

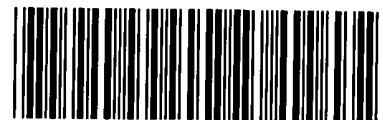
**Company Registration Number: 10080921**

**Cadent Services Limited**  
**(Previously Gas Distribution Property Holdings Limited)**  
**(Previously National Grid Thirty Eight Limited)**

**Annual Report and Financial Statements**

**For the period from incorporation on  
23 March 2016 to 31 March 2017**

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# **Cadent Services Limited**

## **Strategic Report**

### **For the period from incorporation on 23 March 2016 to 31 March 2017**

The Directors present their Strategic Report on the Company for the period from incorporation on 23 March 2016 to 31 March 2017.

#### **Review of the business**

The Company's principal activities are the provision of services (including property management) to Cadent Gas Limited.

#### **Executive summary**

The Company was incorporated on 23 March 2016 as National Grid Thirty Eight Limited. On the 17 May 2016 the Company changed its name to Gas Distribution Property Holdings Limited. For the period from incorporation to 30 September 2016, the Company did not trade. On 1 October 2016, the Company acquired 22 properties from National Grid Gas companies as part of National Grid Gas Plc's separation of its gas distribution networks at a combined net book value of £37,120,000 together with their associated environmental provisions of £5,126,000. On the 2 May 2017 the Company changed its name to Cadent Services Limited.

The property portfolio consists of land and buildings occupied by Cadent Gas Limited. The Company undertakes remediation work on these sites. The Company manages this risk through the employment of internal and external environmental experts.

#### **Results**

The Company's loss for the financial year was £705,000, comprising rental income of £1,462,000 charged on its 22 properties to Cadent Gas Limited less depreciation of £760,000 and an increase in the environmental provision of £966,000.

#### **Financial position**

The financial position of the Company is presented in the statement of financial position. Total shareholders' funds at 31 March 2017 were £5,595,000 comprising fixed assets of £36,360,000 and net current liabilities of £24,542,000 less provisions for liabilities of £6,223,000.

#### **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 2016/17, which does not form part of this report.

#### **Future developments**

The Directors believe the current level of trading activity as reported in the income statement will continue in the foreseeable future with no anticipated significant movements in the statement of financial position.

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

**C Train**  
Director

30 June 2017



# **Cadent Services Limited**

## **Directors' Report**

### **For the period from incorporation on 23 March 2016 to 31 March 2017**

The Directors present their Report and the audited financial statements of the Company for the period from incorporation on 23 March 2016 to 31 March 2017.

#### **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.

The Directors do not recommend the payment of a final ordinary dividend.

#### **Political donations and political expenditure**

The Company did not make any donations during the period.

#### **Financial risk management**

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 a Cadent Gas Limited Treasury management function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for Cadent Gas Limited and its 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.

##### **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 interest bearing assets and creditworthiness is reviewed on a regular basis.

The Company's intercompany liabilities are interest free.

## **Cadent Services Limited**

### **Directors' Report (continued)**

**For the period from incorporation on 23 March 2016 to 31 March 2017**

#### **Directors**

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

|              |                                                      |
|--------------|------------------------------------------------------|
| M Bradley    | (Appointed 31 March 2017)                            |
| J Korpancova | (Appointed 31 March 2017)                            |
| C Train      | (Appointed 8 September 2016)                         |
| M C Cooper   | (Appointed 2 June 2016, Resigned 31 March 2017)      |
| A J Agg      | (Appointed 2 June 2016, Resigned 31 March 2017)      |
| A Morgan     | (Appointed 23 March 2016, Resigned 8 September 2016) |
| C Burns      | (Appointed 23 March 2016, Resigned 8 September 2016) |

#### **Directors' indemnity**

Quadgas Holdco Limited has arranged, in accordance with the Companies Act 2006 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.

#### **Going concern**

The balance sheet shows net current liabilities of £24,542,000 at 31 March 2017.

The Directors have received a letter of support from the Company's parent, Quadgas Midco Limited, stating that it will not ask, for a further 12 months for the reimbursement or prepayment of loans granted to the Company which would materially affect the Company's financial capacity.

Having made enquiries and reviewed management's assessment of the going concern assumption, 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.

#### **Post balance sheet events**

On the 2 May 2017 the Company changed its name to Cadent Services Limited.

#### **Disclosure of information to auditors**

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 auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

# **Cadent Services Limited**

## **Directors' Report (continued)**

**For the period from incorporation on 23 March 2016 to 31 March 2017**

### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising 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:



**C Train**  
Director  
30 June 2017

**Registered office:**  
Ashbrook Court  
Prologis Park  
Central Boulevard  
Coventry  
CV7 8PE

**Registered in England and Wales**  
**Company registration number: 10080921**

# **Independent auditors' report to the members of**

## **Cadent Services Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, Cadent Services Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its loss and cash flows for the period from 23 March 2016 to 31 March 2017 (the "period");
- 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.

#### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 March 2017;
- the income statement for the period then ended;
- the statement of cashflows for the period then ended;
- the statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

# **Independent auditors' report to the members of Cadent Services Limited (continued)**

## **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## **Responsibilities for the financial statements and the audit**

### **Our responsibilities and those of the Directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements. We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Richard French (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

30 June 2017

# Cadent Services Limited

## Income statement

For the period from incorporation on 23 March 2016 to 31 March 2017

|                                                                                  | Notes | 2017<br>£'000 |
|----------------------------------------------------------------------------------|-------|---------------|
| Turnover                                                                         | 3     | 1,462         |
| Administrative expenses                                                          |       | (1,761)       |
| <b>Operating loss</b>                                                            | 4     | <b>(299)</b>  |
| Interest receivable and similar income                                           | 6     | 13            |
| Interest payable and similar charges                                             | 7     | (131)         |
| <b>Loss on ordinary activities before tax</b>                                    |       | <b>(417)</b>  |
| Tax on loss on ordinary activities                                               | 8     | (288)         |
| <b>Loss for the financial period and Total comprehensive loss for the period</b> |       | <b>(705)</b>  |

The results reported above relate to continuing activities. There were no other gains and losses other than those reported above.

**Cadent Services Limited**  
**Statement of financial position**  
**As at 31 March 2017**

|                                                       | Notes | 2017<br>£'000   |
|-------------------------------------------------------|-------|-----------------|
| <b>Fixed assets</b>                                   |       |                 |
| Investment properties                                 | 9     | 36,360          |
|                                                       |       | <u>36,360</u>   |
| <b>Current assets</b>                                 |       |                 |
| Debtors: amounts falling due after more than one year | 10    | 1,500           |
| Debtors: amounts falling due within one year          | 11    | 13              |
| Cash at bank and in hand                              |       | 4,800           |
|                                                       |       | <u>6,313</u>    |
| <b>Creditors: amounts falling due within one year</b> | 12    | <u>(30,855)</u> |
| <b>Net current (liabilities)/assets</b>               |       | <u>(24,542)</u> |
| <b>Total assets less current liabilities</b>          |       | <u>11,818</u>   |
| <b>Provisions for liabilities</b>                     | 13    | <u>(6,223)</u>  |
| <b>Net assets</b>                                     |       | <u>5,595</u>    |
| <b>Equity</b>                                         |       |                 |
| Share capital                                         | 14    | -               |
| Share premium account                                 | 15    | 6,300           |
| Profit and loss account                               |       | (705)           |
| <b>Total shareholders' funds</b>                      |       | <u>5,595</u>    |

The financial statements on pages 7 to 19 were approved by the Board of Directors on 30 June 2017 and signed on its behalf by:



**C Train**  
Director

Cadent Services Limited  
Company registration number: 10080921

# **Cadent Services Limited**

## **Statement of changes in equity**

**For the period from incorporation on 23 March 2016 to 31 March 2017**

|                                            | <b>Share<br/>capital<br/>£'000</b> | <b>Share<br/>premium<br/>account<br/>£'000</b> | <b>Profit<br/>and loss<br/>Account<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--------------------------------------------|------------------------------------|------------------------------------------------|--------------------------------------------------|------------------------|
| At 23 March 2016                           | -                                  | -                                              | -                                                | -                      |
| Loss for the financial period              | -                                  | -                                              | (705)                                            | (705)                  |
| Other comprehensive income                 | -                                  | -                                              | -                                                | -                      |
| Total comprehensive expense for the period | -                                  | -                                              | (705)                                            | (705)                  |
| Issue of share capital                     | -                                  | 6,300                                          | -                                                | 6,300                  |
| <b>At 31 March 2017</b>                    | <b>-</b>                           | <b>6,300</b>                                   | <b>(705)</b>                                     | <b>5,595</b>           |

# **Cadent Services Limited**

## **Statement of Cash flows**

**For the period from incorporation on 23 March 2016 to 31 March 2017**

|                                                               | <b>2017</b>  |
|---------------------------------------------------------------|--------------|
|                                                               | <b>£'000</b> |
| <b>Cash flows from operating activities</b>                   |              |
| Total operating loss                                          | (299)        |
| Adjustments for:                                              |              |
| Depreciation, amortisation and impairment                     | 760          |
| Changes in working capital                                    | (1,427)      |
| Changes in provisions                                         | 966          |
| Cash generated from operations                                | -            |
| Tax paid                                                      | -            |
| <b>Net cash inflow from operating activities</b>              | -            |
| <b>Cash flows from investing activities</b>                   |              |
| Purchases of property, plant and equipment                    | -            |
| Interest received                                             | -            |
| Loans advanced                                                | (1,500)      |
| <b>Net cash flow used in investing activities</b>             | (1,500)      |
| <b>Cash flows from financing activities</b>                   |              |
| Proceeds from issue of shares                                 | 6,300        |
| Proceeds received from loans                                  | -            |
| Repayment of loans                                            | -            |
| Interest paid                                                 | -            |
| <b>Net cash flow (used in) financing activities</b>           | 6,300        |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   | 4,800        |
| Net cash and cash equivalents at the start of the period      | -            |
| <b>Net cash and cash equivalents at the end of the period</b> | 4,800        |

# **Cadent Services Limited**

## **Notes to the financial statements**

**For the period from incorporation on 23 March 2016 to 31 March 2017**

### **1 Summary of significant accounting policies**

Cadent Services Limited is a private company and is incorporated and domiciled in the United Kingdom. The address of its registered office is Ashbrook Court, Prologis Park, Central Boulevard, Coventry, CV7 8PE.

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

#### **(a) Basis of preparation**

The financial statements of Cadent Services Limited have been prepared on the going concern basis under the historical cost basis. 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 financial statements have been prepared in accordance with applicable UK accounting and financial reporting standards (FRS) and the Companies Act 2006. The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

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 reporting period. Actual results could differ from these estimates.

#### **(b) Investment properties**

Investment properties which are included in the statement of financial position under the cost model in accordance with FRS 102. The fair value model has not been applied due to the nature of the properties which would require undue cost and effort to perform an annual valuation exercise.

Investment properties are depreciated on a straight-line basis, at rates estimated to write off their book values over their estimated useful economic lives. The depreciation periods for investment properties are shown in the table below:

| <b>Depreciation periods</b>      | <b>Years</b> |
|----------------------------------|--------------|
| Freehold and leasehold buildings | Up to 50     |

## **Cadent Services Limited**

### **Notes to the financial statements (continued)**

**For the period from incorporation on 23 March 2016 to 31 March 2017**

#### **1 Summary of significant accounting policies (continued)**

##### **(c) Tax**

The tax charge for the period 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.

##### **(d) Financial instruments**

Financial assets, liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and is recorded at the proceeds received, net of direct issue costs, with an amount equal to the nominal amount of the shares issued included in the share capital account and the balance recorded in the share premium account.

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.

Current asset financial investments are recognised at fair value plus directly related incremental transaction costs and are subsequently carried at fair value in the statement of financial position. Changes in the fair value of investments classified as available-for-sale are recognised directly in equity, until the investment is disposed of or is determined to be impaired. At this time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the period. Investment income on investments classified as available-for-sale is recognised in the income statement as it accrues.

Borrowings, which include interest-bearing loans and overdrafts, 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.

## **Cadent Services Limited**

### **Notes to the financial statements (continued)**

**For the period from incorporation on 23 March 2016 to 31 March 2017**

#### **1 Summary of significant accounting policies (continued)**

##### **(e) 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.

##### **(f) Turnover**

Turnover comprises rent and associated property income from tenants, derived from property 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 whereas from external sources, it is invoiced quarterly in advance but recognised monthly in line with the rental service provided.

#### **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.

The area of judgement that has the most significant effect on the amounts recognised in the financial statements is the environmental provision – note 13.

#### **3 Turnover**

|               | <b>2017</b>         |
|---------------|---------------------|
|               | <b>£'000</b>        |
| Rental income | <b>1,462</b>        |
|               | <b><u>1,462</u></b> |

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

# **Cadent Services Limited**

## **Notes to the financial statements (continued)**

**For the period from incorporation on 23 March 2016 to 31 March 2017**

### **4 Operating loss**

|                                                             | 2017<br>£'000 |
|-------------------------------------------------------------|---------------|
| <b>Operating loss is stated after charging/(crediting):</b> |               |
| Depreciation of investment properties                       | 760           |
| Increase in environmental provision                         | 966           |
|                                                             | <hr/>         |
| <b>Services provided by the Company's auditor</b>           |               |
| Audit fees                                                  | 20            |
|                                                             | <hr/>         |

There are no non-audit fees.

### **5 Directors and employees**

There were no employees of the Company during the year.

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 receivable and similar income**

|                                                 | 2017<br>£'000 |
|-------------------------------------------------|---------------|
| Interest receivable from other financial assets | 13            |
|                                                 | <hr/>         |
|                                                 | 13            |
|                                                 | <hr/>         |

### **7 Interest payable and similar charges**

|                                      | 2017<br>£'000 |
|--------------------------------------|---------------|
| Unwinding of discounts on provisions | 131           |
|                                      | <hr/>         |
|                                      | 131           |
|                                      | <hr/>         |

# Cadent Services Limited

## Notes to the financial statements (continued)

For the period from incorporation on 23 March 2016 to 31 March 2017

### 8 Tax on (loss) on ordinary activities

#### Tax charged to the income statement

|                                                    | 2017<br>£'000     |
|----------------------------------------------------|-------------------|
| <b>Current tax:</b>                                |                   |
| UK corporation tax                                 | 288               |
| Total current tax                                  | <u>288</u>        |
| <b>Tax charge on (loss) on ordinary activities</b> | <u><b>288</b></u> |

The tax charge for the year is higher than the standard rate of corporation tax in the UK of 20%. The differences are explained below:

|                                                                                               | 2017<br>£'000     |
|-----------------------------------------------------------------------------------------------|-------------------|
| (Loss) on ordinary activities before taxation                                                 | <u>(417)</u>      |
| (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% | (83)              |
| Effect of:                                                                                    |                   |
| Expenses not deductible for tax purposes                                                      | 152               |
| Land remediation expenditure                                                                  | <u>219</u>        |
| <b>Total current tax charge for the year</b>                                                  | <u><b>288</b></u> |

#### Factors that may affect future tax charges

The Finance Act 2015 (No.2) (the Act) was enacted on 18 November 2015. The Act reduced the main rate of UK corporation tax to 19% with effect from 1 April 2017 and 18% from 1 April 2020. The Finance Act 2016 received Royal Assent on 15 September 2016. The Act further reduced the corporate tax rate to 17% from 1 April 2020, from the previously enacted 18%.

# Cadent Services Limited

## Notes to the financial statements (continued)

**For the period from incorporation on 23 March 2016 to 31 March 2017**

### **9 Investment properties**

|                                                                       | Investment<br>properties<br>£'000 |
|-----------------------------------------------------------------------|-----------------------------------|
| <b>Cost</b>                                                           |                                   |
| At 23 March 2016                                                      | -                                 |
| Additions                                                             | 37,120                            |
| <b>At 31 March 2017</b>                                               | <u>37,120</u>                     |
| <b>Accumulated depreciation and impairment</b>                        |                                   |
| At 23 March 2016                                                      | -                                 |
| Charge for the year                                                   | (760)                             |
| <b>At 31 March 2017</b>                                               | <u>(760)</u>                      |
| <b>Net book value:</b>                                                |                                   |
| <b>At 31 March 2017</b>                                               | <u>36,360</u>                     |
| At 23 March 2016                                                      | <u>-</u>                          |
| Amounts recognised in the income statement for investment properties: |                                   |
|                                                                       | <b>2017</b>                       |
|                                                                       | <b>£'000</b>                      |
| Rental income                                                         | 1,462                             |

Investment properties, principally freehold land and buildings, are held for long-term rental yields and are not occupied by the Company. A valuation of the investment properties was conducted at hive-up, 30 September 2016. The transfer value has been deemed as being the fair value.

Investment properties, which are all freehold, were revalued to fair value at 30 September 2016, based on a valuation undertaken by BNP Paribas Real Estate, an independent valuer with recent experience in the location and class of the investment property being valued. The method of determining fair value was based on the market value of the property with vacant possession and significant assumptions applied were as follows:

- ground conditions are suitable for the current buildings and structures or any redevelopment
- current use of the Property is fully compliant with all extant permissions

There are no restrictions on the realisability of investment property nor contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

An update valuation of the properties as at 31 March 2017 has not been performed due to the undue cost and efforts of performing such an exercise.

### **10 Debtors: amounts falling due after more than one year**

|                  | 2017<br>£'000 |
|------------------|---------------|
| Loans receivable | 1,500         |
|                  | <u>1,500</u>  |

The loan is unsecured, with interest charged at a market rate, with repayments due to commence from April 2019.

# Cadent Services Limited

## Notes to the financial statements (continued)

For the period from incorporation on 23 March 2016 to 31 March 2017

### 11 Debtors

|                                             | 2017<br>£'000 |
|---------------------------------------------|---------------|
| <b>Amounts falling due within one year:</b> |               |
| Interest receivable                         | 13            |
|                                             | <u>13</u>     |

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

|                                                | 2017<br>£'000 |
|------------------------------------------------|---------------|
| Amounts owed to immediate parent company       | 25,033        |
| Amounts owed to fellow subsidiary undertakings | 5,514         |
| Corporation tax                                | 288           |
| Accruals and deferred income                   | 20            |
|                                                | <u>30,855</u> |

Amounts owed to immediate parent company and fellow subsidiary undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### 13 Provisions for liabilities

The Company had the following provisions during the year:

|                                  | Environmental<br>£'000 |
|----------------------------------|------------------------|
| At 23 March 2016                 | -                      |
| Gas Distribution acquisition     | 5,126                  |
| Charged to the income statement  | 966                    |
| Utilised                         | -                      |
| Released to the income statement | -                      |
| Unwinding of discount            | 131                    |
| <b>At 31 March 2017</b>          | <u><b>6,223</b></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 expected decontamination costs have been discounted at a real rate of 1.6% 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 50 years.

# **Cadent Services Limited**

## **Notes to the financial statements (continued)**

**For the period from incorporation on 23 March 2016 to 31 March 2017**

### **13 Provisions for liabilities (continued)**

There are a number of uncertainties that affect the calculation of the provision for gas site decontamination, 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. We have made our best estimate of the financial effect of these uncertainties in the calculation of the provision, but future material changes in any of the assumptions could materially impact on the calculation of the provision and hence the income statement.

The impact of the changes in these uncertainties in the current year have been charged to operating costs rather than exceptional items as they are not in relation to changes in regulation.

The undiscounted amount of the provision at 31 March 2017 relating to gas site decontamination was £12,922,000 being the best undiscounted estimate of the liability having regard to the uncertainties referred to above.

### **14 Share capital**

|                                           | <b>2017<br/>£</b> |
|-------------------------------------------|-------------------|
| <b>Allotted, called up and fully paid</b> |                   |
| 2 ordinary shares of £1 each              | <u>2</u>          |

On incorporation, the Company issued 1 ordinary share of £1 for a cash consideration of £1.

On 24 November 2016 the Company issued a further 1 ordinary share of £1 for a cash consideration of £6,300,000.

### **15 Share premium account**

|                                           | <b>Share<br/>Premium<br/>£'000</b> |
|-------------------------------------------|------------------------------------|
| At 23 March 2016                          | -                                  |
| Premium arising on issue of equity shares | 6,300                              |
| <b>At 31 March 2017</b>                   | <u><u>6,300</u></u>                |

## **Cadent Services Limited**

### **Notes to the financial statements (continued)**

**For the period from incorporation on 23 March 2016 to 31 March 2017**

#### **16 Related party transactions**

During the period the Company acquired 22 investment properties from various National Grid Gas Plc subsidiaries, for £30,160,000 and also assumed the responsibility for the environmental provisions associated with these properties amounting to £5,126,000, satisfied by an intercompany loan of £25,033,000, which was subsequently transferred to Quadgas Midco Limited. There were 7 investment properties from Birch Sites Limited for £13,147,000, 3 investment properties from NG 27 Limited £11,913,000 and 12 investment properties from NG Property Holdings Limited for £(26,000) receipt due to the provision value exceeding the property value. At the period end £Nil was outstanding within debtors and creditors with National Grid Gas Plc.

During the period the Company acquired assets from Cadent Gas Limited, a fellow subsidiary, for £6,960,000. The Company also provided rental services to Cadent Gas Limited and revenue of £1,462,000 was recognised. At the period end £Nil was outstanding within debtors. Included within creditors is a balance due to Cadent Gas Limited of £5,514,000. The creditor is unsecured, interest free, has no fixed date of repayment and is repayable on demand.

Included within creditors is a balance due to Quadgas Midco Limited, the immediate parent of £25,033,000. The creditor is unsecured, interest free, has no fixed date of repayment and is repayable on demand.

#### **17 Subsequent events**

On the 2 May 2017 the Company changed its name to Cadent Services Limited from Gas Distribution Property Holdings Limited.

#### **18 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. The first consolidated financial statements will be prepared for the period ending 31 March 2018 for both Quadgas Holdings Topco Limited and Quadgas MidCo Limited. Quadgas Holdings Topco Limited is registered in Jersey and Quadgas MidCo Limited is registered in England and Wales.