ESP Utilities Group Limited

Annual Report and Financial Statements

Year Ended

31 December 2021

Registered number 02612105

ESP Utilities Group Limited

Annual report and financial statements
for the year ended 31 December 2021

Contents

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Directors
Anna Dellis
Nick Horler
Simon Lees
Paul Miles
Adam Miller
Stephen Morris
Kevin O'Connor
Bernardo Sottomayor
Vicki Spiers
Yaad Virdee

Secretary and registered office
Beach Secretaries Limited, 1st Floor, Bluebird House, Mole Business Park, Leatherhead, KT22 7BA

Company number
02612105

Auditor

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

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. There have been no changes in the Company's activities in the period under review.

In 2021 the Group launched ESP's water business, which will support our existing customers by adopting water and wastewater networks as part of a multi-utility proposition. As an early mover into the independent water adoption market, this will aid our multi-utility proposition through an additional, regulated revenue stream. This strategy gains further traction as it aligns with the strategies of our customers, who also need to adapt to these regulatory changes.

In March 2022 Ofgem issued consent for Independent Gas Transporters to recover Last Resort Supply Payments. These charges will be a pure pass through cost for the Company from customer to supplier, and will have no net impact on the statement of comprehensive income for 2022 and beyond.

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.

Review of the business

On 21st December 2019 E.S. Pipelines Limited (ESP), an indirect subsidiary of ESPUG Limited, 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 for £18.7m completed on 31 March 2020, with a further £4.7m paid for a second tranche during 2020. In 2021 a third and fourth tranche of assets were purchased totalling £6.8m. The balance relating to part-complete networks and the internal and external order books will be payable over the next 4 years, as assets are built out and transferred to ESP.

These asset purchases together with the Groups ongoing capital expenditure has been funded by ESPUG Finance Limited through the issue of two PP loan notes. The first for £30m at 2.736% which matures on 13 February 2035, and a second £30m at 2.53% maturing 30th June 2036.

The consolidated statement of comprehensive income is set out on page 11 and shows turnover for the period of £88,648,000 (2020: £78,253,000). Profit for the period was £14,681,000 (2020: £17,892,000).

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 873,163 (including 265,685 electricity connections) with a growth of 9.5% in the year, compared to 13.7% in the previous year. 88% of the growth is directly related to the build out of the Group's order book from previous years, with the remaining 12% being connections acquired from Fulcrum Utility Services Limited.

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 2022 are that turnover will continue to grow as the order book for both gas and electricity connections is installed.

Profit decrease was primarily driven by the change in tax rates from 19% to 25% in 2023 and their future impact resulting in a deferred tax charge of £4,241k during the period.

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.

As a transporter of gas and distributor of electricity to predominantly domestic properties there was no impact on the income or costs of the business during 2021 due to Covid-19.

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.

The ownership and operation of gas pipelines represents approximately 39% (2020: 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 Independent Gas Transporters (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.

The Group also operates and maintains meters connected to its gas pipelines. Meter income represents approximately 11% (2020: 13%) 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 50% (2020: 45%) of the Group's revenue; the importance of this market is increasing each year as the market matures and more connections are installed on Independent Distribution Network Operator (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.

The Directors have considered the future of the Groups gas networks in the context of the goal for decarbonisation of heat by 2050 and have concluded that a lack of a clear technology roadmap or a public policy framework means our gas networks will have a useful economic life well beyond 2050. As detailed in the Committee on Climate Change's Net Zero report in May 2020, we believe the future of heat is reliant on a mix of technologies and fuels, with an ongoing role for gas.

The future of heat is uncertain and is dependent on the future development of new and emerging technologies. There is inherent uncertainty in this development and we do not believe that any of these technologies can, in the next 30 years, reach a sufficient scale to replace the need for gas networks.

Directors' duties

The Directors of the Group, as those of all UK companies, must act in accordance with a set if 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 120 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.

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.

Energy and carbon disclosures

All entities within the Group, including ESP Utilities Group Limited are exempt from reporting on energy and carbon as no individual entity has consumption which exceeds the 40,000kWh reporting threshold.

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
Decision to form ESP Water and enter the water adoption market During 2020 the Directors took the decision to form our water business to enter the water adoption market. During 2021 the Board made the decision to further invest in the team to execute on the proposition	
Shareholders	Add to the value of the business through secure long-term increase in revenues.
Employees	Increased profitability provides secure employment prospects.
Suppliers	Enables ESP infrastructure partners to provide a more comprehensive offering to developers, improving their competitiveness in the market.

Decision	Effect
Decision to invest in our electric vehicle charging point proposition The Group has established a growing USP within the electric vehicle charging infrastructure market, partnering with key developers to execute on their rollout plans. During 2021 the Board decided to invest in the Group's commercial team to execute on the rollout plans of our customers.	
Shareholders	Add value to the business through revenues from a growth industry.
Employees	Increased profitability provides secure employment prospects.
Clients	Improves our ability to provide a business partnering service to support them with their roll-out plans.
Suppliers	Supports our infrastructure partners in a growth market, allows us to manage ICP appointment and delivery plan
Environment	Growth of electric vehicle infrastructure encourages environmentally sustainable transport

Decision	Effect
Decision to form employee Values and Behaviours During 2021 the Board decided to implement a series of Values and Behaviours within the business that define how we operate, both internally and with our stakeholders. This was achieved through a collaborative process in employee workshops.	
Employees	Improved marketability of the Group, allowing us to attract and retain team members sharing a clear goal and vision

Going Concern

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

Paul Miles
Director

28 April 2022

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:

Anna Dellis
Nick Horler
Simon Lees
Paul Miles
Adam Miller
Stephen Morris (appointed 25 October 2021)
Kevin O'Connor
Sebastian Schwengber (resigned 18 June 2021)
Bernardo Sottomayor
Vick Spiers
Yaad Virdee (appointed 1 September 2021)

Dividend

A dividend of £24,550,000 was paid during the year (2020: £22,500,000). A dividend of £12,750,000 was received during the year (2020: £22,500,000).

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 (2020: £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.

Directors' indemnities

The Company maintains directors' and officers' liability insurance, which gives appropriate cover for any legal action brought against its directors. The Company has also granted indemnities to each of its directors to the extent permitted by law. Qualifying third party indemnity provisions (as defined in Section 234 of the Act) were in force during the year ended 31 December 2021 and remain in force, in relation to certain losses and liabilities that the directors may incur to third parties in the course of acting as directors or employees of the Company. Neither the Company's indemnity nor its insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

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 Deloitte LLP will be proposed at the next Annual General Meeting.

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

From and on behalf of the Board

Paul Miles
Director

28 April 2022

Directors' responsibilities

The Directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)), including FRS 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 they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the 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.

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of ESP Utilities Group Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 22.

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).

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 Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and UK tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty

We discussed among the audit engagement team including relevant internal specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception

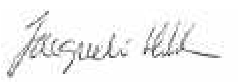
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

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.



Jacqueline Holden FCA Senior statutory auditor
For and on behalf of Deloitte LLP, Statutory Auditor,
London, UK
28 April 2022

ESP Utilities Group Limited

Consolidated statement of comprehensive income
for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	3	**88,648**	78,253
Cost of sales		**(40,644)**	(34,490)
Gross profit		**48,004**	43,763
Administrative expenses (before charge for bad debts)		**(14,946)**	(13,510)
Charge for bad debts		**(1,030)**	-
Total administrative expenses		**(15,976)**	(13,510)
Group operating profit	4	**32,028**	30,253
Interest receivable and similar income		**6**	4
Interest payable and similar charges	7	**(10,796)**	(9,722)
Profit on ordinary activities before taxation		**21,238**	20,535
Taxation on profit on ordinary activities	8	**(6,557)**	(2,643)
Profit for the financial year and total comprehensive income for the year		**14,681**	17,892

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations. There were no items of other comprehensive income in the current and prior year.

The notes on pages 17 to 30 form part of these financial statements.

ESP Utilities Group Limited

Consolidated balance sheet
as at 31 December 2021

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Tangible assets	10		**373,612**		337,597
Current assets					
Debtors	12	**9,974**		8,740	
Cash at bank and in hand		**36,304**		15,496	
		46,278		24,236	
Creditors: amounts falling due within one year	13	**(27,457)**		(25,829)	
Net current assets/(liabilities)			**18,821**		(1,593)
Total assets less current liabilities			**392,433**		336,004
Creditors: amounts falling due after more than one year	14		**(374,164)**		(314,295)
Provisions for liabilities	16		**(20,034)**		(13,605)
Net (liabilities)/assets			**(1,765)**		8,104
Capital and reserves					
Called up share capital	18		**156,426**		156,426
Profit and loss account			**(158,191)**		(148,322)
Equity shareholder funds			**(1,765)**		8,104

The financial statements were approved by the Board of Directors and authorised for issue on 28 April 2022 and were signed on its behalf by:

Paul Miles

Paul Miles
Director

The notes on pages 17 to 30 form part of these financial statements.

ESP Utilities Group Limited

Consolidated statement of changes in equity for the year ended 31 December 2021

	Share capital 2021 £'000	Profit and loss account 2021 £'000	Total equity 2021 £'000	Share capital 2020 £'000	Profit and loss account 2020 £'000	Total equity 2020 £'000
1 January	**156,426**	**(148,322)**	**8,104**	156,426	(143,714)	12,712
Comprehensive income for the year						
Profit for the year	-	**14,681**	**14,681**	-	17,892	17,892
Total comprehensive income for the year	-	**14,681**	**14,681**	-	17,892	17,892
Contributions by and distributions to owners						
Dividends paid	-	**(24,550)**	**(24,550)**	-	(22,500)	(22,500)
Total contributions by and distributions to owners	-	**(24,550)**	**(24,550)**	-	(22,500)	(22,500)
31 December	**156,426**	**(158,191)**	**(1,765)**	156,426	(148,322)	8,104

The notes on pages 17 to 30 form part of these financial statements.

ESP Utilities Group Limited

Consolidated statement of cash flows
for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit for the financial year		**14,681**	17,892
Adjustments for:			
Depreciation, amortisation and impairment of fixed assets	10	**10,047**	9,728
Net interest payable		**10,790**	9,718
Taxation expense	8	**6,557**	2,643
(Increase) in trade and other debtors		**(1,183)**	(1,132)
Increase in trade creditors		**1,057**	921
Gain on disposal of tangible assets		**(51)**	(33)
Cash generated by operations		**41,898**	39,737
Finance costs paid		**(10,571)**	(8,325)
Dividends paid		**(24,550)**	(22,500)
Net cash generated from operating activities		**6,777**	8,912
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**127**	137
Purchases of tangible fixed assets	10	**(46,102)**	(50,697)
Interest received		**6**	4
Net cash used in investing activities		**(45,969)**	(50,556)
Cash flows from financing activities			
Capex loan advanced		-	10,000
Loan notes issued		**60,000**	30,000
Net cash generated from financing activities		**60,000**	40,000
Net increase/(decrease) in cash and cash equivalents		**20,808**	(1,644)
Cash and cash equivalents at beginning of year		**15,496**	17,140
Cash and cash equivalents at end of year		**36,304**	15,496
Cash and cash equivalents comprise:			
Cash at bank and in hand		**36,304**	15,496
Bank overdrafts		-	-
		36,304	15,496

The notes on page 17 to 30 form part of these financial statements.

ESP Utilities Group Limited

Company balance sheet
as at 31 December 2021

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Investments	11		**511,705**		511,705
Current assets					
Debtors	12	**33,118**		45,115	
Cash at bank and in hand		**469**		653	
		33,587		45,768	
Creditors: amounts falling due within one year	13	**(22,906)**		(22,862)	
Net current assets			**10,681**		22,906
Total assets less current liabilities			**522,386**		534,611
Creditors: amounts falling due after more than one year	14		-		-
Net assets			**522,386**		534,611
Capital and reserves					
Called up share capital	18		**156,426**		156,426
Profit and loss account			**365,960**		378,185
Equity shareholder funds			**522,386**		534,611

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 £12,325,000 (2020: £22,098,368 profit).

The financial statements were approved by the Board of Directors and authorised for issue on 28 April 2022

Paul Miles
Director

The notes on pages 17 to 30 form part of these financial statements.

ESP Utilities Group Limited

Company statement of changes in equity
for the year ended 31 December 2021

	Share capital 2021 £'000	Profit and loss account 2021 £'000	Total equity 2021 £'000	Share capital 2020 £'000	Profit and loss account 2020 £'000	Total equity 2020 £'000
1 January	**156,426**	**378,185**	**534,611**	156,426	378,587	535,013
Comprehensive profit for the year						
Profit for the year	**-**	**12,325**	**12,325**	-	22,098	22,098
Total comprehensive profit for the year	**-**	**12,325**	**12,325**	-	22,098	22,098
Contributions by and distributions to owners						
Dividends paid	**-**	**(24,550)**	**(24,550)**	-	(22,500)	(22,500)
Total contributions by and distributions to owners	**-**	**(24,550)**	**(24,550)**	-	(22,500)	(22,500)
31 December	**156,426**	**365,960**	**522,386**	156,426	378,185	534,611

The notes on pages 17 to 30 form part of these financial statements.

1 Accounting policies

ESP Utilities Group Limited is a private company, limited by shares, incorporated in England & Wales under the Companies Act. The registered office is Bluebird House, Mole Business Park, Leatherhead, KT22 7BA.

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 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.

The financial statements have been prepared under the historical cost convention.

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. 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 fifteen 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 an increased impact of Covid-19. Based on the lack of any detriment to the business from Covid-19 during 2021 the Directors do not believe there will be any material financial or operational impact from Covid-19 in the future. As a transporter of gas to predominantly domestic properties the Directors' assessment is that Covid-19 will continue not have a significant impact on either the income or costs of the Company.

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.

1 Accounting policies *(continued)*

On 6 October 2017 ESPUG Finance Limited entered into new loan note agreements to refinance the Group's external debt borrowings. The new facilities consist of lenders providing up to £434m of private loan placements, working capital, capital expenditure and liquidity facilities. The external 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. New asset purchases are initially recorded at cost and subsequently depreciated over their estimated useful life. 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 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

1 Accounting policies *(continued)*

Tangible fixed assets (continued)

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 and released to turnover in 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.

Consideration has been given to the future of the Groups gas networks in the context of the goal for decarbonisation of heat by 2050 and the conclusion is that given recent clear progress in the development of technology to re-purpose the existing gas networks to hydrogen, it is still reasonable to estimate a useful economic life for our gas networks of 60 years. This is in line with other gas network operators.

Investments

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

Employee Benefits

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 has 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.

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.

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. This is a judgemental process which requires estimating 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, the long term growth rate and the discount rate.

In preparing these financial statements, the Directors have determined the following key source of estimation uncertainty:

- Tangible fixed assets are depreciated over their useful lives. 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, Government policy and industry trends are taken into account.

- The most significant area of estimation uncertainty is the Group's use of the discounted cashflow methodology when assessing the parent company's investments where estimates regarding revenue growth and a suitable discount rate are made.

3 Analysis of Turnover

	2021	2020
	£'000	£'000
Analysis by class of business:		
Gas transportation	**34,362**	31,978
Gas metering	**9,539**	10,211
Electricity distribution	**44,028**	35,353
Release of deferred income on third party contributions	**719**	711
	88,648	78,253

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

4 Operating profit

This is arrived at after charging:	**2021 £'000**	2020 £'000
Depreciation of tangible fixed assets	**10,047**	9,508
Fees payable to the Company's auditor for the audit of the Company's annual accounts		
Fees payable to the Company's auditor for other services to the Group:	**8**	6
- The audit of the Company's subsidiaries pursuant to legislation	**161**	122
Operating lease – land and buildings	**232**	232
Operating lease – other operating leases	**27**	-

5 Employees

Group	**2021 £'000**	2020 £'000
Staff costs (including Directors) consist of:		
Wages and salaries	**6,140**	4,953
Social security costs	**740**	578
Cost of defined contribution pension scheme	**477**	385
	7,357	5,916

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

	2021 Number	2020 Number
Gas	**66**	53
Electricity	**39**	35
	105	88

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

Group	**2021 £'000**	2020 £'000
Directors' emoluments	**2,181**	1,820
Group contributions to money purchase pension schemes	**115**	80

There were seven paid directors during the period (2020: eight). The remuneration of the highest paid director who served during the period was as follows:

	2021 £'000	2020 £'000
Directors' emoluments	**777**	608
Group contributions to money purchase pension schemes	**-**	-

6 Directors' remuneration (continued)

Company

The Directors received no remuneration or fees in respect of their services to the Company for the year ended 31 December 2021 (2020: nil). The Directors are considered to be the only key management personnel.

7 Interest payable and similar charges

	2021	2020
	£'000	£'000
Group loan interest	**174**	174
Loan note interest	**10,622**	9,548
	10,796	9,722

8 Taxation on profit on ordinary activities

	2021	**2021**	2020	2020
	£'000	**£'000**	£'000	£'000
UK corporation tax				
Current tax on profits of the year		**128**		-
Adjustment in respect of previous periods		-		-
Total current tax		**128**		-
Deferred tax				
Deferred tax current period	**2,534**		1,362	
Effect of changes in tax rate	**4,242**		(8)	
Deferred tax prior period	**(347)**		1,289	
		6,429		2,643
Total tax charge		**6,557**		2,643

Legislation to increase the UK standard rate of corporation tax from 19% to 25% from 1 April 2023 was enacted in the period to 31 December 2021. UK deferred tax balances at 31 December 2021, have been calculated at 19% or 25% depending upon when the balance is expected to unwind.

For further information on deferred tax balances see note 16.

8 Taxation on profit on ordinary activities (continued)

Tax reconciliation

The current tax charge for the period is higher (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below.

	2021	2020
	£'000	£'000
Profit on ordinary activity before tax	**21,238**	20,535
Current tax at 19% *(2020: 19%)*	**4,037**	3,911
Effects of:		
Expenses not tax deductible	**104**	52
Prior year adjustment – deferred tax	**(347)**	(8)
Group relief claimed for nil consideration	**(2,112)**	(2,525)
Effect of change in tax rate	**4,850**	1,288
Deferred tax not recognised	**(2)**	(39)
Other tax adjustments, reliefs and transfers	**27**	(36)
	6,557	2,643

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 £12,325K (2020: £22,098K).

10 Tangible fixed assets

Group	Electricity & Gas Networks £'000	Meters £'000	Fixtures, fittings, tools and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2021	371,005	31,145	3,660	392	406,202
Additions	41,965	2,872	618	683	46,138
Disposals	-	(1,616)	(49)	(251)	(1,916)
At 31 December 2021	**412,970**	**32,401**	**4,229**	**824**	**450,424**
Depreciation					
At 1 January 2021	55,492	10,568	2,367	178	68,605
Provision for year	7,446	2,146	306	149	10,047
Disposals	-	(1,616)	(49)	(175)	(1,840)
At 31 December 2021	**62,938**	**11,098**	**2,624**	**152**	**76,812**
Net book value					
At 31 December 2021	**350,032**	**21,303**	**1,605**	**672**	**373,612**
At 31 December 2020	315,513	20,577	1,293	214	337,597

The PP loan notes in the immediate holding company, ESPUG Finance Limited, are secured by an All Assets charge over the assets of the Group.

11 Fixed asset investments

Company

	Investment in subsidiaries £'000
Cost	
At 1 January 2021 and at 31 December 2021	511,705

11 Fixed asset investments (continued)

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
*ESPUG Finance Limited**	*England & Wales*	*100%*	*Finance & holding company*
E.S. Pipelines Limited	*England & Wales*	*100%*	*Gas transport*
ESP Connections Limited	*England & Wales*	*100%*	*Gas transport*
ESP Networks Limited	*England & Wales*	*100%*	*Gas transport*
ESP Pipelines Limited	*England & Wales*	*100%*	*Gas transport*
ESP Electricity Limited	*England & Wales*	*100%*	*Independent distribution network operator*
Gas Newco 1 Limited	*England & Wales*	*100%*	*Gas transport*
*ESP Water Limited***	*England & Wales*	*100%*	*Water company*
*ESP Water Retail Limited***	*England & Wales*	*100%*	*Water company*

*Directly owned
** Non trading

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

12 Debtors

	Group 2021	Group 2020	**Company 2021**	Company 2020
	£'000	£'000	**£'000**	£'000
Trade debtors	**8,317**	7,385	**-**	-
Amounts owed by Group undertakings	**-**	-	**32,579**	44,579
Other debtors	**53**	32	**10**	13
Prepayments and accrued income	**1,604**	1,323	**17**	11
Deposits	**-**	-	**-**	-
Group relief recoverable from fellow subsidiaries	**-**	-	**512**	512
	9,974	8,740	**33,118**	45,115

All debtors are due within one year.

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.

13 Creditors: amounts falling due within one year

	Group 2021 £'000	Group 2020 £'000	**Company 2021 £'000**	Company 2020 £'000
Trade creditors	**12,864**	12,924	**-**	-
Loans due to Group undertakings	**2,195**	2,195	**2,195**	2,195
Loan interest due	**2,102**	1,986	**-**	-
Other amounts owed to Group undertakings	**-**	-	**20,650**	20,650
Taxation and social security	**182**	146	**-**	-
Other creditors	**778**	1,476	**-**	-
Accruals and deferred income	**9,208**	7,102	**61**	17
Corporation tax	**128**	-	**-**	-
	27,457	25,829	**22,906**	22,862

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

14 Creditors: amounts falling due after more than one year

	Group 2021 £'000	Group 2020 £'000	**Company 2021 £'000**	Company 2020 £'000
Deferred income	**32,193**	32,432	**-**	-
Loan notes	**311,971**	251,863	**-**	-
Capex loan	**30,000**	30,000	**-**	-
	374,164	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 treated as deferred income and released to turnover in the statement of comprehensive income, over the useful life of the related assets.

During the year two addition loan notes were issued for £30m in May 2021 and a further £30m in June 2021. 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 October 2027
£85m at 3.05% Senior Secured Tranche B note due 6 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 6 October 2037
£30m at 2.736% Senior Secured note due 13 May 2041

No amounts were drawn down against the £100m capital expenditure facility during 2021, total amount drawn down is £30m. Interest is payable at Sonia +1.62%. The balance is repayable on 8th October 2026.

15 Financial instruments

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

	Group 2021 £'000	Group 2020 £'000
Financial assets		
measured at amortised cost:		
Cash at bank	**36,304**	15,496
Trade debtors	**8,317**	7,385
Other debtors	**53**	32
Deposits	**-**	-
Financial liabilities		
measured at amortised cost:		
Trade creditors	**12,864**	12,924
Loans due to Group undertakings	**2,195**	2,195
Loan note interest	**2,102**	1,986
Other creditors	**778**	1,476
Accruals	**8,501**	5,548
Loan notes	**311,971**	251,863
Capex loan	**30,000**	30,000

16 Provisions for liabilities

Group	Deferred taxation 2021 £'000	Deferred taxation 2020 £'000
At 1 January	**13,605**	10,962
Charged to profit or loss	**6,429**	2,643
At 31 December	**20,034**	13,605

Deferred tax liabilities - Group

	2021 £'000	2020 £'000
Difference between accumulated depreciation and amortisation and capital allowances	**20,817**	14,137
Other timing differences	**(783)**	(532)
	20,034	13,605

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

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 £477,000 (2020: £385,000). The balance outstanding at year end was £nil (2020: £nil).

18 Share capital

	2021	2020
	£'000	£'000
Authorised		
160,000,000 ordinary shares of £1 each	**160,000**	160,000
Allotted, called up and fully paid		
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:

	2021	2020
	£'000	£'000
Land & Buildings		
Not later than 1 year	**232**	232
Later than 1 year and not later than 5 years	**755**	928
Greater than 5 years	**-**	59
Total	**987**	1,219

	2021	2020
	£'000	£'000
Other Operating Leases		
Not later than 1 year	**27**	-
Later than 1 year and not later than 5 years	**25**	-
Later than 5 years	**-**	-
Total	**52**	-

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

20 Capital commitments

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Contracted but not provided for	**177,793**	145,874	**-**	-

Capital commitments are in respect of electricity and gas networks capital expenditure contracted but not provided for as at 31 December 2021.

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 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. 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

In March 2022 Ofgem issued consent for Independent Gas Transporters to recover Last Resort Supply Payments. These charges will be a pure pass through cost for the Company from customer to supplier, and will have no net impact on the statement of comprehensive income for 2022 and beyond.