

# **ESP Utilities Group Limited**

Report and Financial Statements

Year Ended

31 December 2019

Registered number 02612105

# ESP Utilities Group Limited

## Report and financial statements for the year ended 31 December 2019

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### Directors

N J Clark  
A Dellis  
N Horler  
P Miles  
A Miller  
K O'Connor  
S Schwengber  
B Sottomayor  
V Spiers

### Secretary and registered office

Beach Secretaries Limited, 1<sup>st</sup> Floor, Bluebird House, Mole Business Park, Leatherhead, KT22 7BA

### Company number

02612105

### Auditor

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA

# ESP Utilities Group Limited

## Strategic report for the year ended 31 December 2019

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### Principal activities and future developments

The principal activity of the ESP Utilities Group Limited ("Company") is a holding company. The Company has five trading subsidiaries (together "the Group"): one subsidiary is an electrical distribution company engaged in the development of electrical distribution as an independent operator together with four subsidiaries operating as gas transporter companies engaged in the development of gas pipelines, the transportation of gas and metering services throughout mainland UK.

The Group is ultimately controlled by 3i MIA Holding Limited, who are wholly owned by 3i Managed Infrastructure Acquisitions LP (3i MIA LP). 3i MIA LP is managed by 3i Investments plc, which is a wholly owned subsidiary of 3i Group plc. The general partner of 3i MIA LP is 3i Managed Infrastructure GP (2017) LLP. 3i Group plc is listed on the London Stock Exchange.

### Financial review

The consolidated statement of comprehensive income is set out on page 10 and shows turnover for the period of £69,329,000 (2018: £62,999,000). Profit for the period was £17,460,000 (2018: £17,734,000).

The Directors consider connections installed and turnover to be the main key performance indicators for the Group in monitoring its performance during the year.

The number of installed connections as at the end of the year was 700,439 (including 197,737 electricity connections) with a growth of 10.7% in the year, compared to 11.5% in the previous year. This is directly related to the build out of the Group's order book from previous years.

Turnover has increased during the year due to the increase in connections mentioned above. Based on the current economic forecasts and given the competitive market conditions, expectations for 2020 are that turnover will continue to grow as the order book for both gas and electricity connections is installed.

The Group continues to expand its portfolio of assets through three main areas of activity. First, through the adoption of gas and electricity networks for newly built housing installed by Utility Infrastructure Providers ("UIPs"); second, through developing gas network extensions installed to connect existing properties previously not served by the national gas system (known as infill) and third, through adopting gas and electricity industrial and commercial ("I&C") connections for commercial parks.

The Group's management actively nurture relationships with key partners by servicing social landlords for infill projects and also continue to strengthen relationships with UIPs developing new housing networks as well as I&C market participants.

### Principal risks and uncertainties

The market for the adoption of new housing networks is competitive.

The availability of new housing connections from UIPs is dependent on the overall housing market, which is dependent upon a positive economic outlook.

A large proportion of the infill market the Group targets is driven in part by government programmes to bring more affordable (and lower CO2 emitting) fuel to social housing. This market is forecast to be challenging for the foreseeable future due to continued austerity restricting public spending.

The ownership and operation of gas pipelines represents approximately 41% (2018: 41%) of the Group's revenue. The Office of Gas and Electricity Markets ("Ofgem") regulates the activities of the Group, including the transportation tariffs that the Group charges. In 2004 Ofgem introduced the Relative Price Control ("RPC") mechanism. The purpose of RPC is to keep parity between the charges levied by iGTs, including the Group's, and the operators of the Gas Distribution Networks. RPC allows the Group to increase prices partly in line with the Retail Price Index ("RPI"). Therefore the Group's income will vary in accordance with RPI.

# ESP Utilities Group Limited

## Strategic report for the year ended 31 December 2019 (*continued*)

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### Principal risks and uncertainties (*continued*)

The Group also operates and maintains meters connected to its gas pipelines. Meter income represents approximately 16% (2018: 20%) of the Group's revenue. The meter market in the UK has been open to competition since 2004 and over the next 5 years it is forecast that dumb meter revenue will materially decline as a consequence of the Government mandated smart meter roll out. However the Group business model predicts an increase in the smart meter portfolio as new meters are installed with new connections going forward.

The ownership and operations of electricity market represents 43% (2018: 39%) of the Group's revenue; the importance of this market is increasing each year as the market matures and more connections are installed on iDNO networks. Historically, electricity connections installed were adopted by the incumbent DNOs until 2001 when the market was opened to competition allowing iDNOs to adopt electricity connections. The regulatory changes in April 2010 to standardise the iDNOs' tariffs has opened up most of the market to competition, providing greater opportunities to iDNOs. As the market continues to mature it is expected that the iDNOs will obtain a similar market presence as the iGTs in the gas market.

### Directors duties

The Directors of the Group, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and environment;
- The desirability of the company, maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between shareholders of the company.'

As part of their induction, a Director is briefed on their duties and they can access professional advice on these. It is important to recognise that the Directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to employees of the Group.

### Risk Management

Consideration of risk is an integral part of how the Group operates on a daily basis and is part of any transactional appraisal. The Board also formally revisits the level of oversight and the monitoring of risks is reviewed by the Board on a regular basis.

### Our People

As a relatively small Group with less than 100 employees operating in one location, we recognise that our employees are fundamental to the success of the business and every single person's contribution counts. The health, safety and well-being of our employees is one of our primary considerations in the way we do business.

### Business Relationships

Developing strong relationships with stakeholders is fundamental to the Group's strategy. ESP Utilities Group Limited (ESPUG) Directors have regular contact with our Customers to ensure we continue to understand their needs and can act as a partner to deliver growth. Engagement with the Regulator and Government Departments is a key priority which ESPUG undertakes bilaterally and as part of the Independent Networks Trade Association the INA, which ESPUG also Chairs. Liaison with our key suppliers is through attendance at industry forums and working groups where modifications to sector codes are developed.

# ESP Utilities Group Limited

## Strategic report for the year ended 31 December 2019

### Community and Environment

The Directors are aware of the impact the Group's operations on the community and environment. The Group is an active participant in the GRESB ESB benchmarking process and are committed to improving their compliance score.

### Shareholders

As a Board of Directors, our intention is to behave responsibly toward our shareholders, working closely with them to deliver growth and add value. Key decisions, such as the acquisition of domestic customer gas connection assets from Fulcrum Utility Services Limited are made in conjunction with shareholders, whose interests are represented by their three Board appointees.

### Key decisions made in the year

Decision	Effect
<i>Approval of purchase of assets from Fulcrum Utility Services Limited</i>	
Shareholders	Add to the value of the business through secure long-term increase in revenues.
Employees	Increased profitability provides secure employment prospects.
Consumers	Benefit from their connection being owned by one of the UK largest and longest established independent network owner and operator.

### Covid-19 Update and Going Concern

As a transporter of gas and electricity to predominantly domestic properties the Directors assessment is that Covid-19 will not have a significant impact on either the income or costs of the Group.

- All Group revenues are regulated and have continued to be received without interruption.
- All ongoing business has continued as usual, and the Group was able to switch to 100% remote working without any detriment to the service delivered.
- The Group has adequate cash reserves, increased from £17m at year end to £29m as at 31 March 2020, in addition to a further £49m of undrawn credit facilities.
- The Group has evaluated the potential financial and operational impact of Covid-19 as a result of any uncertainty surrounding the ability of customers to meet regulated payment terms and a reduction in new connections through detailed scenario analysis as a Group at Zoom Holding Limited level.

The Directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future and have prepared the consolidated financial statements on a going concern basis as set out in note 1.

### For and on behalf of the Board



P Miles  
Director

Date: 13 MAY 2020

# ESP Utilities Group Limited

## Report of the Directors for the year ended 31 December 2019

A review of the business and principal risks and uncertainties has been included with the Strategic report on page 1.

### Directors

The Directors in office during the period were as follows:

T W Butler	(resigned 31 May 2019)
N J Clark	
A Dellis	
N Horler	
P Miles	(appointed 21 January 2019)
A Miller	(appointed 17 September 2019)
K O'Connor	
S Schwengber	
B Sottomayor	
V Spiers	
S Williams	(resigned 17 September 2019)

### Disclosure of information to Auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

### Dividend

A dividend of £8,000,000 was paid during the year (2018: £nil). A dividend of £3,000,000 was received during the year (2018: £nil).

### Financial instruments

#### *Liquidity risk and cash flow risk*

The Company holds financial instruments to finance its operations. Operations are financed by a mixture of retained profits and parent company loans. The Group has £2,195,000 (2018: £2,195,000) of debt outstanding with its parent company. The directors have controls in place to manage cash flow and maintain interest payments.

#### *Credit risk*

Credit risk arises principally from the Group's trade and other receivables. Management review all debtors for impairment and are comfortable that all un-provided debts are fully recoverable.

#### *Price risk*

The Group's balance sheet and statement of comprehensive income is exposed to changes in its transportation tariffs, which are regulated by Ofgem – as disclosed in the Strategic report under principal risks and uncertainties.

### Post Balance sheet event

On 21st December 2019 E.S. Pipelines Limited (ESP) entered into an agreement with Fulcrum Utility Services Limited to purchase its domestic customer gas connection assets, including order book and associated meters for circa £46m. The first tranche of the deal completed on 31 March 2020, with circa £17m paid on completion. The balance relating to part-complete networks and the internal and external order books will be payable over the next 5 years, as assets are built out and transferred to ESP.

The purchase has been funded by the issue of £30m of 2.116% PP loan notes which mature on 13 February 2035.

# ESP Utilities Group Limited

## Report of the directors for the year ended 31 December 2019 (*continued*)

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### Likely future developments in the business of the Company

Information on likely future developments in the business of the Company has been included in the Strategic Report on page 1.

### Auditor

A resolution to reappoint BDO LLP will be proposed at the next Annual General Meeting.

### From and on behalf of the Board



P Miles  
Director

Date: 13 MAY 2020

# ESP Utilities Group Limited

## Statement of the Directors' responsibilities for the year ended 31 December 2019

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### Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 Group and Company and of the profit or loss of the Group for that period.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.



# ESP Utilities Group Limited

## INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF ESP UTILITIES GROUP LIMITED

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### Opinion

We have audited the financial statements of ESP Utilities Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheet, the consolidated and company statement of changes in equity and the consolidated statement of cash flows, and the 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 Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 Group and the Parent 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 Group or Parent 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.

# ESP Utilities Group Limited

## INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF ESP UTILITIES GROUP LIMITED (CONT)

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We have nothing to report in this regard.

### 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 Group and the Parent 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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 Statement of Directors' responsibilities, 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 Group's and the Parent 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 Group or the Parent 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.

# ESP Utilities Group Limited

## INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF ESP UTILITIES GROUP LIMITED (CONT)

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A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Anna Draper (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Gatwick, UK

13 May 2020

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

# ESP Utilities Group Limited

## Consolidated statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	3	69,329	62,999
Cost of sales		(31,100)	(26,993)
<b>Gross profit</b>		<b>38,229</b>	<b>36,006</b>
Administrative expenses		(10,299)	(8,510)
<b>Group operating profit</b>	4	<b>27,930</b>	<b>27,496</b>
Interest receivable and similar income		3	11
Interest payable and similar charges	7	(8,993)	(8,888)
<b>Profit on ordinary activities before taxation</b>		<b>18,940</b>	<b>18,619</b>
Taxation on profit on ordinary activities	8	(1,480)	(885)
<b>Profit for the financial year and total comprehensive income for the year</b>		<b>17,460</b>	<b>17,734</b>

The notes on pages 16 to 29 form part of these financial statements.

# ESP Utilities Group Limited

## Consolidated balance sheet at 31 December 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
<b>Fixed assets</b>					
Tangible assets	10		298,401		275,487
<b>Current assets</b>					
Debtors	12	7,608		8,535	
Cash at bank and in hand		17,140		10,287	
		24,748		18,822	
<b>Creditors: amounts falling due within one year</b>	13	(26,102)		(29,414)	
<b>Net current liabilities</b>			(1,354)		(10,592)
<b>Total assets less current liabilities</b>			297,047		264,895
<b>Creditors: amounts falling due after more than one year</b>	14		(273,373)		(252,161)
<b>Provisions for liabilities</b>	16		(10,962)		(9,482)
<b>Net assets</b>			12,712		3,252
<b>Capital and reserves</b>					
Called up share capital	18		156,426		156,426
Profit and loss account			(143,714)		(153,174)
			12,712		3,252

The financial statements were approved by the Board of Directors and authorised for issue on 13 MAY 2020 and were signed on its behalf by:

P Miles  
Director



The notes on pages 16 to 29 form part of these financial statements.

# ESP Utilities Group Limited

## Consolidated statement of changes in equity for the year ended 31 December 2019

	Share capital 2019 £'000	Profit and loss account 2019 £'000	Total equity 2019 £'000	Share capital 2018 £'000	Profit and loss account 2018 £'000	Total equity 2018 £'000
<b>1 January</b>	<b>156,426</b>	<b>(153,174)</b>	<b>3,252</b>	<b>156,426</b>	<b>(170,908)</b>	<b>(14,482)</b>
<b>Comprehensive income for the year</b>						
<b>Profit for the year</b>	-	17,460	17,460	-	17,734	17,734
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	-	17,460	17,460	-	17,734	17,734
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Contributions by and distributions to owners</b>						
<b>Dividends paid</b>	-	(8,000)	(8,000)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total contributions by and distributions to owners</b>	-	(8,000)	(8,000)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>31 December</b>	<b>156,426</b>	<b>(143,714)</b>	<b>12,712</b>	<b>156,426</b>	<b>(153,174)</b>	<b>3,252</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 16 to 29 form part of these financial statements.

# ESP Utilities Group Limited

## Consolidated statement of cash flows for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>			
<b>Profit for the financial year</b>		<b>17,460</b>	17,734
Adjustments for:			
Depreciation and amortisation of fixed assets	10	9,616	9,284
Net interest payable		8,990	8,878
Taxation expense	8	1,480	885
Decrease in trade and other debtors		927	3,639
(Decrease)/increase in trade creditors		(1,862)	544
Gain on disposal of tangible assets		(44)	(53)
<b>Cash from operations</b>		<b>36,567</b>	40,911
Interest paid		(7,714)	(7,581)
Taxation paid		-	-
Dividends paid		(8,000)	-
<b>Net cash generated from operating activities</b>		<b>20,853</b>	33,330
<b>Cash flows from investing activities</b>			
Proceeds from sale of tangible fixed assets		62	88
Purchases of tangible fixed assets	10	(34,065)	(30,830)
Interest received		3	11
<b>Net cash used in investing activities</b>		<b>(34,000)</b>	(30,731)
<b>Cash flows from financing activities</b>			
Intercompany borrowings		-	-
Capex loan advanced		20,000	-
Debt issue costs incurred		-	(105)
<b>Net cash from financing activities</b>		<b>20,000</b>	(105)
<b>Net increase in cash and cash equivalents</b>		<b>6,853</b>	2,494
Cash and cash equivalents at beginning of year		10,287	7,793
<b>Cash and cash equivalents at end of year</b>		<b>17,140</b>	10,287
<b>Cash and cash equivalents comprise:</b>			
Cash at bank and in hand		17,140	10,287
Bank overdrafts		-	-
		<b>17,140</b>	10,287

Non cash flow fixed asset reductions of £1,491,693 (2018: additions £2,486,579) have been accrued in the year.

The notes on page 16 to 29 form part of these financial statements.

# ESP Utilities Group Limited

## Company balance sheet at 31 December 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
<b>Fixed assets</b>					
Investments	11		511,705		511,705
<b>Current assets</b>					
Debtors	12	45,102		51,206	
Cash at bank and in hand		1,312		637	
		46,414		51,843	
<b>Creditors: amounts falling due within one year</b>	13	(23,106)		(22,871)	
<b>Net current liabilities</b>			23,308		28,972
<b>Total assets less current liabilities</b>			535,013		540,677
<b>Creditors: amounts falling due after more than one year</b>	14		-		-
<b>Net assets</b>			535,013		540,677
<b>Capital and reserves</b>					
Called up share capital	18		156,426		156,426
Profit and loss account			378,587		384,251
			535,013		540,677

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company has made a profit for the financial year of £2,336,109 (2018: £561,082 loss).

The financial statements were approved by the Board of Directors and authorised for issue on 13 MAY 2020



P Miles  
Director

The notes on pages 16 to 29 form part of these financial statements.



# ESP Utilities Group Limited

## Company statement of changes in equity for the year ended 31 December 2019

	Share capital 2019 £'000	Profit and loss account 2019 £'000	Total equity 2019 £'000	Share capital 2018 £'000	Profit and loss account 2018 £'000	Total equity 2018 £'000
<b>1 January</b>	<b>156,426</b>	<b>384,251</b>	<b>540,677</b>	<b>156,426</b>	<b>384,812</b>	<b>541,238</b>
<b>Comprehensive profit / (loss) for the year</b>						
<b>Profit / (Loss) for the year</b>	-	2,336	2,336	-	(561)	(561)
<b>Total comprehensive profit / (loss) for the year</b>	-	2,336	2,336	-	(561)	(561)
<b>Contributions by and distributions to owners</b>						
Dividends paid	-	(8,000)	(8,000)	-	-	-
<b>Total contributions by and distributions to owners</b>	-	(8,000)	(8,000)	-	-	-
<b>31 December</b>	<b>156,426</b>	<b>378,587</b>	<b>535,013</b>	<b>156,426</b>	<b>384,251</b>	<b>540,677</b>

The notes on pages 16 to 29 form part of these financial statements.

# ESP Utilities Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2019

### 1 Accounting policies

ESP Utilities Group Limited is a private company, limited by shares, incorporated in England & Wales under the Companies Act.

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 2).

#### *Parent company disclosure exemptions*

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

The following principal accounting policies have been applied:

#### *Going concern*

The financial statements have been prepared on a going concern basis, notwithstanding that at 31 December 2019 the Group had net current liabilities of £1,354,000 (2018: £10,592,000). The Group is dependent for its working capital on funds provided to it by fellow Group companies. A fellow Group company, Zoom Gas Pipelines Limited, has confirmed it will provide further financial support as required to ensure the Company is able to meet its liabilities as they fall due in the twelve month period from the date of these financial statements. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

The Directors have considered and reviewed projections and cash flow forecasts that cover the period to twelve months from the date of approval of these financial statements. In addition, stress cash flows have been prepared at Zoom Holding Limited level to assess the expected impact of Covid-19. The Group has evaluated the potential financial and operational impact of Covid-19 as a result of any uncertainty surrounding the ability of customers to meet regulated payment terms and a reduction in new connections through detailed scenario analysis. As a transporter of gas and electricity to predominantly domestic properties the Directors assessment is that Covid-19 will not have a significant impact on either the income or costs of the Group.

In addition, the Group has adequate cash reserves, increased from £17m at year end to £29m as at 31 March 2020, in addition to a further £49m of undrawn credit facilities.

Based on this, the Group and Company will have adequate resources to continue in operational existence for the foreseeable future. On this basis the Directors believe it is appropriate to present the accounts on the going concern basis.

# ESP Utilities Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

### 1 Accounting policies (*continued*)

On 6 October 2017 ESPUG Finance Limited entered into new loan note agreements to refinance the Groups external debt borrowings. The new facilities consist of lenders providing up to £339m of private loan placements, working capital, capital expenditure and liquidity facilities. The private loan placements have maturities of ten, fifteen and twenty years at fixed rates of interest, as shown in note 14. These loans have an investment grade credit rating of Baa2 from Moody's Investor Services.

The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### *Basis of consolidation*

The consolidated financial statements present the results of ESP Utilities Group Limited and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between these group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

#### *Turnover*

Turnover represents the amount (excluding value added tax) derived from the provision of gas transportation and measurement for gas suppliers, together with electricity distribution charges from its iDNO business during the period. Income from the transport of gas through the Group's pipelines is recognised on the basis of actual or estimated volumes delivered in the financial period and rental income of metering equipment is recognised for rental periods covered by the financial statements. Electricity income is recognised on the basis of actual or estimated consumption in the financial period. Turnover arises solely within the United Kingdom.

#### *Tangible fixed assets*

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

##### a) Depreciation

Depreciation is calculated so as to write off the cost of fixed assets to their estimated residual value by equal instalments over their estimated useful lives as follows:

Fixtures, fittings, tools & equipment	4 to 8 years
Gas networks	60 years
Motor vehicles	4 years
Meters	20 years
Prepayment meters	10 years
Electricity networks	40 years

# ESP Utilities Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 1 Accounting policies (continued)

#### *Tangible fixed assets (continued)*

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

#### b) Third party contributions

Contributions, from owner-occupiers of premises, which partly offset the capital expenditure on the infill networks, are received at the time of initial connection. These receipts are treated as deferred income that reduces the depreciation charge to the statement of comprehensive income over the useful life of the related assets.

#### *Impairment of fixed assets and cost of investment*

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit ("CGU") to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flow (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

#### *Investments*

Investments are stated at cost less amounts written off where the directors believe that there is a permanent diminution of value.

#### *Pension scheme*

The Group operates a defined contributions pension scheme. Contributions to the scheme are charged to the statement of comprehensive income in the period in which they become payable. The assets of the scheme are held separately in an independently administered fund.

#### *Finance costs*

Finance costs are charged to the statement of comprehensive income over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs that are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### *Leased assets: Lessee*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss account over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the statement of comprehensive income over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

# ESP Utilities Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 1 Accounting policies (continued)

#### *Leased assets: Lessee (continued)*

All other leases are treated as operating leases and their annual rentals are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

#### *Holiday pay accrual*

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the year end.

#### *Current and deferred taxation*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.
- Where timing differences relate to interests in subsidiaries and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have enacted or substantively enacted by the reporting date.

#### *Financial Assets*

Financial assets, other than investments, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

#### *Financial liabilities and equity*

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

# ESP Utilities Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 1 Accounting policies (continued)

#### Reserves

The Group and Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of shares issued.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

### 2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Directors have made the following judgements:

- Determine whether there are indicators of impairment of the Group's tangible fixed assets and the Company's fixed asset investments. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Tangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and industry trends are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

### 3 Analysis of Turnover

	2019 £'000	2018 £'000
Analysis by class of business:		
Gas transportation	28,347	26,058
Gas metering	11,350	12,660
Electricity distribution	29,632	24,281
	<u>69,329</u>	<u>62,999</u>

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

### 4 Operating profit

	2019 £'000	2018 £'000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	9,616	9,284
Release of deferred income on third party contributions	(701)	(690)
Fees payable to the Company's auditor for the audit of the Company's annual accounts	7	3
Fees payable to the Company's auditor for other services to the Group:		
- The audit of the Company's subsidiaries pursuant to legislation	55	51
Operating lease – land and buildings	232	232
	<u></u>	<u></u>

# ESP Utilities Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 5 Employees

	2019 £'000	2018 £'000
<b>Group</b>		
Staff costs (including Directors) consist of:		
Wages and salaries	5,202	4,380
Social security costs	631	530
Cost of defined contribution pension scheme	315	330
	<u>6,148</u>	<u>5,240</u>

The average number of employees for the Group during the year was as follows:

	2019 Number	2018 Number
Gas	56	55
Electricity	28	22
	<u>84</u>	<u>77</u>

### Company

The Company does not directly employ any individuals. The Company is however charged a management fee from other Group companies in respect of services provided to this Company.

## 6 Directors' remuneration

	2019 £'000	2018 £'000
<b>Group</b>		
Directors' emoluments	2,184	1,472
Compensation for loss of office	232	135
Group contributions to money purchase pension schemes	70	112
	<u></u>	<u></u>

There were eight paid directors during the period (2018: seven). The remuneration of the highest paid director who served during the period was as follows:

	2019 £'000	2018 £'000
Directors' emoluments	615	342
Group contributions to money purchase pension schemes	-	19
	<u></u>	<u></u>

### Company

The Directors received no remuneration or fees in respect of their services to the Company for the year ended 31 December 2019 (2018: nil). The Directors are considered to be the only key management personnel.

# ESP Utilities Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (*continued*)

## 7 Interest payable and similar charges

	2019 £'000	2018 £'000
Group loan interest	174	174
Loan note interest	8,819	8,714
	<u>8,993</u>	<u>8,888</u>

## 8 Taxation on profit on ordinary activities

	2019 £'000	2019 £'000	2018 £'000	2018 £'000
<i>UK corporation tax</i>				
Current tax on profits of the year		-		-
Adjustment in respect of previous periods		-		-
Total current tax		<u>-</u>		<u>-</u>
<i>Deferred tax</i>				
Deferred tax current period	1,682		885	
Effect of changes in tax rate	(174)		-	
Deferred tax prior period	(28)		-	
	<u></u>	1,480	<u></u>	885
Total tax charge		<u>1,480</u>		<u>885</u>

For further information on deferred tax balances see note 16.

### *Tax reconciliation*

The current tax charge for the period is lower (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below.

	2019 £'000	2018 £'000
Profit on ordinary activity before tax	18,940	18,619
Current tax at 19% (2018: 19%)	3,591	3,538
<i>Effects of:</i>		
Expenses not tax deductible	66	15
Prior year adjustment – deferred tax	(28)	-
Group relief claimed for nil consideration	(1,975)	(2,564)
Effect of difference in deferred tax rates	(174)	(104)
	<u>1,480</u>	<u>885</u>



# ESP Utilities Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (*continued*)

## 9 Parent company loss for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company has made a profit for the financial year of £2,336,109 (2018: £561,082 loss).

## 10 Tangible fixed assets

Group	Electricity & Gas Networks £'000	Meters £'000	Fixtures, fittings, tools and equipment £'000	Motor vehicles £'000	Total £'000
<i>Cost</i>					
At 1 January 2019	297,055	31,161	2,616	538	331,370
Additions	29,261	2,662	452	199	32,574
Disposals	-	(3,870)	-	(159)	(4,029)
At 31 December 2019	<b>326,316</b>	<b>29,953</b>	<b>3,068</b>	<b>578</b>	<b>359,915</b>
<i>Depreciation</i>					
At 1 January 2019	42,530	11,302	1,867	184	55,883
Provision for year	6,176	3,096	214	130	9,616
Disposals	-	(3,870)	-	(115)	(3,985)
At 31 December 2019	<b>48,706</b>	<b>10,528</b>	<b>2,081</b>	<b>199</b>	<b>61,514</b>
<i>Net book value</i>					
At 31 December 2019	<b>277,610</b>	<b>19,425</b>	<b>987</b>	<b>379</b>	<b>298,401</b>
At 31 December 2018	254,525	19,859	749	354	275,487

# ESP Utilities Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (*continued*)

## 11 Fixed asset investments

### Company

Investment in  
subsidiaries  
£'000

Cost

At 1 January 2019 and at 31 December 2019

511,705

The undertakings in which the Company has interest at the year end are as follows:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
<i>ESPUG Finance Limited*</i>	<i>England &amp; Wales</i>	<i>100%</i>	<i>Finance &amp; holding company</i>
<i>E.S. Pipelines Limited</i>	<i>England &amp; Wales</i>	<i>100%</i>	<i>Gas transport</i>
<i>ESP Connections Limited</i>	<i>England &amp; Wales</i>	<i>100%</i>	<i>Gas transport</i>
<i>ESP Networks Limited</i>	<i>England &amp; Wales</i>	<i>100%</i>	<i>Gas transport</i>
<i>ESP Pipelines Limited</i>	<i>England &amp; Wales</i>	<i>100%</i>	<i>Gas transport</i>
<i>ESP Electricity Limited</i>	<i>England &amp; Wales</i>	<i>100%</i>	<i>Independent distribution network operator</i>

\*Directly owned

The registered address for all investment is Bluebird House, Mole Business Park, Leatherhead, Surrey, KT22 7BA.

## 12 Debtors

	Group 2019	Group 2018	Company 2019	Company 2018
	£'000	£'000	£'000	£'000
Trade debtors	6,325	6,029	-	-
Amounts owed by Group undertakings	-	-	44,579	50,531
Other debtors	20	46	6	28
Prepayments and accrued income	1,263	1,160	5	4
Deposits	-	1,300	-	-
Group relief recoverable from fellow subsidiaries	-	-	512	643
	<b>7,608</b>	<b>8,535</b>	<b>45,102</b>	<b>51,206</b>

All debtors are due within one year.

# ESP Utilities Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 13 Creditors: amounts falling due within one year

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade creditors	16,020	19,426	28	4
Loans due to Group undertakings	2,195	2,195	2,195	2,195
Loan interest due	1,795	1,723	-	-
Other amounts owed to Group undertakings	-	-	20,650	20,653
Taxation and social security	141	186	-	-
Other creditors	905	596	-	-
Accruals and deferred income	5,046	5,288	233	19
	<b>26,102</b>	<b>29,414</b>	<b>23,106</b>	<b>22,871</b>

Loans due to Group undertakings are currently attracting interest at a fixed rate of 8% (2018: fixed rate of 8%). The loan is repayable on demand.

## 14 Creditors: amounts falling due after more than one year

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Deferred income	32,716	32,711	-	-
Loan notes	220,657	219,450	-	-
Capex loan	20,000	-	-	-
	<b>273,373</b>	<b>252,161</b>	<b>-</b>	<b>-</b>

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, as a reduction in the depreciation charge, over the useful life of the related assets.

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 6<sup>th</sup> October 2027  
£85m at 3.05% Senior Secured Tranche B note due 6<sup>th</sup> October 2032  
£85m at 3.35% Senior Secured Tranche C note due 6<sup>th</sup> October 2037

£20m was drawn down against the £100m capital expenditure facility during 2019. Interest is payable at Libor +1.5%. The balance is repayable on 5<sup>th</sup> October 2022.

# ESP Utilities Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (*continued*)

## 15 Financial instruments

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

	Group 2019 £'000	Group 2018 £'000
<b>Financial assets</b>		
<i>measured at amortised cost:</i>		
Cash at bank	17,140	10,287
Trade debtors	6,325	6,029
Other debtors	20	46
Deposits	-	1,300
<b>Financial liabilities</b>		
<i>measured at amortised cost:</i>		
Trade creditors	16,020	19,426
Loans due to Group undertakings	2,195	2,195
Loan note interest	1,795	1,723
Other creditors	905	596
Accruals	4,355	5,288
Loan notes	220,657	219,450
Capex loan	20,000	-

## 16 Provisions for liabilities

Group	Deferred taxation 2019 £'000	Deferred taxation 2018 £'000
At 1 January	9,482	8,597
Charged to profit or loss	1,480	885
At 31 December	10,962	9,482

It is estimated that deferred tax liabilities arising on fixed assets will not reverse in the next accounting period.

### Deferred tax liabilities - Group

	2019 £'000	2018 £'000
Difference between accumulated depreciation and amortisation and capital allowances	10,976	9,504
Other timing differences	(14)	(22)
	10,962	9,482

# ESP Utilities Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (*continued*)

## 17 Pensions

### Defined contribution scheme

The amount recognised in the statement of comprehensive income as an expense in relation to the Group's defined contribution schemes is £315,000 (2018: £329,303). The balance outstanding at year end was £nil (2018: £27,000).

## 18 Share capital

	2019 £'000	2018 £'000
<i>Authorised</i>		
160,000,000 ordinary shares of £1 each	160,000	160,000
<i>Allotted, called up and fully paid</i>		
156,425,518 ordinary shares of £1 each	156,426	156,426

## 19 Commitments under operating leases

The Group had minimum lease payments under non-cancellable operating leases as set out below:

	2019 £'000	2018 £'000
Not later than 1 year	232	232
Later than 1 year and not later than 5 years	928	928
Greater than 5 years	291	523
Total	1,451	1,683

The Company had no commitments under non-cancellable operating leases as at the balance sheet date.

## 20 Capital commitments

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Contracted but not provided for	115,793	99,239	-	-

Capital commitments are in respect of electricity and gas networks capital expenditure contracted but not provided for as at 31 December 2019.

# ESP Utilities Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 *(continued)*

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### 21 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 largest group in which the results of the Group are consolidated is that headed by Zoom Holding Limited. A copy of these consolidated financial statements is available from Companies House.

There are no related party transactions in the year, other than those with wholly owned group companies which are exempt from disclosure under FRS102.

### 22 Post Balance Sheet event Purchase of Assets

On 21st December 2019 E.S. Pipelines Limited (ESP) entered into an agreement with Fulcrum Utility Services Limited to purchase its domestic customer gas connection assets, including order book and associated meters for circa £46m. The first tranche of the deal completed on 31 March 2020, with circa £17m paid on completion. The balance relating to part-complete networks and the internal and external order books will be payable over the next 5 years, as assets are built out and transferred to ESP.

The purchase has been funded by the issue of £30m of 2.116% PP loan notes which mature on 13 February 2035.

#### Covid-19 outbreak

On 11 March 2020, the World Health Organization raised the public health emergency caused by the coronavirus outbreak (COVID-19) to an international pandemic. The rapid national and international developments represent an unprecedented health crisis, which will impact the macroeconomic environment and business developments.

As a transporter of gas and electricity within the UK the Group's ongoing business has continued without interruption during the lockdown 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.

The government has recognised those who work to keep the UK's energy networks connected as key workers. Along with others providing essential services at this time, we are prioritising safety measures along with continuity of supply and looking after those most vulnerable.

The COVID-19 crisis is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2019.

Due to the complexity of the situation and its fast evolution, it is not possible at this time to make a reliable quantified estimate of the potential impact on the Group, which will be recognised prospectively in the 2020 financial statements. The Group has increased its cash balance from £17 million as at 31 December 2019 to £29 million as at 31 March 2020 by drawing down on existing credit facilities.

# ESP Utilities Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 *(continued)*

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### 22 Post Balance Sheet events (continued)

The Directors continue monitoring the business and taking appropriate steps to address the situation and reduce its operational and financial impact. After reviewing alternative scenarios, the current cash resources, forecasts and budgets, timing of cash flows, borrowing facilities, and considering the associated uncertainties to the Group's operations, the Directors have a reasonable expectation that the Company and Group has adequate resources to continue operating in the foreseeable future. Accordingly, the consolidated financial statements continue to be prepared on a going concern basis (see Note 1).

All the above were considered in the assessment of the impact of COVID-19 in the 2020 operations for which an inherent uncertainty exists given the current facts and circumstances at the date of preparation of these financial statements. Although an impact is anticipated on new connections numbers in 2020 due a temporary halt in work by the major housebuilders during lockdown, the overall conclusion is that such an impact given the current facts and circumstances does not cast a material uncertainty about the ability of the Group to continue as a going concern which is the assumption used for the preparation of these financial statements as per Note 1.

