

Registered number: 09276929

**Market Operator Services Limited**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2019**

# Market Operator Services Limited

## Report and Financial Statements for the year ended 31 March 2019

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### Directors

Jim Keohane (Chair)

Dr Sarah McMath (CEO)

Margaret Beels (Independent NED)

Dr Simon Orebi Gann (Independent NED)

Josh Gill (NED elected by Unassociated Retailer)

Andrew Hughes (NED elected by Associated Retailer members)

Don Maher (NED elected by Wholesale members)

James Cleave (Alternate Unassociated Retailer Director)

Stève Hervouet (Alternate Associated Retailer Director)

Ben Newby (Alternate Wholesaler Director)

### Company secretary

Andrew David Stoneman

### Company number

09276929

### Registered office

White Building, 1-4 Cumberland Place, Southampton, SO15 2NP

### Bankers

HSBC, 60 Queen Victoria Street, London, EC4N 4TR

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# Market Operator Services Limited

## Strategic Report for the year ended 31 March 2019

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### Business review

Market Operator Services Limited (the “Company”), is a not-for profit Company Limited by Guarantee, whose principal activity is to act as the market operator of England’s water retail market. The membership-based Company provides the necessary infrastructure, information and governance services to enable the water retail market to successfully operate and evolve for the benefit of the market, its members, and the end customers.

The core activities of the Company are to;

- maintain and develop the Central Market Operating System (‘CMOS’), enabling an effective registration, switching and settlement process between wholesalers and retailers;
- provide secretariat services to the Panel and committees who provide independent strategic governance of the market; and
- offer members the necessary support and advice to drive improvements in market performance.

During the year ended 31 March 2019, the Company continued to prioritise the stabilisation of the water retail market whilst pursuing cost efficiencies, which included the relocation of the Company from central London to Southampton. The relocation was successfully completed in November 2018 and is expected to deliver savings on an ongoing basis.

We continued to design and build improvements to the functionality of CMOS, deploying four system upgrades in the year. More than 27 million transactions from across the market passed through CMOS, and over 103,000 switches took place in the year ended 31 March 2019.

As part of the drive to improve member performance, the Market Performance Standard Charges became fully payable from 1 April 2018, generating £4,282,524 of additional revenue for the Company in the year ended 31 March 2019 (2018: £nil). The revenue generated was redistributed to members on 30<sup>th</sup> August 2019, in line with the methodology stated in the Market Arrangements Code (‘MAC’).

£10,701,254 of MOSL’s funding for the year ended 31 March 2019 was agreed in advance with members through the annual business planning process. Members subsequently approved the Company’s relocation to Southampton at a total cost of £2,460,000, of which £2,195,000 was to be funded by members and £265,000 was to be funded through cost savings. Consequently, total market operator charges raised from Members for the year ended 31 March 2019 was £12,896,254. During the year, the company charged costs of £2,210,855 against the relocation budget, leaving £249,145 unspent. The Board propose to retain the balance, in accordance with section 10.2.1 of the MAC, to offset recruitment and other transition costs associated with the move which, due to their nature or timing, will be accounted for in the 2019/20 financial year. The Board also propose to retain a small £250,000 cash reserve to provide working capital and defray other operating expenses. The balance of £948,451 will be returned to Members.

The business plan for the year ended 31 March 2020 was approved by members in December 2019 and provides funding of £10,695,999. Including the amounts brought forward from the previous year, the total funding available to MOSL for the year ended 31 March 2020, is expected to be at least £11,195,144.

### Performance and Key Performance indicators

As set out on note 5, net revenue for the year ended 31 March 2019, was £12,436,365. Administrative expenses of £11,938,347. The surplus, of £499,145, which includes net interest income of £1,127, will be retained. The Statement of Comprehensive Income on page 8 shows the Company’s results for the year ended 31 March 2019 with a profit after tax of £499,145 (2018: £nil). The Balance Sheet on page 9 shows cash at bank and in hand as at 31 March 2019 was £5,432,534 (2018: £1,186,142).

# Market Operator Services Limited

## Strategic Report for the year ended 31 March 2019

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### Principal risks and uncertainties

The Company's activities expose it to various risks as detailed below:

#### Market risk

The Company operates as the market operator in a competitive retail water market and, as a monopoly supplier to the market, the Company has no competitive market risk. Should the Company underperform, we could lose our licence and be replaced by a third party. The Company mitigates this risk by working with our members through the Panel and its supporting committees, adopting effective Business Planning and Market Performance Operating Plan processes, and monitoring compliance performance against regulatory requirements and obligations.

#### Regulatory risk

The retail water market is governed by strict regulations which have been put in place to protect customers and stakeholders, and the Company has specific obligations which are regulatory requirements. The Company manages this risk of non-compliance through robust internal compliance policies, processes and controls, and by actively engaging with its key stakeholders through the Panel and supporting committees, including the regulator (Ofwat) and members.

#### Liquidity risk

To maintain liquidity and ensure sufficient funds are available for on-going operations and future developments, the Company proposes the annual budget in advance via the annual business planning process. Should the Company require additional funding in the year, the Company has the right to request such funding from its members in accordance with its Articles of Association and the MAC. The Company monitors and manages funding requirements on a regular basis to ensure funds are available as required.

#### Credit and cash flow risk

The Company's principal financial assets are cash at bank, and trade and other debtors. The Company's credit and cash flow risk is primarily attributable to the risk of members failing to pay their market operator charges. The Company manages this risk by monitoring the ageing of outstanding balances and a robust debt collection process. This process includes the reporting of unpaid balances to Ofwat which can lead to said party losing their water market licence. The risk of bad debt is further mitigated by the Company's right, under the MAC, to recoup bad debts from the wider market should the Company deem it necessary. The Company has no significant concentration of credit risk, with the exposure spread across its members.

#### Future outlook

The Company has established its role as the market operator of the English water market. Working with its members and key stakeholders, the Company will continue to seek new and innovative ways to ensure the market operates effectively and efficiently. From 1 April 2019 the Company charged Operational Performance Standard Changes to wholesalers in an effort to drive improved wholesaler performance.

This Strategic Report was approved by the Board and signed on its behalf.



Dr Sarah McMath  
Director

Date: 1 October 2019

# Market Operator Services Limited

## Directors' Report for the year ended 31 March 2019

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The Directors present their report and the audited financial statements for the year ended 31 March 2019.

### Directors

The Directors who have served during the year are:

Jim Keohane (Chair)

Dr Sarah McMath (CEO, appointed 1 June 2019)

Desmond Burke (Interim CEO, appointed 5 December 2018, resigned 31 May 2019)

Chris Scoggins (CEO, resigned 14 November 2018)

Margaret Beels (Independent Director)

Dr Simon Orebi Gann (Independent Director)

Mehran Karam (Wholesaler Director, resigned 17 September 2019)

John Reynolds (Unassociated Retailer Director, resigned 18 September 2018)

Josh Gill (Unassociated Retailer Director, appointed 18 September 2018)

Andrew Hughes (Associated Retailer Director, appointed 18 September 2018)

Richard Charles Moore (Alternate Unassociated Retailer Director, resigned 18 September 2018)

James Cleave (Alternate Unassociated Retailer Director, appointed 3 October 2018)

Stève Hervouet (Alternate Associated Retailer Director, appointed 3 October 2018)

Ben Newby (Alternate Wholesaler Director, appointed 5 October 2018)

### Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless 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;
- make judgments 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Market Operator Services Limited

## Directors' Report for the year ended 31 March 2019

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### Disclosure of information to auditors

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

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

### Going concern

The Directors consider that the Company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

### Post balance sheet events

There have been no significant events outside the normal course of business affecting the Company since the year end.

### Auditors

A resolution to re-appoint BDO LLP as auditor will be proposed at the Annual General Meeting in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board and signed on its behalf.



Dr Sarah McMath  
Director

Date: 1 October 2019

# Market Operator Services Limited

## Independent Auditor's Report for the year ended 31 March 2019

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### Opinion

We have audited the financial statements of Market Operator Services Limited ("the Company") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Funds, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

# Market Operator Services Limited

## Independent Auditor's Report for the year ended 31 March 2019

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### 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 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.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

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

### Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, 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 Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Market Operator Services Limited**  
**Independent Auditor's Report**  
**for the year ended 31 March 2019**

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**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.



Stephen Corral FCCA (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
Date: 1 October 2019

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

**Market Operator Services Limited**  
**Statement of Comprehensive Income**  
**for the year ended 31 March 2019**

	Note	Year ended 31 March 2019	Year ended 31 March 2018
		£	£
<b>Revenue</b>	5	<b>12,436,365</b>	<b>11,242,832</b>
Operating expenditure	6	(7,886,029)	(7,575,655)
Employee costs	7	(3,654,139)	(3,023,407)
Rent		(398,179)	(642,848)
<b>Administration expenses</b>		<b>(11,938,347)</b>	<b>(11,241,910)</b>
<b>Operating profit/(loss)</b>		<b>498,018</b>	<b>922</b>
Interest receivable	9	3,054	-
Interest payable	9	(1,927)	(922)
<b>Profit/(loss) before tax</b>		<b>499,145</b>	<b>-</b>
Tax on profit	10	-	-
<b>Total comprehensive income/(expense) for the year</b>		<b>499,145</b>	<b>-</b>

There was no other comprehensive income for the year (2018: £nil).

The notes on pages 12 to 19 form part of these financial statements.

# Market Operator Services Limited

Company Number: 09276929  
Balance Sheet as at 31 March 2019

		31 March 2019	31 March 2018
	Note	£	£
<b>Non-current assets</b>			
Tangible fixed assets	11	507,756	83,126
Intangible assets	12	<u>7,886,112</u>	<u>8,763,109</u>
<b>Total non-current assets</b>		<b>8,393,868</b>	<b>8,846,235</b>
<b>Current assets</b>			
Debtors	13	2,625,575	1,758,990
Cash at bank and in hand		<u>5,432,534</u>	<u>1,186,142</u>
<b>Total current assets</b>		<b>8,058,109</b>	<b>2,945,132</b>
Creditors: amounts falling due within one year	14	<u>(7,558,964)</u>	<u>(3,113,837)</u>
<b>Net current assets/(liabilities)</b>		<b>499,145</b>	<b>(168,705)</b>
<b>Total assets less current liabilities</b>		<b>8,893,013</b>	<b>8,677,530</b>
Deferred income	15	(8,393,868)	(8,677,530)
<b>Net assets</b>		<b>499,145</b>	<b>-</b>
<b>Capital and reserves</b>			
Profit and loss account		499,145	-
<b>Total Members funds</b>		<b>499,145</b>	<b>-</b>

The notes on pages 12 to 19 form part of these financial statements.

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



Dr Sarah McMath  
Director

Date: 1 October 2019

# Market Operator Services Limited

## Statement of Changes in Funds for the year ended 31 March 2019

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	Profit and loss account
	£
Members funds at 1 April 2018	-
<b>Comprehensive income for the year</b>	
Profit for the year	499,145
<b>Total comprehensive income for the year</b>	<u>499,145</u>
<b>Total transactions with owners</b>	<u>-</u>
<b>Members funds at 31 March 2019</b>	<u><u>499,145</u></u>
Members funds surplus at 1 April 2017	-
<b>Comprehensive income for the year</b>	
Profit for the year	-
<b>Total comprehensive income for the year</b>	<u>-</u>
<b>Total transactions with owners</b>	<u>-</u>
<b>Members funds at 31 March 2018</b>	<u><u>-</u></u>

The notes on pages 12 to 19 form part of these financial statements.

# Market Operator Services Limited

## Statement of Cash Flows for the year ended 31 March 2019

	Year ended 31 March 2019	Year ended 31 March 2018
	£	£
<b>Cash flow from operating activities</b>		
Profit for the financial year	499,145	-
<i>Adjustments for:</i>		
Interest received	(3,054)	-
Interest paid	1,927	922
Operating profit/(loss)	498,018	922
Depreciation	80,995	37,835
Amortisation	1,367,071	1,292,473
Loss on asset disposal	49,837	27,923
(Increase)/decrease in debtors	(866,585)	1,285,141
Increase/(decrease) in creditors	4,445,127	(2,703,360)
(Decrease)/increase in deferred income	(283,662)	(421,280)
<b>Net cash generated from operating activities</b>	<b>5,290,801</b>	<b>(480,346)</b>
<b>Cash flow from investing activities</b>		
Payments to acquire fixed assets	(555,462)	-
Payments to acquire intangible assets	(490,074)	(823,215)
Interest received	3,054	-
<b>Net cash used in investing activities</b>	<b>(1,042,482)</b>	<b>(823,215)</b>
<b>Cash flow from financing activities</b>		
Interest paid	(1,927)	(922)
<b>Net cash used in financing activities</b>	<b>(1,927)</b>	<b>(922)</b>
<b>Net increase/(decrease) in cash</b>	<b>4,246,392</b>	<b>(1,304,483)</b>
Cash and cash equivalents at beginning of year	1,186,142	2,490,625
<b>Cash and cash equivalents at the end of year</b>	<b>5,432,534</b>	<b>1,186,142</b>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	5,432,534	1,186,142

The notes on pages 12 to 19 form part of these financial statements.

# Market Operator Services Limited

## Notes Forming part of the Financial Statements for the year ended 31 March 2019

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### 1. STATUTORY INFORMATION

Market Operator Services Limited is a private company, limited by guarantee, domiciled and incorporated in England and Wales, registration number 09276929. The registered office is White Building, 1-4 Cumberland Place, Southampton, SO15 2NP.

### 2. COMPLIANCE WITH ACCOUNTING STANDARDS

The financial statements have been prepared in accordance with the provisions of Financial Reporting Standard 102.

### 3. ACCOUNTING POLICIES

#### 3.1 Basis of preparation of financial statements

The principal accounting policies adopted in the preparation of the financial statements are set out below.

The financial statements have been prepared under the historical cost convention and the Companies Act 2006, and in accordance with Financial Reporting Standard 102, ("FRS 102") the standard applicable in the UK and Republic of Ireland unless otherwise specified within these accounting policies. The presentation currency is £ sterling.

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

The following principal accounting policies have been applied:

#### 3.2 Revenue recognition

Revenue should be measured at the fair value of the consideration received or receivable when:

- it is probable that any future economic benefit associated with the item of revenue will flow to the entity; and
- the amount of revenue can be measured with reliability

Members of MOSL pay market operator charges, market performance charges and additional service charges in line with the agreed business plan, the Company's articles of association and the Market Arrangements Code ("MAC"). The calculation used to determine the charges is based on formula set-out in the MAC.

Amounts received from members to fund the acquisition of tangible and intangible assets (including the Central Market Operating System ('CMOS') design, build and testing costs) are treated as deferred income. The deferred income is amortised so that it offsets the depreciation / amortisation of the underlying asset (2019: all non-current assets, 2018: CMOS asset) resulting in no profit or loss being reported in the period.

# Market Operator Services Limited

## Notes Forming part of the Financial Statements for the year ended 31 March 2019

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### 3. ACCOUNTING POLICIES (continued)

#### 3.3 Debtors

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

#### 3.4 Creditors

Short term creditors are measured at the transaction price.

#### 3.5 Provision for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

#### 3.6 Tangible fixed assets

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. The residual values and useful lives of plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting year if there are indicators of change. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is assessed as greater than its estimated recoverable amount.

Leasehold Improvements	Duration of lease
Fixtures and Equipment	5 years
Computer Hardware	3 Years
Computer Software	3 Years

#### 3.7 Intangible assets

CMOS, settlement checker and website capitalised costs relate to design, build and test costs directly attributable to the respective systems. These costs will continue to be capitalised when they can be reliably measured and include invoiced and accrued costs. CMOS and settlement checker capitalised costs are amortised in line with the underlying contract for the provision of those systems. Website costs are amortised over three years.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Management have made no key judgements in the creation of these financial statements.

# Market Operator Services Limited

## Notes Forming part of the Financial Statements for the year ended 31 March 2019

### 5. REVENUE

Revenue comprises amounts charged to members for the provision of services during the year, and can be analysed as follows:

	31 March 2019		31 March 2018	
	£	£	£	£
<b>Operator charges</b>				
Market operator charges	12,896,254		11,300,357	
Decrease in deferred income	283,662		421,279	
Returned to members	<u>(948,451)</u>		<u>(570,183)</u>	
		12,231,465		11,151,453
Additional service charges		204,900		91,380
<b>Net operator charges</b>		<u><b>12,436,365</b></u>		<u><b>11,242,833</b></u>
<b>Performance charges</b>				
MPS charges	4,282,524		-	
Redistributed to members	<u>(4,282,524)</u>		<u>-</u>	
<b>Net performance charges</b>		-		-
<b>Total revenues</b>		<u><u><b>12,436,365</b></u></u>		<u><u><b>11,242,833</b></u></u>

Market operator charges are amounts billed to members for operating the water retail market in England.

Additional service charges are for ad hoc services provided to members outside the normal administration of the market.

Performance charges are calculated in respect of underperformance against Market Performance Standards (MPS).

The decrease in deferred income brings the carrying value of deferred income in the balance sheet in line with the net value of total non-current assets at the end of March 2019 (2018: the value of the CMOS asset).

# Market Operator Services Limited

## Notes Forming part of the Financial Statements for the year ended 31 March 2019

### 6. OPERATING EXPENDITURE

	31 March 2019	31 March 2018
	£	£
<i>Includes:</i>		
Audit fees	38,275	32,848
Depreciation	80,995	37,835
Amortisation	1,367,071	1,292,473
Loss on disposal of asset	49,837	27,923

### 7. EMPLOYEE COSTS

	31 March 2019	31 March 2018
	£	£
Wages and salaries	3,084,401	2,557,520
Social security costs	370,093	268,480
Employer pension contributions	199,645	197,407
	<b>3,654,139</b>	<b>3,023,407</b>

The average number of employees in the year was 41 (2018: 44), of which 27 (2018: 29) operate within market services, and 14 operate in the back-office functions (2018: 15)

### 8. DIRECTORS' REMUNERATION

	31 March 2019	31 March 2018
	£	£
Directors' emoluments	620,929	429,312
Pension contributions	13,348	15,419
	<b>634,277</b>	<b>444,731</b>

The highest paid director received remuneration of £306,803 in the year (2018: £253,028), of which £13,348 was paid into a pension scheme (2018: £15,429). Only one director accrued retirement benefits under a money purchase scheme in the year (2018: one). £168,606 was paid through an agency company in respect of Director services in the year (2018: £48,367). £1,605,516 was paid to key management personnel during the year (2018: £1,151,367).

### 9. INTEREST

	31 March 2019	31 March 2018
	£	£
Interest received	3,054	-
Interest paid	(1,927)	(922)

# Market Operator Services Limited

## Notes Forming part of the Financial Statements for the year ended 31 March 2019

### 10. TAXATION

The Company is a mutual trading concern and therefore is not liable for corporation tax on any surplus arising from transactions with its members. The Company, however, remains liable to corporation tax in respect of investment income and capital gains and any other profit arising other than from members' activities.

### 11. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Fixtures and fittings £	Computers and software £	Total £
<b>Cost or valuation</b>				
At 1 April 2018	-	74,681	76,388	151,069
Additions	266,464	124,486	164,512	555,462
Disposals	-	(74,681)	(16,416)	(91,097)
<b>At 31 March 2019</b>	<b>266,464</b>	<b>124,486</b>	<b>224,484</b>	<b>615,434</b>
<b>Accumulated depreciation and impairment</b>				
At 1 April 2018	-	16,632	51,311	67,943
Charge for the year	21,566	16,884	42,545	80,995
Disposals	-	(25,345)	(15,915)	(41,260)
<b>At 31 March 2019</b>	<b>21,566</b>	<b>8,171</b>	<b>77,941</b>	<b>107,678</b>
<b>Net book value</b>				
<b>At 31 March 2019</b>	<b>244,898</b>	<b>116,315</b>	<b>146,543</b>	<b>507,756</b>
At 1 April 2018	-	58,049	25,077	83,126

### 12. INTANGIBLE ASSETS

	Website £	Settlement checker £	CMOS £	Total £
<b>Cost or valuation</b>				
At 1 April 2018	47,409	96,528	9,922,024	10,065,961
Additions	3,000	-	487,074	490,074
<b>At 31 March 2019</b>	<b>50,409</b>	<b>96,528</b>	<b>10,409,098</b>	<b>10,556,035</b>
<b>Accumulated amortisation and impairment</b>				
At 1 April 2018	26,182	32,176	1,244,494	1,302,852
Charge for the year	12,538	32,176	1,322,357	1,367,071
<b>At 31 March 2019</b>	<b>38,720</b>	<b>64,352</b>	<b>2,566,851</b>	<b>2,669,923</b>
<b>Carrying amount</b>				
<b>At 31 March 2019</b>	<b>11,689</b>	<b>32,176</b>	<b>7,842,247</b>	<b>7,886,112</b>
At 1 April 2018	21,227	64,352	8,677,530	8,763,109

# Market Operator Services Limited

## Notes Forming part of the Financial Statements for the year ended 31 March 2019

### 13. DEBTORS: Amounts falling due within one year

	2019 £	2018 £
Trade debtors	526,101	61,861
Accrued income	410,440	14,000
Due from members	<u>936,541</u>	<u>75,861</u>
Deposits & short-term loans	178,370	138,575
Prepayments & other debtors	493,976	458,065
VAT recoverable	<u>1,016,688</u>	<u>1,086,489</u>
Due from third parties	<u>1,689,034</u>	<u>1,683,129</u>
	<b><u>2,625,575</u></b>	<b><u>1,758,990</u></b>

### 14. CREDITORS: Amounts falling due within one year

	2019 £	2018 £
MO Charges Billed in Advance	891,333	891,771
Redistribution of charges to members	5,230,975	1,028,171
Due to members	<u>6,122,308</u>	<u>1,919,942</u>
Trade creditors	421,382	497,012
Tax and social security	73,404	55,365
Pension contributions	19,078	22,011
Other creditors	100	41,183
Accruals	<u>922,692</u>	<u>578,324</u>
Due to third parties	<u>1,436,656</u>	<u>1,193,895</u>
	<b><u>7,558,964</u></b>	<b><u>3,113,837</u></b>

Member funds for 2018 include £891,771 of market operator charges invoiced in advance which were previously included as deferred income.

### 15. DEFERRED INCOME

	2019 £	2018 £
Deferred income in respect of tangible and intangible assets	<b><u>8,393,868</u></b>	<b><u>8,677,530</u></b>

Amounts received from members to fund the acquisition of tangible and intangible assets (including the Central Market Operating System ('CMOS') design, build and testing costs) are treated as deferred income. The deferred income is amortised so that it offsets the depreciation / amortisation of the underlying asset, resulting in no profit or loss being reported in the period (2018 total of CMOS net value).

# Market Operator Services Limited

## Notes Forming part of the Financial Statements for the year ended 31 March 2019

### 16. MEMBERS FUNDS

The Company is a United Kingdom company limited by Guarantee and has no share capital. Every Member of the Company undertakes to contribute to the assets of the Company, in the event of a winding up, such an amount as may be required not exceeding £1.

### 17. OPERATING LEASE ARRANGEMENTS

	2019 £	2018 £
<i>Non-cancellable operating lease rentals are payable as follows:</i>		
Not later than 1 year	118,569	317,280
Within 2 - 5 years	345,612	-
	<b>464,181</b>	<b>317,280</b>

### 18. RELATED PARTIES

During the year, the Company traded with the following related parties, all of whom are members:

Advanced Demand Side Management Limited	Regent Water Limited
Affinity for Business (Retail) Limited	Scottish Water Business Stream Limited
Affinity Water Limited	Severn Trent Connect Limited
Albion Eco Limited	Severn Trent Water Limited
Albion Water Limited	Smarta Water Limited
Anglian Water Business (National) Limited	South East Water Limited
Anglian Water Services Limited	South Staffordshire Water plc
Blackpool Borough Council	South West Water Limited
Bristol Water plc	Southern Water Services Limited
Castle Water Limited	SSE Water Limited
Clear Business Water Limited	Sutton and East Surrey Water plc
Dee Valley Limited	Sutton and East Surrey Water Services Limited
Dwr Cymru Cyfyngedig	Thames Water Utilities Limited
Everflow Limited	The Water Retail Company Limited
First Business Water Limited	Three Sixty Water Limited
Greene King plc	Tor Water Limited
Hafren Dyfrdwy Cyfyngedig	United Utilities Group plc
Icosa Water Services Limited	Veolia Water Projects Limited
Independent Water Networks Limited	Veolia Water Retail (UK) Limited
Invicta Water Limited	Water 2 Business Limited
Leep Water Networks Limited	Water Plus Limited
Marston's plc	Water Plus Select Limited
Northumbrian Water Limited	Waterscan Limited
NWG Business Limited	Wave Water Limited
Pennon Water Services Limited	Wessex Water Services Limited
POD 53 Limited	Whitbread plc
Portsmouth Water Limited	Yorkshire Water Services Limited
	Yu Water Limited

# Market Operator Services Limited

## Notes Forming part of the Financial Statements for the year ended 31 March 2019

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### 18. RELATED PARTIES (CONTINUED)

All revenue within the financial statements is derived from members. In total £19,890,408 (2018: £11,046,903) was received from the above members. At the end of the year £526,101 (2018: £61,861) was due to the Company and £5,730,120 (2018: £1,028,171) was owed to members.

A total of £nil was paid to related parties during the financial year for employees seconded to MOSL (2018: £27,540 was paid to Anglian Water Services Limited).

A total of £19,744 (2018: £19,397) was paid to related parties during the financial year to reimburse expenses incurred.

Included within trade creditors was a total of £nil owed to related parties as at 31 March 2019 (2018: £4,378 was owed to Scottish Water Business Stream Limited).

#### *Personnel:*

Mehran Karam is a MOSL Director and Bristol Water Plc CEO. Bristol Water Plc are a wholesaler member of MOSL.

John Reynolds was a MOSL Director during the year ended 31 March 2019 and Castle Water Limited CEO. Castle Water Limited are an Unassociated Retailer member of MOSL.

Josh Gill is a MOSL Director and Everflow Water Ltd Managing Director. Everflow Water Ltd are an Unassociated Retailer member of MOSL.

Andrew Hughes is a MOSL Director and Water Plus Limited CEO. Water Plus Limited are an Associated Retailer member of MOSL.

Richard Moore was a MOSL Director during the year ended 31 March 2019 and an employee of Castle Water Limited. Castle Water Limited are an Unassociated Retailer member of MOSL.

James Cleave is a MOSL Director and Everflow Water Ltd Finance Director. Everflow Water Ltd are an Unassociated Retailer member of MOSL.

Stève Hervouet is a MOSL Director and Water Plus Limited Head of Regulation and Compliance. Water Plus Limited are an Associated Retailer member of MOSL.

Ben Newby is a MOSL Director and Bristol Water Plc Customer Services Director. Bristol Water Plc are a Wholesaler member of MOSL.