

ESP Utilities Group Limited

Consolidated Interim Report

Period Ended

30 June 2020

Registered number 02612015

ESPUG Utilities Group Limited

Consolidated Interim Report
For the period ended 30 June 2020

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Directors

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

Secretary and registered office

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

Company number

02612105

Auditors

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

ESP Utilities Group Limited

Consolidated statement of comprehensive income For the period ended 30 June 2020

	6 month period ended 30 June 2020 Unaudited £'000	6 month period ended 30 June 2019 Unaudited £'000	12 month period ended 31 December 2019 Audited £'000
Turnover	37,162	33,749	69,329
Cost of sales	(16,169)	(15,307)	(31,100)
Gross profit	20,993	18,442	38,229
Administrative expenses	(5,572)	(5,552)	(10,299)
Group operating profit	15,421	12,890	27,930
Other interest receivable and similar income	-	1	3
Interest payable and similar charges	(4,819)	(4,443)	(8,993)
Profit on ordinary activities before taxation	10,602	8,448	18,940
Taxation on profit on ordinary activities	(2,083)	(308)	(1,480)
Profit for the financial period and total comprehensive income for the period	8,519	8,140	17,460

ESP Utilities Group Limited

Consolidated balance sheet at 30 June 2020

	30 June 2020 Unaudited £'000	30 June 2020 Unaudited £'000	30 June 2019 Unaudited £'000	30 June 2019 Unaudited £'000	31 December 2019 Audited £'000	31 December 2019 Audited £'000
Fixed assets						
Tangible assets		324,985		286,976		298,401
		<u>324,985</u>		<u>286,976</u>		<u>298,401</u>
Current assets						
Debtors	8,170		8,122		7,608	
Cash at bank and in hand	20,572		18,500		17,140	
	<u>28,742</u>		<u>26,622</u>		<u>24,748</u>	
Creditors: amounts falling due within one year	<u>(26,634)</u>		<u>(29,656)</u>		<u>(26,102)</u>	
Net current assets/(liabilities)		<u>2,108</u>		<u>(3,034)</u>		<u>(1,354)</u>
Total assets less current liabilities		<u>327,093</u>		<u>283,942</u>		<u>297,047</u>
Creditors: amounts falling due after more than one year		<u>(303,821)</u>		<u>(262,761)</u>		<u>(273,373)</u>
Provisions for liabilities		<u>(13,041)</u>		<u>(9,789)</u>		<u>(10,962)</u>
Net assets		<u>10,231</u>		<u>11,392</u>		<u>12,712</u>
Capital and reserves						
Called up share capital		156,426		156,426		156,426
Profit and loss account		(146,195)		(145,034)		(143,714)
		<u>10,231</u>		<u>11,392</u>		<u>12,712</u>

The consolidated interim report was approved by the Board of Directors and authorised for issue on 25 September 2020 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 2020

	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 30 June 2019 Unaudited £'000	Profit and loss account 30 June 2019 Unaudited £'000	Total Equity 30 June 2019 Unaudited £'000	Share capital 31 December 2019 Audited £'000	Profit and loss account 31 December 2019 Audited £'000	Total Equity 31 December 2019 Audited £'000
1 January	156,426	(143,714)	12,712	156,426	(153,174)	3,252	156,426	(153,174)	3,252
Comprehensive income for the period	-	8,519	8,519	-	8,140	8,140	-	17,460	17,460
Profit for the period	-	8,519	8,519	-	8,140	8,140	-	17,460	17,460
Total comprehensive income for the period	-	8,519	8,519	-	8,140	8,140	-	17,460	17,460
Contributions by and distributions to owners	-	(11,000)	(11,000)	-	-	-	-	(8,000)	(8,000)
Dividends paid	-	(11,000)	(11,000)	-	-	-	-	(8,000)	(8,000)
Total contributions by and distributions to owners	-	(11,000)	(11,000)	-	-	-	-	-	-
30 June	156,426	(146,195)	10,231	156,426	(145,034)	11,392	156,426	(143,714)	12,712

ESP Utilities Group Limited

Consolidated statement of cash flows For the period ended 30 June 2020

	6 month ended 30 June 2020 Unaudited £'000	6 month ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
Cash flows from operating activities			
Profit for the financial period	8,519	8,140	17,460
Adjustments for:			
Depreciation and amortisation of fixed assets	4,312	4,779	9,616
Net interest payable/(receivable)	4,818	4,442	8,990
Taxation expense	2,083	308	1,480
(Increase)/Decrease in trade and other debtors	(561)	414	927
Increase/(decrease) in trade creditors	965	574	(1,862)
Profit on disposal of tangible assets	(43)	(31)	(44)
Cash from operations	20,093	18,626	36,567
Interest paid	(4,089)	(3,834)	(7,714)
Taxation paid	-	-	-
Dividends paid	(11,000)	-	(8,000)
Net cash generated from operating activities	5,004	14,792	20,853
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets	51	44	62
Purchases of tangible fixed assets	(31,623)	(16,624)	(34,065)
Interest received	-	1	3
Net cash used in investing activities	(31,572)	(16,579)	(34,000)
Cash flows from financing activities			
Capex loan advanced	-	10,000	20,000
Debt issued	30,000	-	-
Net cash from financing activities	30,000	10,000	20,000
Net (decrease) / increase in cash and cash equivalents	3,432	8,213	6,853
Cash and cash equivalents at beginning of year	17,140	10,287	10,287
Cash and cash equivalents at end of period	20,572	18,500	17,140
Cash and cash equivalents comprise:			
Cash at bank and in hand	20,572	18,500	17,140
Bank overdrafts	-	-	-
	20,572	18,500	17,140

Non cash flow fixed asset reduction of £329,311 (June 2019: additions £326,723; December 2019: reduction £1,491,693) have been accrued in the year.

ESP Utilities Group Limited

Notes forming part of the consolidated interim report For the period ended 30 June 2020

1 Financial Information

The interim financial information for the 6 months ended 30 June 2020 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 2019.

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.

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 2019, together with the unaudited results for the six months ending 30 June 2019.

3 Analysis of Turnover

	6 month ended 30 June 2020 Unaudited £'000	6 month ended 30 June 2019 Unaudited £'000	12 month ended 31 December 2019 Audited £'000
Analysis by class of business:			
Gas transportation	15,344	13,827	28,347
Gas metering	5,004	5,652	11,350
Electricity distribution	16,814	14,270	29,632
	<u>37,162</u>	<u>33,749</u>	<u>69,329</u>

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

4 Debtors

	Group 30 June 2020 Unaudited £'000	Group 30 June 2019 Unaudited £'000	Group 31 December 2019 Audited £'000
Trade debtors	5,425	5,386	6,325
Other debtors	3	44	20
Prepayments and accrued income	2,742	2,692	1,263
	<u>8,170</u>	<u>8,122</u>	<u>7,608</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 2020 (continued)

5 Creditors: amounts falling due within one year

Group	30 June 2020 Unaudited £'000	30 June 2019 Unaudited £'000	31 December 2019 Audited £'000
Trade creditors	16,740	19,995	16,020
Loans due to Group undertakings	2,195	2,195	2,195
Loan note interest due	2,009	1,728	1,795
Taxation and social security	145	252	141
Other creditors	941	646	905
Corporation tax	3	-	-
Accruals and deferred income	4,601	4,840	5,046
	<u>26,634</u>	<u>29,656</u>	<u>26,102</u>

Loans due to Group undertakings are currently attracting interest at a fixed rate of 8% (2019: 8%).
The loan is repayable on demand.

6 Creditors: amounts falling due after more than one year

Group	30 June 2020 Unaudited £'000	30 June 2019 Unaudited £'000	31 December 2019 Audited £'000
Loan notes	251,260	220,054	220,657
Capex loan	20,000	10,000	20,000
Deferred income	32,561	32,707	32,716
	<u>323,821</u>	<u>262,761</u>	<u>273,373</u>

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, 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 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
£85m at 3.35% Senior Secured Tranche C note due 6th October 2037

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

ESP Utilities Group Limited

Notes forming part of the consolidated interim report For the period ended 30 June 2020 (continued)

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

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

Group	30 June 2020 Unaudited £'000	30 June 2019 Unaudited £'000	31 December 2019 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	-	-	-
	<u>2,195</u>	<u>2,195</u>	<u>2,195</u>

7 Financial instruments

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

	Group 30 June 2020 Unaudited £'000	Group 30 June 2019 Unaudited £'000	Group 31 December 2019 Unaudited £'000
Financial assets			
<i>measured at amortised cost:</i>			
Cash at bank	20,572	18,500	17,140
Trade debtors	5,425	5,386	6,325
Other debtors	3	44	20
	<u>26,000</u>	<u>23,930</u>	<u>23,485</u>
Financial liabilities			
<i>measured at amortised cost:</i>			
Trade creditors	16,740	19,995	16,020
Loans due to Group undertakings	2,195	2,195	2,195
Loan note interest	2,009	1,728	1,795
Other creditors	941	646	905
Accrual	4,601	4,840	4,355
Loan notes	251,260	220,054	220,657
Capex loan	20,000	10,000	20,000
	<u>297,748</u>	<u>262,457</u>	<u>267,327</u>

ESP Utilities Group Limited

Notes forming part of the consolidated interim report
For the period ended 30 June 2020 (continued)

8 Capital commitments	30 June 2020 Unaudited £'000	30 June 2019 Unaudited £'000	31 December 2019 Audited £'000
Group			
Contracted but not provided for	130,572	106,362	115,793
	<u> </u>	<u> </u>	<u> </u>
9 Reconciliation of operating profit to EBITDA			
Group	30 June 2020 Unaudited £'000	30 June 2019 Unaudited £'000	31 December 2019 Audited £'000
Group Operating Profit	15,421	12,890	27,930
Add back net depreciation	4,312	4,430	8,915
	<u> </u>	<u> </u>	<u> </u>
EBITDA	19,733	17,320	36,845
	<u> </u>	<u> </u>	<u> </u>

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

11 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.

ESP Utilities Group Limited

Notes forming part of the consolidated interim report
For the period ended 30 June 2020 (*continued*)

12 Covid-19 outbreak

As a transporter of gas and electricity within the UK the Group's ongoing business 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.

As the UK went into lock-down there was a sharp slow-down in construction and therefore asset adoption activity initially. However, since mid Q2 there has been a gradual monthly increase in activity and the Group are now seeing new connections increasing.

Due to the mature nature of our regulated income streams, our levels of profitability and cash flow generation remain in line with original, pre Covid-19 budget.