). The way this is calculated is based on the applied impairment methodology, as described below:

Stage 1: For financial assets where there has not been a significant increase in credit risk since initial recognition, and were not credit impaired on recognition, the company recognises a loss allowance based on the 12 month expected credit loss.

Stage 2: For financial assets where there has been a significant increase in credit risk since initial recognition, and were not credit impaired, the company recognises a loss allowance for lifetime expected credit loss.

Stage 3: For financial assets which are credit impaired, the company recognises the lifetime expected credit loss.

A significant increase in credit risk would be by any change in circumstances specific to the counterparty or to the wider economic environment whereby the risk of default could be said to have been significantly increased within reasonable thresholds.

Evidence that the financial asset is credit impaired includes the following:

- significant financial difficulties of the counterparty; or
- a breach of contract such as default or past due event; or
- the restructuring of the loan or advance by the company that the company would not consider otherwise; or
- it is probable that the counterparty will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for an associated security because of financial difficulties.

(h) Provision for liabilities

Provision for liabilities consists of environmental costs. Environmental costs, based on discounted future estimated expenditures expected to be incurred, are provided for in full. The unwinding of the discount is included within the income statement as an interest expense.

Liabilities for environmental remediation resulting from past operations or events are recognised to the extent to which required under UK decontamination requirements and to the extent to which the amount can reasonably be estimated. Measurement of liabilities is based on current legal requirements and existing technology. The carrying amount of liabilities is regularly reviewed and adjusted for new facts or changes in law or technology. No provision is made for non-statutory decontamination costs.

Cadent Services Limited

Notes to the financial statements (continued)

For the year ended 31 March 2024

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

There are no areas of judgement which have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The areas of estimation that have the most significant effect on the amounts recognised in the financial statements are the assumptions included within the environmental provision. Several uncertainties affect the calculation of the provision including the impact of regulation, the accuracy of the site surveys, unexpected contaminants, transportation costs, the impact of alternative technologies and changes in the discount rate. The provision incorporates our best estimate of the financial effect of these uncertainties, but future material changes in any of the assumptions could materially impact on the calculation of the provision. The undiscounted amount of the provision at 31 March 2024 relating to gas site decontamination was £19,396,261 (2023: £19,864,228) being the best undiscounted estimate of the liability having regard to the uncertainties referred to above – **note 10**.

To give a clearer picture of the impact on our results or financial position of potential changes in significant estimates and assumptions, the following sensitivities are presented. These sensitivities are hypothetical, as they are based on assumptions and conditions prevailing at the period end and should be used with caution. The effects provided are not necessarily indicative of the actual effects that would be experienced because our actual exposures are constantly changing. The sensitivities shown are changes that management deem reasonably likely within the next 12 months:

- 1) Change in discount rate by 0.5%
- 2) Change in future undiscounted cash flows by 10%

These sensitivities show the potential impact in the income statement (and consequential impact on net assets) for a reasonably possible range of different variables each of which have been considered in isolation (i.e. with all other variables remaining constant).

Increasing the discount rate by 0.5% decreases the provision and results in a credit to the income statement of £664,438 (2023: £1,343,356). Increasing the future undiscounted cash flows by 10% increases the provision and results in a charge to the income statement by £1,018,840 (2023: £1,575,656).

Cadent Services Limited

Notes to the financial statements (continued)

For the year ended 31 March 2024

3 Turnover

	2024 £'000	2023 £'000
Rental Income from Group undertakings	<u>2,098</u>	<u>3,101</u>
	<u><u>2,098</u></u>	<u><u>3,101</u></u>

Geographical analysis of revenue is not provided as the Company's operations are all undertaken in the UK for customers based in the UK. Rental income is generated from property leased to Cadent Gas Limited. See note 14 'Operating Leases' for further detail.

4 Operating Profit

	2024 £'000	2023 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of property and equipment (note 8)	113	1,410
Corporate centre recharges	133	813
Increase/(release) in environmental liabilities	322	(722)
Loss on disposal	<u>22</u>	<u>-</u>
Services provided by the company's auditor		
For the audit of these financial statements	<u>28</u>	<u>26</u>

There were no non-audit fees (2023: £Nil).

5 Directors and employees

There were no employees of the company during the year (2023: Nil).

The emoluments of the Directors are not paid to them in their capacity as Directors of the company and are payable for services wholly attributable to other subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements.

6 Interest payable and similar charges

	2024 £'000	2023 £'000
Unwinding of discounts on provisions (note 10)	<u>159</u>	<u>157</u>
	<u><u>159</u></u>	<u><u>157</u></u>

Cadent Services Limited

Notes to the financial statements (continued)

For the year ended 31 March 2024

7 Tax

Tax charged/(credited) to the income statement

	2024 £'000	2023 £'000
Current tax:		
UK corporation tax at 25% (2023: 19%)	(117)	(225)
UK corporation tax adjustment in respect of prior years	174	(21)
Total current tax	<u>57</u>	<u>(246)</u>
Deferred tax:		
UK deferred tax charge current year	207	571
Total deferred tax	<u>207</u>	<u>571</u>
Tax charge on profit on ordinary activities	<u><u>264</u></u>	<u><u>325</u></u>

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

	2024 £'000	2023 £'000
Profit on ordinary activities before taxation	<u>1,428</u>	<u>1,415</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2023: 19%)	357	269
Effect of:		
Expenses not deductible for tax purposes	28	266
Transfer Pricing	(407)	(309)
Land remediation expenditure	112	86
Current tax/deferred tax rate differential	-	34
Prior year adjustments	174	(21)
Deferred tax impact of change in UK tax rate	-	-
Total tax charge	<u><u>264</u></u>	<u><u>325</u></u>

Cadent Services Limited

Notes to the financial statements (continued)

For the year ended 31 March 2024

7 Tax (continued)

The following are the major deferred tax assets and liabilities recognised, and the movements thereon, during the current reporting year:

	Financial Instruments £'000	Environmental Provision £'000	Total £'000
At 1 April 2023	710	5,868	6,578
Charged to income statement	(142)	(65)	(207)
At 31 March 2024	568	5,803	6,371
Deferred Tax Assets at 31 March 2024	568	5,803	6,371
Deferred Tax Assets at 31 March 2023	710	5,868	6,578

The following are the major deferred tax assets and liabilities recognised, and the movements thereon, during the previous reporting year:

	Financial Instruments £'000	Environmental Provision £'000	Total £'000
At 1 April 2022	852	6,297	7,149
Charged to income statement	(142)	(429)	(571)
At 31 March 2023	710	5,868	6,578
Deferred Tax Assets at 31 March 2023	710	5,868	6,578
Deferred Tax Assets at 31 March 2022	852	6,297	7,149

Cadent Services Limited

Notes to the financial statements (continued)

For the year ended 31 March 2024

8 Property and equipment

	Land and buildings £'000
Cost	
At 1 April 2023	39,029
Additions	9,935
Disposals	<u>(5,523)</u>
At 31 March 2024	<u>43,441</u>
Accumulated depreciation and impairment	
At 1 April 2023	(6,519)
Charge for the year (note 4)	(113)
Disposals	<u>5,501</u>
At 31 March 2024	<u>(1,131)</u>
Net book value:	
At 31 March 2024	<u>42,310</u>
At 31 March 2023	<u>32,510</u>
There are £8,528,000 (2023: £2,224,000) of assets in the course of construction included within Land and Buildings.	
Cost	
At 1 April 2022	36,805
Additions	2,224
Disposals	-
At 31 March 2023	<u>39,029</u>
Accumulated depreciation and impairment	
At 1 April 2022	(5,109)
Charge for the year	(1,410)
Disposals	-
At 31 March 2023	<u>(6,519)</u>
Net book value:	
At 31 March 2023	<u>32,510</u>
At 31 March 2022	<u>31,696</u>

The properties, principally freehold land and buildings, are held for long-term rental yields and are not occupied by the company.

Cadent Services Limited

Notes to the financial statements (continued)

For the year ended 31 March 2024

9 Creditors: amounts falling due within one year

	2024	2023
	£'000	£'000
Amounts owed to immediate parent company	27,033	25,033
Amounts owed to fellow subsidiary undertakings	672	236
Accruals and deferred income	-	871
	<u>27,705</u>	<u>26,140</u>

Amounts owed to the immediate parent company are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Amounts owed to fellow subsidiary undertakings mainly relate to group tax relief. During the year, a further £2,000,000 was drawn on the loan to fund assets in the course of construction.

10 Provisions for liabilities

The company had the following provisions during the year:

	Environmental
	£'000
At 1 April 2023	15,756
Additions	1,127
Utilised	(750)
Released to the income statement	-
Unwinding of discount (note 6)	159
At 31 March 2024	<u>16,292</u>
	£'000
Current	50
Non-current	<u>16,242</u>
At 31 March 2024	<u>16,292</u>

Environmental provision

The environmental provision represents the net present value of the estimated statutory decontamination costs of old gas manufacturing sites and depots. The company does not provide for non-statutory decontamination costs. The provision has increased in the year following a review of spend profiles, offset by an increase in the discount rate and the utilisation in the period. The analysis between current and non-current has changed in the year following a strategic review of the property portfolio and a reassessment of the timing of spend on certain sites.

The expected decontamination costs have been discounted at a real rate of 1.5% (2023: 1.0%) to arrive at these provisions. The anticipated timing of the cash flows for statutory contamination cannot be predicted with certainty, but they are expected to be incurred over the next 60 years.

Cadent Services Limited

Notes to the financial statements (continued)

For the year ended 31 March 2024

11 Share capital

	2024	2023
	£	£
Allotted, called up and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

12 Related party transactions

The company is exempt under FRS 102 33.1A from disclosing transactions with Quadgas Holdings TopCo Limited and its subsidiary undertakings where all of the voting rights are held within the Group. There were no related party transactions with other companies.

13 Commitments and contingencies

The company has no outstanding commitments or contingencies (2023: None).

14 Operating Leases

The company has a number of operating lease arrangements as lessor. The company had the following future minimum lease payments receivable under non-cancellable operating leases for each of the following periods:

	2024	2023
	£'000	£'000
Less than one year	2,387	3,107
In two-five years	3,580	6,108
More than five years	-	-
	<u>5,967</u>	<u>9,215</u>

The future minimum lease payments receivable under non-cancellable operating leases has fallen due to the surrender of the lease on one of the company's properties.

15 Post balance sheet events

There were no post balance sheet events in the year.

16 Ultimate parent company

The ultimate parent and controlling company is Quadgas Holdings TopCo Limited and the immediate parent company is Quadgas MidCo Limited. The largest and smallest group which includes the company and for which consolidated financial statements are prepared is Quadgas Holdings TopCo Limited and Quadgas MidCo Limited respectively. Quadgas Holdings TopCo Limited is registered in Jersey and Quadgas MidCo Limited is registered in England and Wales.

Copies of Quadgas Holdings TopCo Limited's consolidated financial statements can be obtained from the Registered office, Quadgas Holdings TopCo Limited, 3rd Floor 37 Esplanade, St. Helier, Jersey JE1 1AD.

Copies of Quadgas MidCo Limited's consolidated financial statements can be obtained from the Company Secretary, Quadgas MidCo Limited, Ansty Park, Pilot Way, Coventry, CV7 9JU.