

ESP Utilities Group Limited

Consolidated Interim Report

Period Ended

30 June 2021

Registered number 02612015

ESPUG Utilities Group Limited

Consolidated Interim Report
For the period ended 30 June 2021

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Directors

Anna Dellis
Nick Horler
Simon Lees
Paul Miles
Adam Miller
Kevin O'Connor
Sebastian Schwengber (resigned 18 June 2021)
Bernardo Sottomayor
Vicki Spiers
Yaad Virdee (appointed 1 September 2021)

Secretary and registered office

Beach Secretaries Limited, Bluebird House, Mole Business Park, Leatherhead, KT22 7BA

Company number

02612105

Auditors

Deloitte LLP, 1 New Street Square, London. EC4A 3BZ

ESP Utilities Group Limited

Consolidated statement of comprehensive income For the period ended 30 June 2021

	6 month period ended 30 June 2021 Unaudited £'000	6 month period ended 30 June 2020 Unaudited £'000	12 month period ended 31 December 2020 Audited £'000
Turnover	42,766	37,162	78,253
Cost of sales	(19,538)	(16,169)	(34,490)
Gross profit	23,228	20,993	43,763
Administrative expenses	(6,444)	(5,572)	(13,510)
Group operating profit	16,784	15,421	30,253
Other interest receivable and similar income	6	-	4
Interest payable and similar charges	(5,029)	(4,819)	(9,722)
Profit on ordinary activities before taxation	11,761	10,602	20,535
Taxation on profit on ordinary activities	(3,272)	(2,083)	(2,643)
Profit for the financial period and total comprehensive income for the period	8,489	8,519	17,892

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

ESP Utilities Group Limited

Consolidated balance sheet at 30 June 2021

	30 June 2021 Unaudited £'000	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000	31 December 2020 Audited £'000
Fixed assets						
Tangible assets		356,599		324,985		337,597
Current assets						
Debtors	12,138		8,170		8,740	
Cash at bank and in hand	56,700		20,572		15,496	
	<u>68,838</u>		<u>28,742</u>		<u>24,236</u>	
Creditors: amounts falling due within one year	<u>(28,951)</u>		<u>(26,634)</u>		<u>(25,829)</u>	
Net current assets/(liabilities)		<u>39,887</u>		<u>2,108</u>		<u>(1,593)</u>
Total assets less current liabilities		<u>396,486</u>		<u>327,093</u>		<u>336,004</u>
Creditors: amounts falling due after more than one year		<u>(374,817)</u>		<u>(303,821)</u>		<u>(314,295)</u>
Provisions for liabilities		<u>(16,876)</u>		<u>(13,041)</u>		<u>(13,605)</u>
Net assets		<u>4,793</u>		<u>10,231</u>		<u>8,104</u>
Capital and reserves						
Called up share capital		156,426		156,426		156,426
Profit and loss account		(151,633)		(146,195)		(148,322)
		<u>4,793</u>		<u>10,231</u>		<u>8,104</u>

The consolidated interim report was approved by the Board of Directors and authorised for issue on 22 September 2021 and were signed on its behalf by:



P Miles
Director

ESP Utilities Group Limited

Consolidated statement of changes in equity For the period ended 30 June 2021

	Share capital 30 June 2021 Unaudited £'000	Profit and loss account 30 June 2021 Unaudited £'000	Total equity 30 June 2021 Unaudited £'000	Share capital 30 June 2020 Unaudited £'000	Profit and loss account 30 June 2020 Unaudited £'000	Total Equity 30 June 2020 Unaudited £'000	Share capital 31 December 2020 Audited £'000	Profit and loss account 31 December 2020 Audited £'000	Total Equity 31 December 2020 Audited £'000
1 January	156,426	(148,322)	8,104	156,426	(143,714)	12,712	156,426	(143,714)	12,712
Comprehensive income for the period	-	8,489	8,489	-	8,519	8,519	-	17,892	17,892
Total comprehensive income for the period	-	8,489	8,489	-	8,519	8,519	-	17,892	17,892
Contributions by and distributions to owners	-	(11,800)	(11,800)	-	(11,000)	(11,000)	-	(22,500)	(22,500)
Dividends paid	-	(11,800)	(11,800)	-	(11,000)	(11,000)	-	(22,500)	(22,500)
Total contributions by and distributions to owners	-	(11,800)	(11,800)	-	(11,000)	(11,000)	-	(22,500)	(22,500)
30 June	156,426	(151,633)	4,793	156,426	(146,195)	10,231	156,426	(148,322)	8,104

ESP Utilities Group Limited

Consolidated statement of cash flows For the period ended 30 June 2021

	6 month ended 30 June 2021 Unaudited £'000	6 month ended 30 June 2020 Unaudited £'000	Year ended 31 December 2020 Audited £'000
Cash flows from operating activities			
Profit for the financial period	8,489	8,519	17,892
Adjustments for:			
Depreciation and amortisation of fixed assets	4,843	4,312	9,728
Net interest payable/(receivable)	5,023	4,818	9,718
Taxation expense	3,272	2,083	2,643
(Increase)/Decrease in trade and other debtors	(3,398)	(561)	(1,132)
Increase/(decrease) in trade creditors	3,490	965	921
Profit on disposal of tangible assets	(18)	(43)	(33)
Cash from operations	21,701	20,093	39,737
Interest paid	(4,410)	(4,089)	(8,325)
Taxation paid	-	-	-
Dividends paid	(11,800)	(11,000)	(22,500)
Net cash generated from operating activities	5,491	5,004	8,912
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets	41	51	137
Purchases of tangible fixed assets	(24,334)	(31,623)	(50,697)
Interest received	6	-	4
Net cash used in investing activities	(24,287)	(31,572)	(50,556)
Cash flows from financing activities			
Capex loan advanced	-	-	10,000
Loan note issued	60,000	30,000	30,000
Net cash from financing activities	60,000	30,000	40,000
Net (decrease) / increase in cash and cash equivalents	41,204	3,432	(1,644)
Cash and cash equivalents at beginning of year	15,496	17,140	17,140
Cash and cash equivalents at end of period	56,700	20,572	15,496
Cash and cash equivalents comprise:			
Cash at bank and in hand	56,700	20,572	15,496
Bank overdrafts	-	-	-
	56,700	20,572	15,496

ESP Utilities Group Limited

Notes forming part of the consolidated interim report For the period ended 30 June 2021

1 Financial Information

The interim financial information for the 6 months ended 30 June 2021 does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. It has been prepared using accounting policies and principles consistent with those applied in the preparation of the audited accounts of ESP Utilities Group Ltd for the period ended 31 December 2020.

The interim financial information has been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

2 Comparatives

The comparatives in the interim financial information are the figures included in the audited financial statements for ESP Utilities Group Ltd for the period ended 31 December 2020, together with the unaudited results for the six months ending 30 June 2020.

3 Analysis of Turnover

	6 month ended 30 June 2021 Unaudited £'000	6 month ended 30 June 2020 Unaudited £'000	12 month ended 31 December 2020 Audited £'000
Analysis by class of business:			
Gas transportation	16,764	15,344	31,978
Gas metering	4,796	5,004	10,211
Electricity distribution	20,847	16,814	35,353
Release of deferred income on third party contributions	359	-	711
	<u>42,766</u>	<u>37,162</u>	<u>78,253</u>

The Group's revenue is generated in the United Kingdom (excluding Northern Ireland).

The release of deferred income has been reported as turnover for 2020 in accordance with FRS102. Previously this was credited to cost of sales. Prior year figures have not been restated as the amount is not deemed material, and there is no change to the operating profit of the Company.

4 Debtors

	Group 30 June 2021 Unaudited £'000	Group 30 June 2020 Unaudited £'000	Group 31 December 2020 Audited £'000
Trade debtors	9,197	5,425	7,385
Other debtors	31	3	32
Prepayments and accrued income	2,910	2,742	1,323
	<u>12,138</u>	<u>8,170</u>	<u>8,740</u>

All debtors are due within one year.

ESP Utilities Group Limited

Notes forming part of the consolidated interim report For the period ended 30 June 2021 (continued)

4 Debtors (continued)

The amounts owed by group undertakings relate to intercompany balances which do not bear interest and are repayable on demand by the Company when sufficient funds are available to do so.

5 Creditors: amounts falling due within one year

Group	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Trade creditors	15,750	16,740	12,924
Loans due to Group undertakings	2,195	2,195	2,195
Loan note interest due	2,001	2,009	1,986
Taxation and social security	163	145	146
Other creditors	1,352	941	1,476
Corporation tax	-	3	-
Accruals and deferred income	7,490	4,601	7,102
	28,951	26,634	25,829

Loans due to Group undertakings are currently attracting interest at a fixed rate of 8% (2020: 8%). The loan is repayable on demand.

6 Creditors: amounts falling due after more than one year

Group	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Loan notes	312,467	251,260	251,863
Capex loan	30,000	20,000	30,000
Deferred income	32,350	32,561	32,432
	374,817	303,821	314,295

The deferred income relates to contributions, from owner-occupiers of premises, partly to offset the capital expenditure on the infill networks, which are received at the time of initial connection. These receipts are released to the statement of comprehensive income account over the useful life of the related assets.

ESP Utilities Group Limited

Notes forming part of the consolidated interim report For the period ended 30 June 2021 (continued)

6 Creditors: amounts falling due after more than one year (continued)

The loan notes are secured by an All Assets charge over the assets of the Group, and are structured as follows :-

£54m at 2.69% Senior Secured Tranche A note due 6th October 2027
 £85m at 3.05% Senior Secured Tranche B note due 6th October 2032
 £30m at 2.116% Senior Secured note due 13 February 2035
 £30m at 2.53% Senior Secured note due 30th June 2036
 £85m at 3.35% Senior Secured Tranche C note due 6th October 2037
 £30m at 2.736% Senior Secured note due 13 May 2041

The Capex loan is repayable in full in October 2022 and incurs interest at a rate of LIBOR plus 1.5%. The bank loans are secured by an All Assets charge over the assets of the Group

The analysis of loans due to Group undertakings is as follows:

Group	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
In one year or less, or on demand	2,195	2,195	2,195
In more than one year but not more than two years	-	-	-
In more than two years but not more than five years	-	-	-
In more than five years	-	-	-
	2,195	2,195	2,195

7 Financial instruments

The Group's financial instruments may be analysed as follows:

	Group 30 June 2021 Unaudited £'000	Group 30 June 2020 Unaudited £'000	Group 31 December 2020 Unaudited £'000
Financial assets			
<i>measured at amortised cost:</i>			
Cash at bank	56,700	20,572	15,496
Trade debtors	9,197	5,425	7,385
Other debtors	31	3	32
	65,928	26,000	22,913
Financial liabilities			
<i>measured at amortised cost:</i>			
Trade creditors	15,750	16,740	12,924
Loans due to Group undertakings	2,195	2,195	2,195
Loan note interest	2,001	2,009	1,986
Other creditors	1,352	941	1,476
Accruals	7,490	4,601	7,102
Loan notes	312,467	251,260	251,863
Capex loan	30,000	20,000	30,000
	368,155	297,746	297,746

ESP Utilities Group Limited

Notes forming part of the consolidated interim report For the period ended 30 June 2021 (continued)

8 Capital commitments

Group	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Contracted but not provided for	158,004	130,572	145,874

9 Reconciliation of operating profit to EBITDA

Group	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Group Operating Profit	16,784	15,421	30,253
Add back net depreciation	4,485	4,312	9,104
EBITDA	21,269	19,733	39,357

10 Related party disclosures

The Group's immediate holding company is Zoom Gas Pipelines Limited, a company registered in England and Wales. The Group's ultimate holding company is Zoom Holding Limited, a company registered in England and Wales. The Group is ultimately controlled by 3i MIA LP, an English limited partnership, which is managed by 3i Investments plc. 3i Investments plc is wholly owned by 3i Group plc. The general partner of 3i MIA LP is 3i Managed Infrastructure GP (2017) LLP.

The smallest group in which the results of the Group are consolidated is that headed by ESP Utilities Group Limited.

The largest group in which the results of the Group are consolidated is that headed by Zoom Holding Limited.

11 Covid-19

As a transporter of gas and electricity within the UK, the Group's ongoing business has continued without interruption during successive lockdowns within the UK. The Group has continued to provide uninterrupted energy to homes and businesses, adapting working practises while maintaining our commitment to providing the very best service.

New connections made during 2021 have been in line with budget, as construction activity in the UK continued during the winter lockdown. Despite connections being on track, the Group has noticed a slight drop in sites won this year due to Developers delaying new starts until current delays and price inflation in the supply chain improve. This is forecast to be a temporary slow-down. Underlying pressure for new housing supply within the UK remains strong.

Due to the mature nature of our regulated income streams, tied to the majority of revenue being generated from assets already in the ground, our levels of profitability and cash flow generation have not been impacted by Covid. These will continue to grow as we add new connections.