ZOOM HOLDING LIMITED

2021 Annual Report & Accounts

CONTENTS

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

OTHER INFORMATION

STRATEGIC REPORT

GROUP SNAPSHOT

ESP UTILITIES GROUP

Turnover
£88.6m
£78.3m in 2020

£26.1m
Operating profit
£24.3m in 2020

Connections
873,000
2020: **797,000**

EV charging capacity[1]
13.2mVa
2020: **5.0mVa**

EV charging capacity in orderbook[2]
232.0mVa
2020: **24.4mVa**

268,000
Connection orderbook
2020: **263,000**

116
Employees
2020: **92**

3 RIDDOR incidents
Zero in 2020

[1] 13.2mVa of EV charging capacity is equivalent to 23.2 million EV miles driven per year (2020: 5.0mVa is equivalent to 8.8 million EV miles)
[2] 232.0mVa of EV charging capacity is equivalent to 406.5 million EV miles driven per year (2020: 24.4mVa is equivalent to 42.7 million EV miles)

BUSINESS MODEL & STRATEGY

Under the ESP brand, Zoom Holding Limited and its subsidiaries (the "Group") is the UK's second largest owner and operator of independent residential, industrial and commercial multi-utility energy networks.

We operate a business model focussed on regulated revenue streams generated from long life assets, highlighted by; continued growth in our residential connections, an increasing portfolio of Industrial and Commercial connections, and a strong orderbook. This being delivered despite operating in another Covid-19 impacted year.

The Group does not build new networks, instead purchasing completed connections from accredited Utility Infrastructure Providers (UIPs) and Independent Connection Providers (ICPs), partnering to ensure the adoption of safe, quality networks. As the network owner and operator, the Group is responsible for maintaining the network, and repairing any faults that cause interruptions to supply as quickly and safely as possible. Revenue is generated from utility providers who then pay a monthly income per connection to the Group for use of the 'last mile' of infrastructure.

We have a proven entrepreneurial history of proactively adapting to market conditions to strengthen the resilience of the business, achieved through strategy diversification. On top of our traditional strength in residential adoption, we have broadened our Industrial and Commercial proposition, particularly through the development of a number of Electric Vehicle (EV) opportunities. Additionally, during 2021, we established our water network adoption business, ESP Water, with our first connections anticipated in 2022.

Our business model can be summarised through the Group's **Vision**, delivering on our **Mission**, which is achieved through our **Delivery**.

Vision

Be the adopter of choice for gas, electricity and water networks

Mission

Delivering strong and reliable results for our investors, being consumer and customer focussed whilst maintaining safe, accountable and ethical working practices

Delivery

- Developing and supporting our people
- Understanding, influencing and adapting to our markets
- Adhering to and influencing our regulatory environment
- Adopting best in class systems and processes

To support our Vision and Mission, we have developed a set of Values and Behaviours that drive what we do and how we do it. These are:

Be **Excellent**
Be **Transparent**
Be **Ambitious**
Be **Respectful**
Be **Collaborative**

These are discussed in further detail in the Stakeholder engagement section of this report on page 27.

CHAIRMAN'S STATEMENT

I am pleased to introduce our 2021 annual report. 2021 has shown the resilience of the Group as we have continued to meet the challenges of operating during the Covid-19 pandemic. I would like to take this opportunity to thank our employees, customers, consumers and service providers, and express my best wishes to those that have been affected by the pandemic.

In a year where the market has been impacted by a number of macro events, including; the pandemic, challenging weather conditions, and fluctuating energy prices that have resulted in the failure of some energy suppliers, the Group has continued to show its strength through maintaining market share in the residential sector and growing its Industrial and Commercial (I&C) business. Decisions of the Board to invest in water, grow our Industrial and Commercial proposition, and the execution of this strategy by our team members, have put the Group in a strong position for further future growth.

The future of gas

The UK devolved Governments continue to target net zero emissions, permitting no new residential gas connections from 2024 in Scotland and 2025 in England and Wales. This is a complex policy area which will be the subject of further consultation in 2023, and legislation to implement these changes has not yet been finalised. The Group continues to seek clarity from Government on the precise timing of the ban on new gas connections. Further details are provided in the Market and regulatory trends section of this report. This represents a key challenge to the Group, which is addressed in the Chief Executive's review.

Board structure and governance

Our strong corporate governance process is overseen by the Board, which includes three Shareholder Directors, two Executive Directors and an independent Chairman. We have established committees that oversee audit and risk, and remuneration, of which further details can be found in the Corporate Governance section of this report. I would like to extend a warm welcome to Yaad Virdee, who joined the Board during the year.

Investing in the future

The Group continues to invest in the training and development of its employees. During 2020 we introduced the Step Up programme, aimed to support high potential employees with career progression and development. I am pleased that the 2020/21 cohort was a resounding success, with 2022 seeing the start of the second cohort of the programme. I am also excited to introduce the Group's Values and Behaviours, developed during the year, which will define our culture, underpinning our performance driven mindset. This is further explored within the Stakeholder engagement section of this report. The Board recognises that the rising cost of living has and will continue to impact our team members, and we have brought forward and increased our annual salary review to address this.

The Group is committed to moving to a low carbon future and continues to strive towards operating in an environmentally positive way. During 2021 we continued to work with operators of electric vehicle chargers that will help establish the UK's

charging infrastructure, reducing reliance on non-renewable fossil fuels. We also continue to replace our company car fleet with electric or hybrid vehicles, recognising the positive impact this will have on our environment.

Outlook

The Group's strong business model, underpinned by regulated revenue streams and a good connection orderbook, coupled with a growing I&C and water offering, put the Group in a resilient position to thrive in the current market. The recovery of the UK economy is hard to predict and continues to create ongoing challenges within the utilities infrastructure market. Nevertheless, I remain confident that through the positive, accountable and proactive nature of our employees, that we will continue to adapt to market change and execute on our strategy to deliver sustained growth.

Nick Horler
Chairman

MARKET AND REGULATORY TRENDS

ESP UTILITIES GROUP

Market Trends

Residential new build market and demand for assets

Demand for new home utility connections, although impacted by Covid-19 and Brexit related supply chain challenges, remained healthy throughout 2021. Larger developers, in particular, have put in place resilient supply chain solutions and have continued to develop new sites at pace. The Government's target to build 300,000 new homes per annum remains in place, and although there are some challenges, particularly with planning constraints and delays, the underlying growth drivers persist.

The Group is well placed to take advantage of residential market activity increase as the economy emerges from the Covid-19 pandemic. Investments in and developments of the residential proposition and strategy have been timely, and we are moving to capitalise on our position as an early mover in independent water adoption.

Further investments in customer service, including the customer portal, have served to cement our position as the adopter of choice for a large part of the market. Technical support, ease of working and guaranteed payment continue to be key features which set our proposition apart.

Demand for EV charging infrastructure

The rise of EV is driving a high volume of growth for charging infrastructure as both traditional fossil fuel operators and new charge point operators compete in a race to establish charging brands and footprint across the UK.

The EV proposition has been successful in attracting and retaining a wide range of operators who intend to connect their existing estates and target new charging sites over the coming five to ten years. Early investment into team structure, processes, systems and capability is paying dividends, with sustained market penetration.

Demand for industrial and commercial connections

Demand for new warehouse space, together with new data centre capacity, continues to grow. The Group is well placed to take advantage of the market growth with established credentials and a strong proposition. Recent data centre contract awards, including one of the largest data centres to be connected in the UK, together with awards for some of the leading distribution centre operators, mean that the industrial and commercial connections sector continues to be a rich seam for the Group.

Regulatory Trends

The regulatory landscape

The Group operates its businesses under licences granted by the relevant sectoral regulators in Great Britain: the Office of Gas and Electricity Markets (Ofgem) for its gas and electricity networks, and in addition the Group has obligations to the Health and Safety Executive for management of safety issues in network operations. When we adopt our first water network we will operate our water business under license from the Water Services Regulation Authority (Ofwat), with obligations to the Drinking Water Inspectorate (DWI) for water quality issues, Market Operator Services Limited (MOSL – the market operator for non-household water), and the Consumer Council for Water (CCW). The Group actively manages its compliance with all licence requirements and regulatory obligations via a 'three lines of defence model' including reporting to the Executive Team and Board. The Group takes a proactive approach with its regulators and has regular dialogue on matters pertaining to its licences as well as broader issues impacting the sector, both bilaterally and via its trade association, the Independent Networks Association (INA).

Regulation is of crucial importance to the Group as it dictates how it carries out its business in terms of necessary actions which require compliance and processes which need to be followed when undertaking certain activities. Furthermore, the Group's revenue is predominantly determined in accordance with methodologies subject to regulation. Therefore, maintaining a strong understanding of regulatory change is key to ensuring that the business is well placed to react to regulatory change proposals which will impact future revenue expectations.

2021 regulatory challenges

The utilities market has undergone considerable upheaval over the last year, with a record number of energy suppliers becoming insolvent or entering administration due to a global spike in natural gas prices. The Supplier of Last Resort (SoLR) process which Ofgem instigates ensures that consumers are guaranteed continuity of supply. As a licenced network operator, the Group is able to minimise losses caused by supplier insolvencies as a result of industry wide mutualisation schemes for the recovery of network charges, however there has been a minimal short-term cashflow impact whilst the charges due are recovered. Further, the Group has been constructively engaging with Ofgem to ensure that charges are able to be recovered by IDNO and IGT businesses in a fair and equitable manner with the incumbent DNO and GDN businesses, and that IDNO and IGT businesses do not gain any material advantages from these mutualisation processes, given they have never been tested to the level that we have experienced over the past year. In early 2022 Ofgem issued consent for IGTs and IDNOs to recover last resort supplier payments, which are a pure pass-through for the Group from consumer to supplier which will have no net impact on profit to the Group in 2022 or beyond.

MARKET AND REGULATORY TRENDS CONTINUED

Regulatory change

There are two principle regulatory changes presently facing the Group :

- Ongoing reforms to electricity distribution network charging and access being considered by Ofgem
- The trajectory for the planned phasing out of new connections to the gas grid for residential properties

Electricity distribution network charging and access

Ofgem's regulatory change programme regarding electricity network charging and access, which commenced in earnest in December 2018, is approaching its latter stages. This provides relative clarity to the Group moving forward. The emerging position that Ofgem appears to be advocating will be that network reinforcement costs triggered by new (or upgraded) connections will be socialised across all DUoS customers within each DNO region. This is subject to an overall expenditure limit on an individual connection basis, alongside retaining the requirement for newly connected users to self-fund any sole-use network assets. Implementation of these measures is currently planned for April 2023, and once implemented, we expect that this will result in a marginal increase to DUoS revenues compared to the status quo. Further, Ofgem is minded to introduce new connection choices for larger users, such as enabling a newly connecting customer to voluntarily restrict their usage, based either on time of day or in response to increased demand on the network. This would allow connections to be made more quickly as less reinforcements would be required to accommodate the new connection. However, it remains unclear what relationship these new connection choices may have on DUoS revenues. In addition, Ofgem has consulted on its intention to review the DUoS charging regime more generally, with a view to implementing any necessary changes from April 2024.

Throughout 2022 we will understand with greater clarity the impact of the RIIO-ED2 process to set electricity distribution network price controls on our licenced electricity networks, including any enhanced targets, reporting requirements or new licence conditions which may arise, as well as the impact on the expected financial performance of the business over the applicable price control period 2023-2028.

Future of gas

The UK Government has announced its intention that in England and Wales no new residential gas connections should be permitted from 2025 onwards, in order to meet its legally binding net zero targets. The current timetable set out to confirm this involves a consultation in 2023, with the result and decision regarding the permissibility of new gas connections from 2025 being finalised in 2024. The Scottish Government has confirmed that any property with a building warrant issued from 2024 must use zero emissions heating, ensuring no new gas connections are permitted.

The risks and impact to the business of these regulatory changes are considered in further detail in the Chief Executive's review on page 9 and Principal risks and mitigations within the Risk report on page 13.

CHIEF EXECUTIVE'S REVIEW

Echoing the sentiments of our Chairman, I would like to extend my thanks and appreciation to all employees of the Group.

During 2020 and 2021 we have faced and adapted to unprecedented challenges from a global pandemic, through our commitment, determination and collaborative approach. As a business, we have adopted new, flexible, ways of working and we have supported our colleagues to balance responsibilities at home and work. Through these challenges, we have become a stronger and more resilient business.

The Group has performed well during the year, seeing year on year growth in turnover, operating profit and connection numbers. Despite another pandemic impacted year in the house-building market, the Group's orderbook remains strong and a clear indicator of ongoing growth of the business.

Established and resilient business model

Through a challenging marketplace in 2021, the Group's business model has ensured continued growth through the year. The Group's revenue is mainly from regulated revenue streams, and as a transporter of gas and electricity to predominantly domestic properties there was minimal impact on the income or costs of the business during 2021 due to Covid-19. As highlighted in Market and regulatory trends, the utility providers that use our networks have faced a challenging end to 2021 through a global spike in natural gas prices, yet despite this, the impact to the Group has been minimal.

We have considered the impact to the Group of the current war in Ukraine, however, as the Group is not a gas wholesaler, we anticipate no impact to the business's turnover or cost base. There may be macro-economic impacts to the market through availability of materials and uncertainty impacting the UK economy – these are considered within the Market risk and mitigation report.

The Group's strategy is to drive growth through increasing connection numbers, and to achieve this, the Group delivers a customer focussed culture in the business. We partner with our customers: the Utility Infrastructure Providers (UIPs), Independent Connection Providers (ICPs) and now, Self Lay Providers (SLPs) that build the networks we adopt, to provide technical guidance and support, competitive and sustainable asset values, and excellent service. We have invested in the year in customer service, including our customer portal, which has strengthened our customer proposition.

The financial strength of the business is underlined by our continued ability to raise further debt to support sustained growth. Our lenders have extended our loan facilities by £60m during the year to further support the growth in our business.

Adapting to market and regulatory change

The phasing out of new connections of gas heated residential properties, announced to commence in 2024 in Scotland shortly followed in 2025 in England and Wales, will have a significant impact on utilities infrastructure in the UK. Through strategy diversification, the Group has taken strides in recent years to adapt to this necessary regulatory change. However, we do anticipate there being a phased transition that will extend beyond the Government's target, and we are planning for this accordingly to ensure we have the necessary capabilities to continue to win, adopt and maintain gas networks. Our gas networks are built using modern materials that

can be repurposed to transport hydrogen gas, ensuring flexibility of use should traditional gas be phased out in the future.

In 2021 the Group launched ESP Water, 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 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.

During 2021 the Group further developed its industrial and commercial proposition through investment in team structure, processes, systems and capability. This is reaping particular rewards in our EV proposition, where the Group is well placed to support a number of national charge point operators in rolling out their charging networks. This sector will see significant growth in coming years as vehicle manufacturers move away from traditional fossil fuel engines, and the Group is well placed for this growth.

CHIEF EXECUTIVE'S REVIEW CONTINUED

Sustained growth

The Group continues to grow its gas and electricity networks: gas connections increased by 39,964 (7.0%) during the year to 607,478 and electricity increased by 36,374 (15.9%) to 265,685. Future network growth is driven through delivery of the Group's orderbook and through winning new connections. Our orderbook has increased slightly through 2021, and ends the year at 267,536 gas and electricity connections. Further details of the Group's financial performance during 2021 and its position at year end are included in the Operational and financial performance section of this report.

Gas connections

increased by

39,964

Electricity connections

increased by

36,374

Sustainability and environmental matters

The Board are focussed on improving the impact the business has on its environment, albeit the Group's activities do not have any specific direct environmental impacts. The Group owns a number of company vehicles used by employees for necessary visits to assets and customers - the majority of the fleet are now electric or hybrid vehicles and it is Group policy that all new vehicles or replacements are electric or hybrid.

The Group has identified a local charity based in the South-East of England, close to our office, to be the focus of corporate donations and staff fundraising. Transform Housing and Support provides housing, support and homecare services, enabling people to reach their goals and live independent and fulfilling lives.

The Group is a member of GRESB, the global ESG benchmarking process for real estate and infrastructure investments. Whilst we made strides with our GRESB rating in 2021, there is further room for improvement that we expect to see in future ratings. Further information on our GRESB policies are in the Sustainability section of this report.

This year the Group has designed its annual report in a format conducive to on-screen viewing ahead of physical printing, and we encourage readers to consider the impact on the environment when considering whether to print this report.

Outlook

The performance of the business during 2021 and position at year end give me confidence that we will continue to deliver consistent results for our investors.

Looking further ahead, the wider strategic direction of the Group remains unchanged and is aligned with our vision of being the adopter of choice for gas, electricity and water networks. We will continue to adapt to our market, diversify and strengthen the business, whilst remembering that the key to our success is ongoing support and development of our employees, productive relationships with our customers, and delivering exceptional service to our consumers.

Kevin O'Connor
Chief Executive Officer

DIRECTORS' DUTIES AND KEY DECISIONS

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 ("the Act") 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 members 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
- The need to act fairly as between members 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.

When making business decisions, the Directors consider the broader implications to the Group's stakeholders, aiming to align the impact of the decision to stakeholder interests. Further detail on the Group's stakeholders is provided on page 24.

Key decisions made in the year

Decision	Effect
1. Decision to further develop our water team	During 2020 the Directors took the decision to form ESP Water 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 value to the business through secure long-term increase in revenues.
Employees	Increased profitability provides secure employment prospects.
Suppliers	Enables infrastructure partners to provide a more comprehensive offering to developers, improving their competitiveness in the market.

Decision	Effect
2. 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.
Customers	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.
Environment	Growth of electric vehicle infrastructure encourages environmentally sustainable transport.

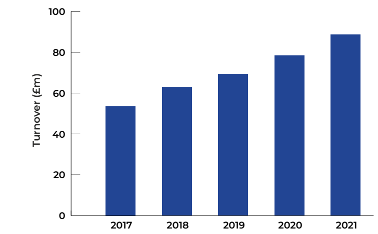
Decision	Effect
3. Decision to develop employee Values and Behaviours	During 2021 the Board decided to implement a series of Values and Behaviours within the business that define how we operate, both internally and with our stakeholders. This was achieved through a collaborative process in employee workshops.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

KEY PERFORMANCE INDICATORS

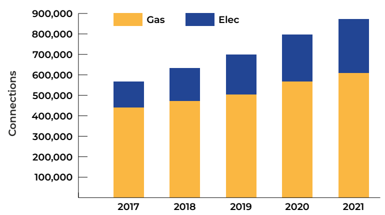
ESP UTILITIES GROUP

We use Key Performance Indicators to measure success of the Group:

Strategy & Objective	KPI & calculation	KPI	Commentary
Strong financial performance Operate a profitable business, with year-on-year turnover and operating profit growth	Turnover	**£88.6m** (2020: £78.3m)	Turnover growth has largely been driven by increased connection numbers across gas and electric networks, for both residential and I&C. The consistency of growth highlights the resilient business model of the Group.
	Operating profit	**£26.1m** (2020: £24.3m)	Turnover growth has been translated into increased operating profit. During 2022 we have invested in our I&C and water teams to execute on our residential and I&C orderbook.



Strategy & Objective	KPI & calculation	KPI	Commentary
Sustained growth Grow the Group's share of network coverage through year-on-year connection growth	Connections – number of new gas, electricity and water connections energised at year end	**873,163 connections** (2020: 796,825)	Impact of Brexit and Covid-19 on housebuilding industry has slowed the number of new connections during 2021.
	Orderbook – number of new gas, electricity and water connections won, yet to be connected	**267,536 connections** (2020: 262,913)	Maintaining a strong connection orderbook, that will be realised over a number of future years, underlines the strength of the business.



Strategy & Objective	KPI & calculation	KPI	Commentary
Sustainability Operate the business in a sustainable manner whilst encouraging business growth	Electric vehicle mileage capacity – electric vehicle energised and orderbook charging load at the end of the year	**Energised:** 13.2mVa (2020: 5.0mVa) **Orderbook:** 232.0mVa (2020: 24.4mVa)	Growth in our EV network highlights the Group's focus on electricity networks that support the UK's environmental focus, whilst also highlighting the growth during 2021 of our I&C proposition.

RISK REPORT

RISK MANAGEMENT

Consideration of risk is an integral part of how the Group operates on a daily basis. The Group maintains a risk register of key current risks impacting the business and an authority matrix that documents escalation and approval of risks. Both are monitored and reviewed by the Board and Executive Team on a regular basis.

The Group's risk methodology employs four steps to manage risk:

1. Identify - risks arising from day-to-day operations and business activities are managed at departmental level, with inclusion on the Group Risk Register reserved for the most significant strategic issues. Continuous monitoring of legislative, regulatory and market changes to identify new risks to the business is carried out as part of normal business activity.

2. Analyse - all changes are assessed against their likelihood of occurring and the impact to the business should they materialise. These figures are multiplied to give an overall risk score.

3. Prioritise - all risks are reviewed with the highest scoring risks receiving greatest effort in terms of mitigating actions.

4. Treat - risks and the progress of their respective mitigating actions are reviewed monthly in the business, quarterly at the Executive Committee and twice yearly by the Board.

Compliance with Health & Safety Requirements as well as our Regulatory Licence Obligations are managed through monthly reporting to the Executive Committee and are reviewed quarterly by the Board.

All employee's are informed and made aware of our risk management processes with many involved formally through day-to-day operations. Throughout the Covid-19 pandemic, employees have been consulted and informed of all steps taken to mitigate the risks to staff and visitors, whilst maintaining safe and reliable business processes.

ESP UTILITIES GROUP

PRINCIPAL RISKS AND MITIGATIONS

Risk	Description	Mitigation	Change
Regulatory environment – future of gas	The UK Government's stated target is no new residential gas connections after 2025, leading to the uncertainty of future gas connections and reduced growth levels. The decarbonisation of home heating could lead, in the next few decades, to gas assets becoming stranded, with no funding mechanism to recover asset investment.	The Group has established a strong electricity I&C proposition and diversified into water network adoption. The Group's gas networks are made of modern materials and can be repurposed to transport hydrogen for gas blends up to 100% hydrogen. Any cessation of gas connections will result in increased electricity demand. The Group is engaged with stakeholders within the industry, including GDNs, housebuilders and trade associations, Ofgem and MPs.	=
Competitive environment	Our business strategy relies on the ability to increase our connections whilst keeping costs low. The markets in which we operate are competitive, with threats from: • new entrants into the market • aggressive pricing from competitors • successful entry into the water market from a competitor • collapse or acquisition of a UIP, ICP or SLP reducing the addressable market Coupled with our own inaction, this could have a significant and adverse impact on future investment returns.	The Group continually focusses on providing competitive pricing combined with excellent levels of service to our customers and partners. We support our partners to develop market share in target regions. We also identify and develop new partners to reduce individual customer reliance. To support our customers and strengthen their offering to developers, the Group has established a strong I&C proposition. We are an early investor into the water network adoption market and have invested in experienced personnel to grow this business.	=
Regulatory environment – price changes	A significant portion of the Group's revenue is regulated by Ofgem. Changes in charging methodologies from future price control reviews, or from future fuel price changes, could lead to uncertainty around future revenues.	The Group takes a leading role in industry bodies to remain informed and ensure that the interests of the industry are represented effectively. Assumptions on future pricing changes are regularly monitored and factored into the financial modelling of the business.	=

Key = No change + Risk increased - Risk decreased

ESP UTILITIES GROUP

PRINCIPAL RISKS AND MITIGATIONS

Risk	Description	Mitigation	Change
Cyber security threat	Financial or reputational damage could be caused by cyber attacks or IT system flaws.	Our documented security plan includes a cyber incident response plan and disaster recovery systems plan, and we undertake phishing awareness training supplemented by simulated attacks. We maintain information security certification.	+
Macro-economic factors	Successful delivery of the growth strategy is reliant on the buoyancy of the UK new housing market, with a slow-down for an extended period likely to have a detrimental impact on wins and lower returns due to increased competition in a smaller market. The recent war in Ukraine could have an impact on the UK new housing market through availability of materials and market uncertainty impacting the economy.	Whilst there may be a delay in growth plans, ultimately the UK has growing requirement for more new homes than are currently being built. Our growing I&C proposition reduces reliance on the residential market.	+
Increased cost of living	Through macro-economic factors, the cost of living increases that have impacted the UK economy in late 2021 into 2022 could continue, raising the operating cost base of the Group through higher personnel costs and higher operating costs.	In March 2022 the Board announced cost of living salary increases to support its staff, and brought forward the effective date of those increases. The Group has a robust budgeting process and going concern assessment that incorporates sensitivities in a range of variables, including operating costs.	+
Health and safety	The health and safety of our employees, subcontractors, suppliers and customers is of paramount importance to us. Major incidents on our networks including outages and faults could lead to harm to individuals, reputational damage, financial penalties, prosecution or change of regulatory status.	The Group has revised its comprehensive health and safety strategy, which includes bringing safety to the forefront of our culture, measuring safety performance and strong risk management procedures.	=

Key	= No change	+ Risk increased	- Risk decreased

RISK REPORT CONTINUED

ESP UTILITIES GROUP

GOING CONCERN

The Group's financial statements have been prepared on a going concern basis, notwithstanding that for the year ended 31 December 2021 the Group is loss making and at year end had net liabilities of £201.5m (2020: £192.4m). Within net liabilities the Group's non-callable shareholder loans are £270.1m (2020: £272.1m). These are listed on the Channel Islands Stock Exchange and incur interest at 8% and 12%.

The Group is further financed by long-term bank loans. The Directors have concluded that the Group will be able to operate within its current facilities and comply with its covenants for the foreseeable future.

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, including stress testing of the forecasts. The Directors have considered the impact of macro-economic factors, including the impact of the Covid-19 pandemic, the UK housing market, increased cost of living and war in Ukraine. Based on the lack of any significant detriment to the business from Covid-19 during 2020 and 2021, the Directors do not believe there will be any material financial or operational impact from Covid-19 in the future.

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

OPERATIONAL AND FINANCIAL PERFORMANCE

ESP UTILITIES GROUP

Overview

Through a challenging market the Group has shown its resilience, achieving another year of strong growth in turnover and operating profit, key performance indicators for the Group. Continued investment in network acquisitions has seen our turnover increase by 13.3%, from £78.3m in 2020 to £88.6m in 2021, and operating profit increase by 7.7% over the same period, from £24.3m to £26.1m.

The increase in turnover has been predominantly driven by our installed connection numbers increasing from 2020 to 2021; up by 9.6% from 796,825 to 873,163. Our connections orderbook of 267,536 connections further highlights the stability of our expected growth.

Growth in residential connections was undoubtably impacted by the Covid-19 pandemic and Brexit; the growth in new connections was slightly higher than in 2020, but lower than pre-pandemic performance.

As highlighted in the Market and regulatory trends report, during 2021 there was an increase in natural gas prices that has resulted in an unprecedented number of utility suppliers becoming insolvent. This has impacted recoverability of amounts due to the Group – our bad debt expense for 2021 is £1.0m, compared to a negligible amount in 2020. We have taken a prudent approach in our provision against amounts due and we have been proactive in communications with the regulator and the suppliers to ensure impact to the Group is minimised.

The Group has generated a loss in the 2021 financial year of £9.1m, an improvement on the £11.6m loss generated in 2020. The Group incurred annual interest charges of £33.2m in 2021 and £32.0m in 2020. Interest is payable on both the shareholder loans and private placement loan notes which are used to fund the long-term growth of the business. The Group continues to generate sufficient cash from operating activities to pay all its interest liabilities.

Through 2021 the Group drew a further £60.0m on its loan facilities, taking total debt to £612.0m. Excluding shareholder loans, external debt at year end was £342.0m. Our lenders continue to support the business, recognising our credit worthiness with long-term loans at rates reflecting the stability of the business and long-term nature of our assets – further details are below.

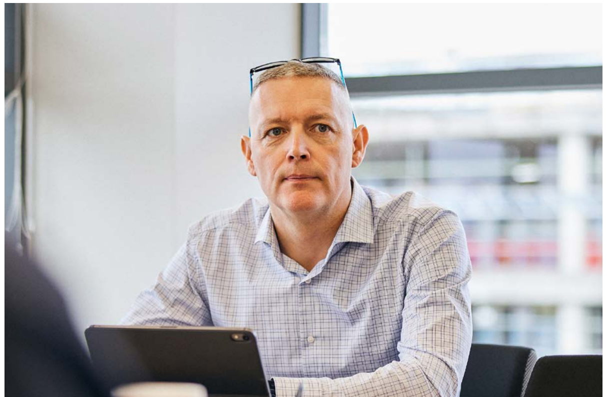
Turnover and cost of sales

As identified above, our installed connections have grown in the year by 9.6%, driving increased turnover by 13.3%. We own and operate gas and electricity networks, with our first water connections anticipated in 2022.

Our electricity network business is showing strong year-on-year growth, with 36,374 new connections in the year, an increase of 15.9% on 2020 connections. This has produced turnover growth of 24.3% to £44.0m (2020: £35.4m). Growth in our electricity business highlights the successful results of our strategy to focus on electricity networks given the uncertainty around the future of gas highlighted in the Market and regulatory trends report.

Our gas networks form the majority of our existing connections, reflecting our background as a gas network adopter. During 2021 we have increased gas connections by 39,964, a 7.0% increase on 2020 connections which has driven revenue growth of 4.0% to £44.6m (2020: £42.9m).

Our connections orderbook represents connections that we have won and contracted with developers, but that have not been energised by year end, typically due to multi-year rollout periods associated with property development. This highlights future growth of the business, underlining the stability and resilience of our business plan. At 2021 year end our orderbook was for 267,536 connections, up slightly from 262,913 at 2020. Of note is that through our strong I&C proposition, our electricity I&C orderbook has increased over 40% in future connection numbers from 2020 to 2021.



Turnover
£88.6m
increased by **13.3%**,
from £78.3m in 2020

Operating profit
£26.1m
increased by **7.7%**,
from £24.3m in 2020

OPERATIONAL AND FINANCIAL PERFORMANCE CONTINUED

Turnover and cost of sales (continued)

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

The Group's cost of sales represents the direct costs of owning our networks, and the DuOS charges we pay to DNOs for use of their networks. These have increased by 17.8% to £40.6m (2020: £34.5m), largely due to the higher number of networks we own and operate but also in part due to the higher number of larger I&C networks we operate, and changes in the regulated tariffs that stipulate DNO charges. During 2021 we have focussed efforts on improving efficiency on our network operating costs that should see benefits in 2022 and onwards.

Operating costs

The Group has invested during the year in its Operations team to promote smooth execution of our residential and I&C orderbook, and to help grow our water business. This has seen our operating cost base increase, albeit at a lower rate than revenue increases; up 12.3% to £21.9m (2020: £19.5m). As a result of energy supplier insolvencies during the year, operating costs include £1.0m for bad debts (2020: £nil). The Group expects and has budgeted for further supplier failures during 2022.

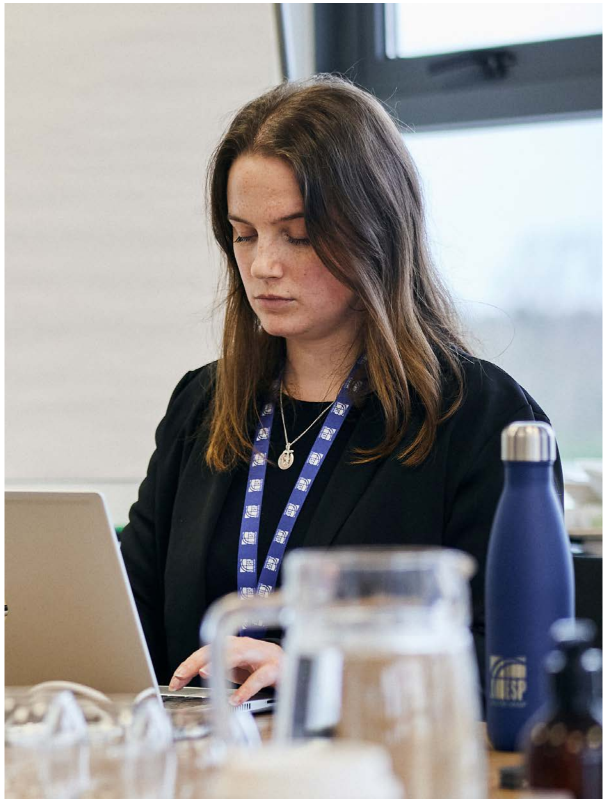
Capital expenditure

2021 has seen the Group invest £44.8m in its gas and electricity networks, including meters. This is a 6.9% decrease on its 2020 investment levels, partly due to the one-off acquisition of connections from Fulcrum Utility Services Limited in 2020.

The Group has purchased 22 company cars during the year, all but two electric or hybrid, and disposed of 10 cars, bringing our fleet of company cars to nearly 90% fully or partially electrically charged.

Depreciation and impairment

The depreciation charge during the year was £10.3m (2020: £10.0m), and during the year goodwill was amortised by £5.5m (2020: £5.5m). The Group's goodwill was generated through acquisition by the Group of subsidiary undertakings, where the consideration paid was greater than the fair value of assets and liabilities acquired. Goodwill is amortised straight-line over a 20 year estimate of useful life.



OPERATIONAL AND FINANCIAL PERFORMANCE CONTINUED

ESP UTILITIES GROUP

Tax

The Group's tax charge of £2.0m (2020: £3.8m) includes a deferred tax charge in the year of £5.3m (2020: £3.8m), partly offset by the impact of changes in tax rates during the period that reduce the deferred tax charge by £3.4m (2020: £1.8m). In 2020 there was a prior year adjustment to deferred tax of £1.8m. The Group has generated losses before tax in the current and prior financial years, thus the Group has incurred a low current tax charge in 2021 of £0.1m (2020: £nil).

The Group's deferred tax position is predominantly driven by timing differences and differences between accumulated depreciation and capital allowances, with net deferred tax losses at 2021 year end of £11.6m (2020: £13.5m).

Cashflows

During 2021 the Group generated £6.7m from its operating activities, compared to £9.2m in 2020. This includes £35.0m of interest paid to debt holders (2020: £30.2m).

Cash paid to acquire fixed assets was £46.1m (2020: £50.7m) and this was in part funded by issuance of capex loans and loan notes of £60.0m (2020: £40.0m).

At 2021 year end the Group had a positive cash balance of £37.6m, a £20.8m increase on the prior year balance of £16.8m.

Debt

The Group's debt is funded through external loan facilities and shareholder loans, further details of which are included in note 15 of the notes to the financial statements.

The Group continues to raise additional external loans that highlight the credit worthiness of our business - we are able to access investment grade rates on long-term facilities.

During the year the Group issued £60.0m of senior secured notes in two equal loan notes. The first £30m loan note was issued in May 2021, secured at 2.736% and due 13 May 2041. The second £30m loan note was issued June 2021, secured at 2.53% and due 30 June 2036. These loans are used to fund the Group's ongoing investment in its electricity and gas networks, and take total loan facilities net of financing costs to £612.0m, up from £554.0m at 2020 year-end. Furthermore, we have available an additional, undrawn £70.0m of our £100m capital expenditure facility that can be used for further network acquisition investment. The Group's net debt at 2021 year end has increased by £39.3m from £537.2m to £576.5m. The increase is largely due to £46.1m cash paid to acquire network assets, partially offset by £6.7m cash generated by the Group's operating activities.

At year end, the facilities had a weighted average repayment period of 12.9 years, with the first facility due for repayment in Q4 2026.

Under the loan facility financial arrangements, the Group has interest coverage ratio and leverage ratio covenants of 1.25:1 and 9.5:1 respectively. It has operated within all covenants during the year.

The overall gearing ratio of the Group (net debt/equity) is 4.3:1 (2020: 4.1:1), and excluding the shareholder loan, the Group's net debt was £306.5m resulting in a gearing ratio of 2.3:1 (2020: 2.1:1).

Further information on the Group's capital structure is included in note 19 to the financial statements.

Investor capital

The Shareholder's investment in the Group is through share capital and shareholder loans that are listed on the Channel Island Stock Exchange, repayable 2036.

At 31 December 2021 the Group had outstanding shareholder loans balances totalling £270.1m (2020: £272.1m), which incur interest at 12% and 8%. During the year, the Group incurred interest on these shareholder loans of £22.5 (2020: £22.5m) and paid interest to the noteholders of £24.6m (2020: £22.5m).

Paul Miles
Chief Financial Officer

SUSTAINABILITY

ESP UTILITIES GROUP

The Board recognises that everyone has a role to play in helping the UK to meet the Net Zero carbon emissions goal set by the UK Government, to be achieved by 2050.

We are committed to ensuring our business and our supply chain partners operate in a sustainable manner. We have developed a Sustainability Strategy to support our long-term goals of being:

- a Safe and Sustainable Operator
- a Diverse and Inclusive Employer
- a Good Corporate Citizen

The three pillars of our Sustainability Strategy are:

Innovative
a Safe and Sustainable Operator, investing in our environment

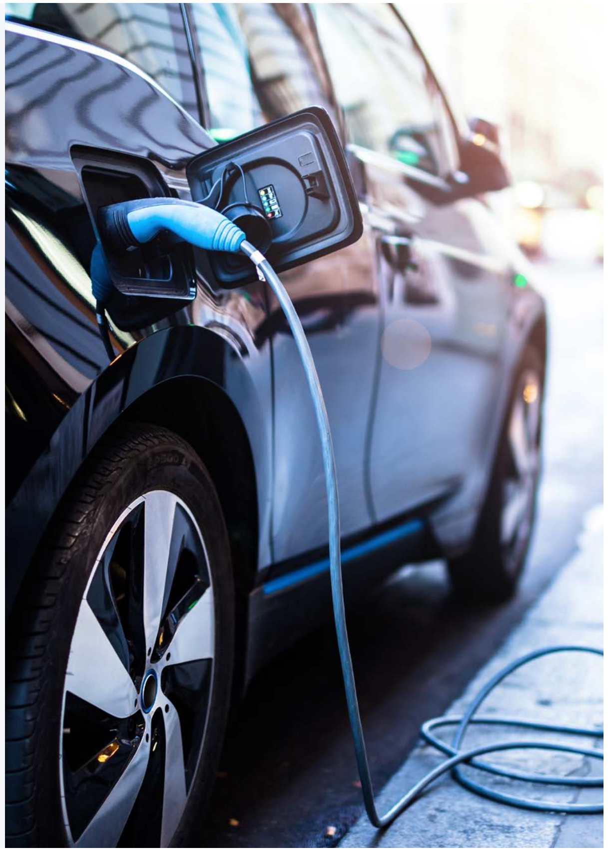
The health and safety of our team, our contractors and members of the public is the highest priority for the Group and is discussed in more detail in the Health and safety report on page 23.

Our construction partners develop modern and efficient networks which are built for the long term. Our gas networks are made of modern materials, appropriate for transporting blends of hydrogen gas up to 100% (compared to older pipelines that can only transport up to 20% hydrogen blends). This gives us greater flexibility as our networks can be utilised should traditional gas networks be phased out in the future. We are engaged with industry bodies in the ongoing trials to introduce hydrogen as an alternative fuel for home heating.

The Group is at the forefront of rolling out the infrastructure to support the electrification of transport in the UK, including bus garages, retail parking and forecourts, with the number of EV charging points up by 185% in 2021. Our residential networks include an increasing number of Electric Vehicle charge points, reducing emissions and noise pollution for local communities.

We have reviewed our company car policy and increased the number of electric or hybrid cars in the fleet from 30% at the end of 2020 to nearly 90% by the end of 2021. We have also sought to employ staff in regional locations to reduce the need for travel to visit our customers and developments. We are seeking further ways to reduce travel emissions across our team, including introducing a scheme to support colleagues to purchase electric vehicles for their own use.

To reduce our impact on the environment we have reduced printing and increased the re-cycling of office waste. To support this, we have implemented a paper-free accounting system, and we have designed this Annual Report in a format that encourage users to view on screen, rather than in print.



SUSTAINABILITY CONTINUED

Diverse
a Diverse and inclusive Employer, investing in our people

We believe that communication is key to ensuring we are meeting the needs and expectations of all our colleagues, and we have implemented regular Townhall Talks providing the opportunity for staff to ask questions directly to the CEO and Executive Team.

We consulted fully with our team on the development and continual review of our Covid-19 related risk assessment. During the phased return to the office following the pandemic lock down we implemented measures to ensure that all colleagues were able to work safely and effectively in the office or in their homes. We have introduced flexible hybrid working to allow a new way of working and have an Employee Assistance Programme in place which is available to all staff.

To further support our aim to be an excellent employer we provide private medical cover for all staff and have introduced a development programme, Step Up, detailed further in the Stakeholder engagement section on page 24. In addition to this a number of staff are undertaking professional qualifications funded and supported by the Group.

The Group benefits from being a diverse community and seeks to be open and transparent, including recognising where we have blind spots. This year all staff were given training in unconscious bias to help us all understand and overcome these.

Responsible
a Good Corporate Citizen, investing in our community

We employ a three lines of defence model to ensure we are complying with good practice in relation to our operations; the front line is delivered by our team and operatives on the ground, our second tier is assured by management and Executive oversight, monitoring and review of performance and the third tier is provided by industry specific external audit of our activities by external consultants.

The Group participates in the GRESB global benchmark for ESG initiatives for real estate and infrastructure investments. We are proud to have increased our score in all 4 years of participation, reflecting our commitment to continual improvement in this area. Our 2021 score of 73 compares to our 2020 score of 66, and includes an awarded score for Health and Safety of 100%. The Group's GRESB score compares favourably across the UK market, however we acknowledge there is always room for improvement and strive to improve our ESG credentials. We have reviewed and revised our complaint handling processes to ensure we are listening to concerns and putting measures in place to address them, which has led to a reduction in our standards of service failures.

The Group encourages colleagues to engage in charity fund raising and provides matched funding opportunities in support of a local charity Transform Housing, who are dedicated to supporting those who are seeking a way out of homelessness.

SUSTAINABILITY CONTINUED

Corporate and Social Responsibility

The Companies Act 2006 requires us, to the extent necessary for an understanding of the development, performance or position of the Group's business, to include information about human rights issues. The Group has policies and procedures in place to meet this. Given the nature of the business and area of operations, it is deemed to be a very low risk hence we do not believe it necessary to include such information.

It is recognised that ultimate accountability for corporate and social responsibility lies with the Board. The sectors in which we operate are highly regulated, and our processes are designed to meet all of the regulatory requirements resulting in a record of strong compliance.

Our full corporate social responsibility policy can be located on the ESP Utilities Group website (www.espug.com).

Environmental matters

The Group's activities do not give rise to any direct environmental impacts, however the Board believes that it is important that the Group contributes to protect the environment through sound and responsible operating practices. It is our policy that we will endeavour to:

- Conduct our business activities in such a way as to ensure that compliance with all relevant Environmental legislation, standards and Codes of Practice is achieved;
- Ensure that all associated residual waste materials are disposed of in a safe and responsible manner by both the Group and our external service providers as appropriate;
- Minimise the environmental impact of our staff by encouraging them to recycle, reduce printing, and minimise business travel.

Our full environmental policy can be located on the ESP Utilities Group website (www.espug.com).

Energy and carbon disclosures

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

HEALTH AND SAFETY

The Group's Health and Safety Policy sets out our approach to health and safety, and is structured to promote safe practices and environments for our employees, customers and consumers. It sets out how, as an employer and operator of gas, electricity and water networks, we manage health and safety in our business based on four high level principles:

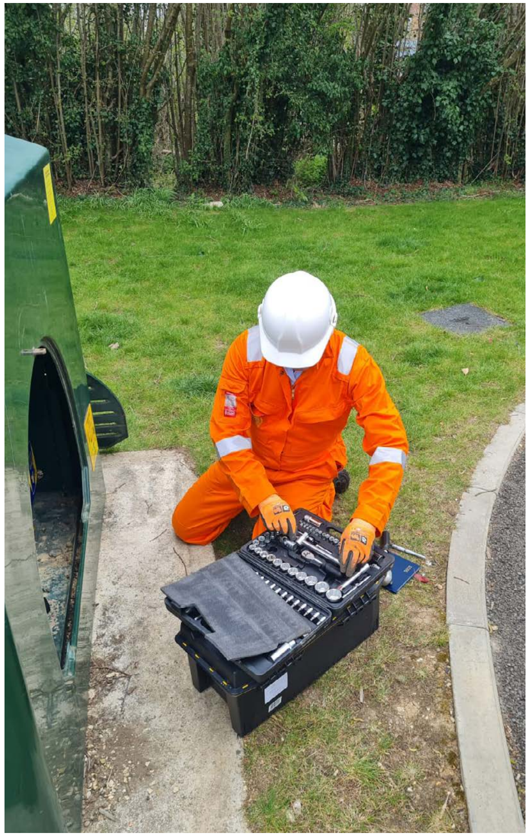
- **Safety & Environmental Polices**
- **Assurance**
- **Risk Management**
- **Promotion**

Employee health and safety

Reporting of safety issues by staff is actively encouraged to promote corrective actions to be put in place. All health and safety related incidents are reviewed by the Health and Safety Committee (led by our head of asset operations and including a cross section of operations team members), senior operations team management (operations team departmental heads) and with escalation to the Executive Team – a documented investigation is completed where appropriate. We provide training to all staff to help reduce the occurrence of accidents in the workplace.

Health and safety of our networks

The Group has in place an asset management policy that is a key element for the organisation to operate, maintain and develop safe, efficient and reliable distribution networks. The policy allows the Group to meet the needs of investors, customers and consumers and ensure that all legal, regulatory and environmental requirements are addressed. An Asset Management Review Group (led by our head of networks and including a cross section of operations team members, overseen by our Operations Director) meets regularly to evaluate and monitor risk, track progress and review audit performance. The Group is accredited to ISO55001 which attracts annual external audit which was passed in 2021.



Health and safety key performance indicators

Safety performance is reviewed monthly at the Executive level and reviewed at every Board meeting. Review uses a standard set of KPIs to monitor trends, including any statutory reporting requirements. The following table sets out safety performance in 2021:

	2021	2021 Target	2020
Lost time injuries	1	0	0
RIDDOR reportable injuries	0	0	0
Non-reportable injuries	0	0	1
Road traffic collisions	1	0	1
RIDDOR/GSMR gas related incidents[1]	3	0	0
HSE enforcement actions	0	0	1
ESQCR reportable issues	0	0	0
Reportable environmental incidents	0	0	0
Near miss reports[2]	90	50	32

[1] All 3 incidents were caused by third party damage or interference

[2] Team members complete near miss reports to identify and proactively address potential concerns before they become more significant. During 2021 there was increased focus on completing these reports, hence 2021 report numbers were above 2021 target and prior year.

STAKEHOLDER ENGAGEMENT

Employees

The Group's culture is geared towards the success of both the business and the individuals within it. Our people are committed to the organisational goals, motivated by delivering excellent levels of service to both our consumers and customers, and supporting the growth ambitions of the business. Staff understand that their efforts will be rewarded and recognised, aspire to do more than the minimum and see a clear link between their efforts and the business results.

The Executive Team is committed to regular, honest and effective communication which is key to ensuring employee buy-in to realise our growth ambitions.

The Group is committed to attracting, developing and retaining the best talent in order to achieve its strategic objectives. All staff are encouraged to undertake ongoing training throughout their career, and the business actively encourages a culture of promoting and developing staff from within, wherever possible.

Two programmes are in place to further this aim:

Step Up programme

Aimed at high potential employees from administrative, technical and managerial grade roles, to support them with career progression and development, while equipping them with essential skills for future management roles. It is a structured programme including a 360 review, coaching, mentoring, and a seminar series from an external provider, alongside exposure and networking opportunities with the Executive Team. The programme enters its second year in 2022, with all of the cohort from 2020/21 being successful in boosting their profile and securing new roles within the business which align to their career goals- there were 13 internal promotions in 2021.

Developing Managers

Aimed at newly recruited and promoted managers to help them transition into their new positions smoothly, with a structured programme including coaching, mentoring and monthly seminar with the Executive Team to provide in depth knowledge in critical business areas.

The Group strives to create a work environment free from discrimination, harassment and bullying, where everyone is treated with dignity and respect. All employment decisions are based on merit, qualifications and abilities.

The Group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status.

The following table sets out our diversity balance as between men and women at the end of 2021:

	2021		2020	
	Male	**Female**	Male	Female
Board of Directors	**5**	**1**	5	1
Executive Team (excluding Board of Directors)	**3**	**1**	2	1
Employees	**54**	**52**	40	43

In 2020 the Group exceeded the performance targets linked to employee performance bonuses, which were fully paid to eligible team members in 2021.

During 2021 the Group, under the direction of the Executive Team, instigated a project to create and implement a set of values and behaviours. These Values and Behaviours were launched in early 2022 – please see Values and Behaviours – page 27.

Consumers

870,000+
Connections

The Group serves over 870,000 connections across England, Wales and Scotland through a robust service provision, ensuring that loss of supply impact is minimised across the entire consumer base and consumer cost is minimised through:

- the provision and maintenance of reliable, efficient and sustainable networks
- quick response times to network faults and communication with consumers in a timely manner
- ensuring additional measures are in place to deal with vulnerable consumers
- promotion of fair and affordable access for those who wish to connect to our networks.

The Group has processes in place to ensure we meet our commitments to our consumers. Working closely with our service providers we ensure that disruption to our consumers is minimised and, in particular, that all precautions are in place to ensure their security and wellbeing. Any consumer feedback is reviewed by a dedicated team and escalated to senior management or director level if required.

For gas consumers we maintain an Emergency Service Provision with the incumbent GDNs to meet Guaranteed Standards of Performance as set out in out Licence Conditions. The requirement to attend gas escapes and supply failures is monitored to ensure that consumer impact is minimised.

Electrical supply fault attendance performance is monitored against the Electricity (Standards and Performance) Regulations and connections performance against the Electricity (Connection Standards of Performance) Regulations to ensure that consumer impact is minimised.

Performance is regularly reviewed by the Operation Leadership Team with oversight by the Executive Team.

The Group works with regulators and consumer bodies to subsidise direct consumer connections and it maintains relationships with organisations that provide help for fuel poor consumers.

Health and safety of our networks for our consumers is of paramount importance to the Group – our policies are set out in the Health and safety report on page 23.

STAKEHOLDER ENGAGEMENT CONTINUED

Business Relationships

Developing strong relationships with stakeholders is fundamental to the Group's strategy. Members of the Executive Team 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 regulators and Government departments is a key priority which the Group undertakes bilaterally and as part of the Independent Networks Trade Association (INA), which is chaired by Vicki Spiers, a member of the Executive Team. Liaison with our key suppliers is through attendance at industry forums and working groups where modifications to sector codes are developed. We seek to pay our suppliers on time within prescribed payment terms, and we do not push suppliers to service levels which we consider unsustainable or unethical.

Community and Environment

The Directors are aware of the impact the Group's operations on the community and environment. This has been discussed in detail in the Sustainability section of this report, on page 20.

Lenders

The Group has regular contact with our lenders and provides them with the required annual and interim reporting, accounts and compliance certificates to satisfy the conditions of its facilities. Through the Covid-19 pandemic some lenders requested some additional trading or compliance information from the Group, which was provided on an ad hoc basis, as well as during the Private Placement issuance process.

Shareholder

The Board has regular interaction with its shareholder through the Board members who represent the shareholder. Together, the Board works closely with the shareholder to deliver growth and add value to the Group.

ESP UTILITIES GROUP

Values and Behaviours

Our strategy provides us with what we do, but by creating and implementing a set of Values and Behaviours, we wanted to demonstrate what makes the Group unique both to work for, and to work with. Through internal surveys our people were keen to have a set of Values and Behaviours to encapsulate the culture we have in place. Our values define our culture, underpinning our performance driven mindset, and during 2022 we will be embedding these into our recruitment and the development of our people.

Our people embody the culture of our business and therefore we asked volunteers from across the Group to participate in face-to-face workshops to help us build and develop our values, to ensure they were aligned with our existing behaviours. From these workshops, we have introduced five values and each value has three behaviours to help us achieve our strategic goals.

The Strategic report was approved by the Board and signed on its behalf by:

Paul Miles, Chief Financial Officer

28 April 2022

Our Values and Behaviours

Be Excellent

- We hold ourselves and others to account and deliver a high standard in quality, safety, and compliance
- We strive for continuous improvement, focusing on solutions not problems
- We simplify the complex and deliver quality at pace for our consumers and customers.

Be Transparent

- We are open and honest in all communications.
- We admit and learn from our mistakes.
- We are approachable and accessible.

Be Collaborative

- We share knowledge, are open to new ideas and welcome input from all
- We work together as a team to deliver for our customers and stakeholders
- We have fun and enjoy what we do.

Be Ambitious

- We are committed to developing our people
- We push the boundaries to grow our business
- We are willing to learn and adapt.

Be Respectful

- We treat others with respect and professionalism
- We are considerate of everyone's workload and priorities
- We provide a safe, supportive, and inclusive workplace.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Nick Horler
Non-Executive Chairman

Nick has had a 35 year career in the energy industry. He spent 12 years as an executive with Conoco Phillips in the UK and USA. He was a Board member of E.On UK from 1998 to 2007 and CEO of Scottish Power from 2008 to 2010. Nick served as a Non-Executive on the Boards of the Go-Ahead Group, the Royal Mail and Thames Water. He was Chairman of UK Power Reserve from 2015 to its successful sale in 2019. He became Chairman of Horizon Energy Infrastructure in October 2020.

Committees:
Board, Remuneration Committee, Audit and Risk Committee

Other key appointments:
Horizon Energy Infrastructure

Kevin O'Connor
Chief Executive Officer

Kevin joined the Group in 2018 from Arriva, where he was Divisional Managing Director of its UK Bus Business. Prior to joining Arriva in 2015, Kevin spent 14 years working across a diverse range of sectors for G4S, the global security solutions provider, serving latterly as the Regional Managing Director for Cash Solutions across the UK and Ireland. Kevin's career has covered regulated and non-regulated sectors, all with a strong focus on delivering for customers in a range of industries. He holds a Masters in Business Administration and holds no other key appointments.

Committees:
Board, Executive Committee

BOARD OF DIRECTORS CONTINUED

ESP UTILITIES GROUP

Paul Miles
Chief Financial Officer

Paul has a wealth of experience as a CFO, most recently as Group CFO for GVC Holdings Plc where he led a merger to create the largest listed company by revenue in the sports betting and gaming sector. Previously he held Group CFO roles at The Wonga Group, Capquest and The Phoenix Group. Paul is a Fellow of the Institute of Chartered Accountants in England and Wales and joined the Group in 2019. He holds no other key appointments.

Committees:
Board, Executive Committee

Anna Dellis
Shareholder Director

Anna joined 3i in 2006, is a Partner in the Infrastructure team, and leads asset management for the portfolio of economic infrastructure investments. Over the last 15 years, Anna has had a leading role on many of the large infrastructure investments made by 3i, including Elenia and Eversholt Rail. Prior to 3i, Anna advised on infrastructure transactions at PwC. She is a member of the Institute of Chartered Accountants in England and Wales.

Committees:
Board, Remuneration Committee,
Audit and Risk Committee

Other key appointments:
Belfast City Airport and
Oiltanking Singapore Limited

BOARD OF DIRECTORS CONTINUED

Bernardo Sottomayor
Shareholder Director

Bernardo joined 3i in 2015 as a Partner with responsibility for origination and execution of new investments across Europe, principally economic infrastructure businesses. It has been announced that Bernardo will become Co-Head of European Infrastructure. He has 20 years of infrastructure investment experience and was most recently a Partner at Antin Infrastructure. Prior to Antin, Bernardo was Managing Director, Head of Acquisitions for Deutsche Bank's European infrastructure fund. Bernardo holds an economics degree from the Nova School of Business & Economics in Lisbon.

Committees:
Board, Remuneration Committee

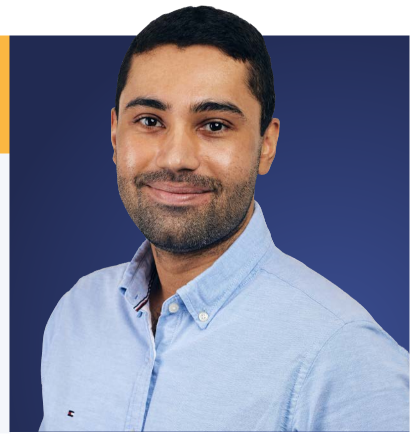
Other key appointments:
Envol Midco Limited,
Envol Investments Limited,
Atena Investments Limited

Yaad Virdee
Shareholder Director

Yaad joined 3i in 2014 and is an Associate Director in the Infrastructure team, and is primarily responsible for the origination and execution of deals and management of assets in the infrastructure sector. Prior to joining 3i, Yaad worked in the Corporate Finance division of Ernst & Young. He is a member of the Institute of Chartered Accountants of Scotland.

Committees:
Board, Remuneration Committee,
Audit and Risk Committee

Other key appointments:
Amalthea Holdco Limited



BOARD OF DIRECTORS CONTINUED

Executive Team

The Directors of the Group's operating companies form the Executive Team. In addition to Kevin O'Connor and Paul Miles, the Executive Team at year end consisted of;

Simon Lees
Operations Director

Simon joined the Group in 2020 following 13 years at National Grid as a Senior Operations Manager running both electricity transmission and gas distribution networks. Prior to joining National Grid, Simon spent 12 years working internationally within power generation on fossil and nuclear projects. He is a graduate Engineer, Chartered Member of the Institute of Mechanical Engineers and a Member of the Institute of Asset Management.

Committees:
Executive Committee

Vicki Spiers
Business Operations Director

Vicki joined the Group in 2001 after 10 years working in the deregulated Gas Shipper market. Her responsibilities include ensuring the Group remains compliant with all Regulatory and Licence obligations. She also covers the IT, legal and project management functions of the business. Vicki is the current Chair of the INA (Independent Networks Association).

Committees:
Executive Committee

Adam Miller
Chief Commercial Officer

Adam joined the Group in 2020 having previously supported the Group as a consultant working on strategy and the change management programme. His background is in support services, where he worked for G4S for 8 years, serving latterly as Regional Managing Director in East Africa. Adam is an engineer and holds a Masters in Business Administration.

Committees:
Executive Committee

Stephen Morris
Water Managing Director

Stephen joined the Group in January 2021 having previously supported the Group as a consultant working on new business sector opportunities. He previously held MD and COO roles in the muti-utility construction and adoption sector and has over 30 years utility experience within the UK, Australia and the Middle East regions. Stephen is a Chartered Engineer, a Fellow of the IET and holds a Masters in Business Administration.

Committees:
Executive Committee

CORPORATE GOVERNANCE STATEMENT

UTILITIES GROUP

Chairman's introduction to Corporate Governance

"Strong corporate governance is essential to maintain the highest standards in business conduct, and is an important priority of the Board of Directors"

The Group's corporate governance structure has been designed, where appropriate, to be in accordance with the UK Corporate Governance Code, and the Walker Guidelines applicable to private equity investment companies. Although the Group has no requirement to comply, the Board aspires to achieve the levels of corporate governance included within these guidelines.

The Group's Board meet on a monthly basis to review the business' performance and discuss strategic objectives and decisions of the Group. The Directors take decisions for the long-term goals of the Group, recognising the importance of considering the impact to our wider stakeholders.

During 2021 the Board made a number of key strategic decisions that are outlined in Directors' duties and key decisions on page 11. In addition, the Directors continue to discuss ongoing business matters, including the performance of the Group; the response to the Covid-19 pandemic and maintaining operational performance; and reviewing our risk register in light of the regulatory changes within the utilities sector.

The Group is governed through its Board, and supported by its Executive Committee. Both the Board and the Executive Committee have extensive experience within the utilities and infrastructure asset management sector which are critical to support sound business decisions. The Group has a Group Governance and Compliance Policy that outlines the overarching governance principles that define the Board's commitment to good governance, and maintaining the highest standards in the conduct of its business.

There are sub-committees responsible for Audit and Risk, and Remuneration, whose responsibilities, meeting regularity and members are outlined below.

Details of the Directors' performance of their duty under Section 172 of the Companies Act 2006, are set out on page 11.

Finally, I would like to welcome Yaad Virdee, who was appointed to the Board in September 2021. Yaad has experience in the infrastructure management sector and joins as a Shareholder representative Director.

Nick Horler
Chairman

CORPORATE GOVERNANCE STATEMENT CONTINUED

ESP UTILITIES GROUP

Corporate governance policy

The Group has established its corporate governance policy to define its commitment to governance and business conduct. The policy applies to Directors, employees, and all contractors working for the Group.

The Board is responsible for leading and controlling the Group, for creating value for its shareholder and for formulating, reviewing, and approving the Group's strategy, budget, significant items of capital expenditure, acquisitions and senior personnel appointments. Additionally, the Board is responsible for ensuring the Group has the appropriate people, financial resources, and controls in place to deliver its strategy and long-term objectives.

The governance policy is aligned with the Group's strategic objectives and industry best practice and is designed to ensure that our regulatory compliance remains complete at all times. The Board recognises that there are four principles for effective governance:

- **Commitment** to, and the establishment of, a compliance programme.
- **Implementation** of a compliance programme, including ongoing education and maintenance.
- **Monitoring and Measuring**, reporting and supervision of the compliance programme.
- **Continual Improvement**, regular review and continual improvement of the compliance programme.

Governance structure

The Board are responsible for establishing and managing the mission, strategy and corporate governance structure of the Group.

Subsidiaries of the Group are fully owned by the Company, and the Board have delegated authority of implementing strategy and business plans to the Executive Committee.

The Board's Shareholder Directors are employees of 3i Investments plc, the investment manager of the parent company of the Group. The Group maintains communication with its shareholder through these Directors.

Board composition

The Board compromises two Executive Directors (Kevin O'Connor, CEO; and Paul Miles, CFO), three Shareholder Directors (Bernardo Sottomayor; Anna Dellis; and Yaad Virdee) and an independent Chairman (Nick Horler).

The Executive Committee comprises six Executives (Kevin O'Connor; Paul Miles; Adam Miller, Vicki Spiers; Simon Lees and Stephen Morris).

Full biographies of the Board and Executive Committee are provided in the Board of Directors on pages 29 to 32.

Board procedure

The Board meets on a regular basis to conduct a review of the position and performance of the Group, to discuss key developments and make decisions in a timely manner in accordance with the strategic objectives of the Group. Board meetings are structured so that the Directors of the Group perform their governance responsibilities for the Group.

During 2021 the Board held eleven meetings. Six were predominantly focussed on the Group's commercial performance and future developments. During these meetings, any topic subject to Board consideration may be raised and discussed by the Board. In the meeting attendance table on the following page, these have been classified as "Board – Commercial".

A governance calendar is prepared in advance of the financial year which is reviewed and approved by the Board. The calendar outlines the broad topics to be discussed at each Board meeting. The Board discuss Group performance and position in all Board meetings. Through the course of 2021 the Directors discussed scheduled topics such as health and safety, business risks and mitigation, succession planning, cyber risks, customer satisfaction and annual objectives and remuneration.

Board briefing packs are provided to all Directors prior to meetings. These packs include full information on topics to be discussed in the Board meeting, allowing the Directors to make informed decisions on the topics under discussion. This also allows any Directors that are unable to attend to submit any queries on discussion topics in advance of the meeting. Following the Board meetings, minutes are prepared and provided to Directors for review, then approved at the start of the following Board meeting.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Board committees

The Board has established the Executive Committee, the Audit and Risk Committee, and the Remuneration Committee, each of which operates with defined terms. No one other than the committee members have a right to attend committee meetings or vote on committee matters, although committees are able to invite non-committee individuals to attend.

During 2021 the number of meetings held, and attendance by Committee members, is outlined below:

	Board	Board - Commercial	Executive Committee	Remuneration Committee	Audit and Risk Committee
2021 meetings	5	6	12	2	2
Committee meeting attendance					
Nick Horler	5	6	-	2	2
Bernardo Sottomayor	5	6	-	2	-
Anna Dellis	5	6	-	2	2
Yaad Virdee (appointed 1 September 2021)	2	1	-	-	1
Sebastian Schwengber (resigned 18 June 2021)	2	1	-	2	1
Kevin O'Connor	5	6	12	-	-
Paul Miles	5	6	12	-	-
Adam Miller	-	-	10	-	-
Vicki Spiers	-	-	12	-	-
Simon Lees	-	-	12	-	-
Stephen Morris	-	-	12	-	-

Executive Committee

The Executive Committee, or Executive Management, comprises six members as outlined in the Board of Directors section of this report. In 2021 there were twelve monthly meetings of the Executive Committee. The Executive Committee carries out the day-to-day management of the Group as delegated by the Board.

CORPORATE GOVERNANCE STATEMENT CONTINUED

ESP UTILITIES GROUP

Remuneration Committee

In line with the recommendations made in the UK Corporate Governance Code, the Committee is appointed to lead the process for executive remuneration, and to make recommendations to the Board in order that there is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors.

Membership of the Committee is appointed by the Board in consultation with the Chairman of the Committee. The Board appoint the Chairman of the Committee and determine the period for which he/she will hold office. The Committee comprises of not less than three Directors, including the Chairman of the Committee, and where possible these should be independent non-executive directors and/or the Chairman of the Group. The quorum for any meeting will be two members of the Committee. The members of the Committee through 2021 were Nick Horler, Bernardo Sottomayor, Anna Dellis and Yaad Virdee – appointed 1 September 2021. Throughout 2021 the Chairman of the Committee was Anna Dellis.

The Committee meets at least once a year, with special meetings convened as required. The Committee may invite such other persons to its meetings as it deems necessary, but no person other than its members shall have a right to attendance.

The Committee undertakes the following duties and responsibilities:

- Recommend for approval by the Board the framework for the remuneration of the Chief Executive Officer, Chief Financial Officer, Chairman and Executives. The remuneration of non-executive directors shall be a matter for the Chairman and the Executives.
- Ensure that members of the Executive Management are provided with appropriate incentive to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group, including bonuses, incentive payments or other awards.
- Reviewing the policy for, and the scope of, pension arrangements for each Executive Director and other senior executives.
- In determining such packages and arrangements, give due regard to any relevant legal requirements and recommendations in the UK Corporate Governance Code.
- Review that the implementation of any contractual terms and any payments made on termination are fair to the individual and the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- Review any major changes in employee benefit structures throughout the Company.
- If appropriate, and after due consultation with the Board, recommend and establish the terms of reference for the appointment of any consultants necessary to advise the Committee on issues within its terms of reference.

The Committee makes a report to the Board on its proceedings after each meeting and on all matters within its duties and responsibilities.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Audit and Risk Committee

The Committee assists the Board in fulfilling its responsibilities through review of financial reporting process, the system of internal control and management of financial risks, the audit process and process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the Committee maintains effective working relationships with the Board, management and the external auditors.

Membership of the Committee is appointed by the Board in consultation with the Chairman of the Committee. The Committee comprises of not less than three Directors, including the Chairman of the Committee, and where possible these should be independent non-executive directors and/or the Chairman of the Group. At least one member of the Committee should have recent and relevant financial experience. The quorum for any meeting will be two members of the Committee. The members of the Committee through 2021 were Nick Horler, Anna Dellis and Yaad Virdee – appointed 1 September 2021. Throughout 2021 the Chairman of the Committee was Anna Dellis.

The Committee meets at least twice a year, with special meetings convened as required. The Committee invites such other persons to its meetings as it deems necessary. During 2021 the Committee invited Paul Miles, CFO, to both meetings of the Committee. The external auditor shall normally attend meetings of the Committee at which it communicates audit risks and planning, and the full year results. From time to time the Committee may meet with the external auditor without any Executive Board members present.

The Committee undertakes the following duties and responsibilities:

External audit

- Appoint, re-appoint or remove the Group's external auditors
- Agree the engagement, scope and approach, and agree remuneration for audit and non-audit services
- Assess the independence and objectivity of the auditor, and effectiveness and performance of the audit processes
- Review audit findings and discuss any major issues

Internal control and risk management

- Review internal controls and risk management systems and culture of internal control within the Group
- Review implementation of internal control recommendations made by the external auditors
- Review disclosures within the Annual Report regarding internal control

Financial reporting

- Understand financial risk management processes
- Consider with the external auditors any fraud, illegal acts, deficiencies in control or similar issues,
- Review significant accounting and reporting issues and understand their impact on the financial statements
- Review the Annual Report and financial statements before their submission to the Board including results from the audit
- Review the appropriateness of the going concern assumption

Compliance with laws and regulations

- Review the Group's processes for monitoring compliance with laws and regulations, including updates from management and the Group's legal advisors regarding compliance matters

During 2021 the Committee:

- Oversaw and reviewed the results from the 2020 audit, including an assessment of the significant areas of estimation and uncertainty, consideration of the Group's going concern status in light of its year end financial position and the Covid-19 pandemic
- Re-appointed the auditor for a further term
- Reviewed the Group's internal controls and procedures including consideration of recommendations from the auditor
- Monitored the Group's risk management process
- Considered the Group's significant risks and uncertainties, including steps taken to mitigate and assessing the likelihood and impact to the Group

In relation to the 2021 annual report and accounts, the Committee:

- Reviewed the report and financial statements before submission to the Board
- Reviewed the appropriateness of the going concern assumption
- Reviewed significant accounting and reporting issues and understood their impact

The Committee makes a report to the Board on its proceedings after each meeting and on all matters within its duties and responsibilities.

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2021.

Principal activities and business review

The Companies Act 2006 requires the Directors to present a fair and balanced review of the Company and Group's business activities during the year ended 31 December 2021 and its position at the end of the financial year. A full description of the principal activities, performance and position including key performance indicators, and principal risks and mitigations is included in the Strategic report on pages 2 to 27.

The Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

Ownership structure

In June 2017, 3i MIA Holdings Limited purchased the Group as part of a portfolio of five assets owned by private equity fund, Eiser Infrastructure Limited. 3i MIA Holding Limited is wholly owned by 3i Managed Infrastructure Acquisitions LP ("3i MIA LP"). 3i MIA LP was a new fund formed to hold these assets in a £700m unlisted fund which was closed in 2017. 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.

3i Investments plc actively manages and supports portfolio companies to deliver sustainable growth, in its role as Investment Manager. Key elements of the Investment Manager's collaborative asset management approach are; (i) Access to 3i's considerable network of business leaders and experts; and (ii) Access to financing expertise to ensure the business has an appropriate, sustainable and flexible financial structure.

The Investment Manager is represented on the board by Anna Dellis, Bernardo Sottomayor and Yaad Virdee. 3i MIA LP has Limited Partners. 3i MIA LP is the ultimate controlling party.

The Directors of the Company during the year and up to the date of signing of the financial statements were:

Anna Dellis (Appointed by 3i MIA LP)
Nick Horler (Chairman)
Paul Miles
Kevin O'Connor
Bernardo Sottomayor (Appointed by 3i MIA LP)
Yaad Virdee (Appointed by 3i MIA LP) Appointed 1 September 2021

Further details on the Directors of the Group can be found on pages 29 to 31. The Directors appointed by 3i MIA LP have oversight of the Group.

Corporate governance

A full report on corporate governance of the Group can be found on pages 33 to 37.

Financial risk management

Details of financial instruments are included in note 16 to the financial statements. The Group has no hedging in place, with the majority of debt secured on fixed rate terms.

Results and dividends

The consolidated statement of comprehensive income is set out on page 51 and shows the Group's loss for the year of £9.1m (2020: loss of £11.6m). No dividend was paid during the year (2020: nil).

ESP UTILITIES GROUP

Future developments

Information on likely future developments in the business of the Group has been included in the Strategic Report on pages 2 to 27.

Post Balance sheet event

In early 2022 Ofgem issued consent for Independent Gas Transporters and Independent Distribution Network Operators to recover Last Resort Supply Payments. These charges will be a pure pass-through cost for the Group from consumer to supplier, and will have no net impact on the statement of comprehensive income for 2022 or beyond.

There have been no additional post balance sheet events in the period up to signing of this annual report.

Employees

Information on the Group's employment policies, training, career development, and a statement on employee stakeholder engagement, is included in the Stakeholder engagement report on pages 24 to 27.

Stakeholder engagement

Details of how the Group engages with its employees, consumers, customers, community and environment, lenders and shareholders can be found in the Stakeholder engagement report on page 24 to 27.

Details of key decisions made by the Board during the year and the input and impacts to main stakeholders are set out in the Directors duties and key decisions report on page 11.

Creditor payment policy

The Group's policy for payment of suppliers is outlined in the Stakeholder engagement report on page 26.

Charitable and political donations

During the year the Group made charitable donations of £495 (2020: £14,523). No political donations were made during the year (2020: none). Details of the Group's charitable and fundraising relationships can be found in the Sustainability section of this report on page 21.

Directors' indemnities

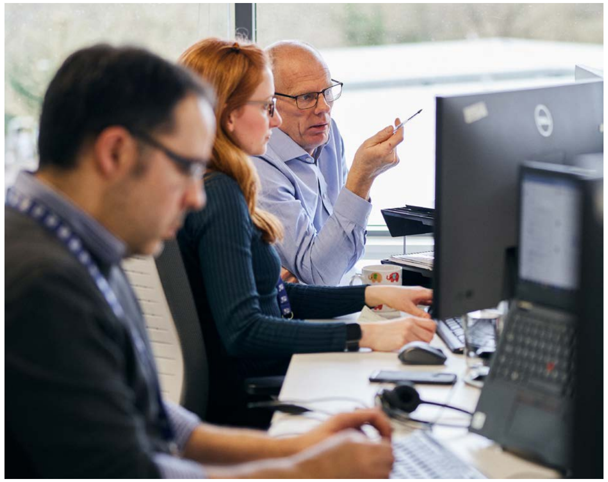
The Company maintains directors' and officers' liability insurance, which gives appropriate cover for any legal action brought against its Directors. The Company has also granted indemnities to each of its Directors to the extent permitted by law. Qualifying third party indemnity provisions (as defined in Section 234 of the Companies Act 2006) 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.

Auditor

The auditor, Deloitte LLP, has indicated their willingness to continue in office and a resolution to reappoint Deloitte LLP will be proposed at the next Annual General Meeting.

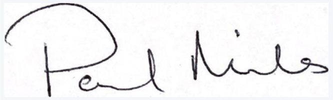
Disclosure of information to auditors

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 or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.



The Directors report of the Group for the year ended 31 December 2021 comprises these pages and the sections of the Annual Report referred to under the Corporate Governance statement on pages 33 to 37 and other information above which is incorporated into this report by reference.

The Directors' report was approved by the Board and signed on its behalf by:



Paul Miles, Chief Financial Officer

28 April 2022

STATEMENT OF 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 Group and Company 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 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 Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FINANCIAL STATEMENTS

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

1. Opinion

In our opinion the financial statements of Zoom Holding 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 loss 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; and
- the related notes 1 to 24.

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).

2. 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 as applied to listed entities, 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.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Goodwill impairment assessment • Recoverability of parent company's investment in subsidiaries Within this report, key audit matters are identified as follows: ‹› Similar level of risk
Materiality	The materiality that we used for the group financial statements was £6,800k which was determined on the basis of approximately 1.5% of total assets of £468,137k.
Scoping	We performed full audit scope procedures for the group and all components. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.
Significant changes in our approach	No changes in our approach as compared to the previous years.

INDEPENDENT AUDITOR'S REPORT CONTINUED

4. 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.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtained an understanding of relevant controls related to the management assessment of the going concern;
- Considered the reasonableness of the cash flows projections and the appropriateness of the sensitivities performed by management;
- Performed integrity checks of management's going concern model, including checking for mathematical and clerical accuracy;
- Recalculated debt covenants and assessed compliance over the forecasted period;
- Assessed consistency of the forecasted cash flows with the forecasts prepared for the goodwill and investments impairment models;
- Performed independent sensitivity scenarios tests; and
- Assessed the disclosures over going concern included within the financial statements in view of the latest guidance from the FRC.

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.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT CONTINUED

5.1. Goodwill Impairment assessment

Key audit matter description	The Group has goodwill across five cash generating units ("CGUs") as at 31 December 2021: £25,164k (2020: £30,654k). The Group's assessment of goodwill impairment is a judgemental process which requires estimating future cash flows based on management's view of future business prospects, incorporated in a discounted cash flow model. Our key audit matter focuses on the robustness of the revenue, profit and cash flow forecasts. Given the significant level of judgement involved in determining revenue, profit and cash flow forecasts, we identified this key audit matter as a potential fraud risk. Refer to page 55 for the respective accounting policy and notes 2 and 10 to the consolidated financial statements.
How the scope of our audit responded to the key audit matter	We performed the following procedures in response to the key audit matter identified: • Obtained an understanding of relevant controls related to the management assessment of goodwill impairment; • Met with management and understood their underlying assumptions on the forecasted future cash flows; • Performed an assessment of the accuracy of discounted cash flow forecasts prepared in the prior year; • Reviewed the impairment model for mathematical and clerical accuracy; • Benchmarked management's assumptions against historical and forecasted growth rates, government legislation, economic data (eg Office for National Statistics for inflation and Libor, Government website for tax rates) and other third party reports; • Performed sensitivity analysis on key assumptions, including the discount rate and profit growth, in order to determine the robustness of the model; Assessed the completeness and accuracy of disclosures within the financial statements in accordance with FRS 102.
Key observations	Based on the audit procedures performed we concluded that the valuation of goodwill is appropriate.

INDEPENDENT AUDITOR'S REPORT CONTINUED

5.2. Recoverability of parent company's investment in subsidiaries

Key audit matter description	The parent company has investments in 10 subsidiaries as at 31 December 2021: £113,610k (2020: £113,610k). Under FRS 102, an impairment test is required where indicators of impairment are identified. Management noted that the announcement by the UK government to ban gas in new build housing from the year 2025 is considered to be an indicator of impairment for the investments in subsidiaries. Furthermore, each of the investments are noted to have carrying values in excess of their net asset value which could be a potential indicator of impairment. There is significant level of judgement involved in determining the recoverability of the investments in subsidiaries based on the financial position and future prospects of the subsidiaries. This takes into consideration a range of factors such as the trading performance of the subsidiaries, the expected revenue and profit growth, cash flow forecasts and discount rate, as incorporated in management's model. Refer to page 55 for the respective accounting policy and notes 2 and 12 to the consolidated financial statements.
How the scope of our audit responded to the key audit matter	We performed the following procedures in response to the key audit matter identified: • obtained an understanding of relevant controls over the preparation and use of cash flow forecasts used in the impairment reviews; • Assessed any impairment indicators of each investment's value as at 31 December 2021; • Validated the integrity of the model used by management including testing its mechanical accuracy; • Assessed management's historical forecasting accuracy; • Performed sensitivity on key assumptions, including the discount rate, revenue and profit growth analysis to determine the robustness of the model; • Performed an assessment of any contradictory information, including the expected government restrictions on new gas connections; Assessed management's disclosures including in relation to the transparency of the assumptions, in line with the requirements of FRS 102.
Key observations	Based on the audit procedures performed we concluded that the investments in subsidiaries are appropriately stated in the financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

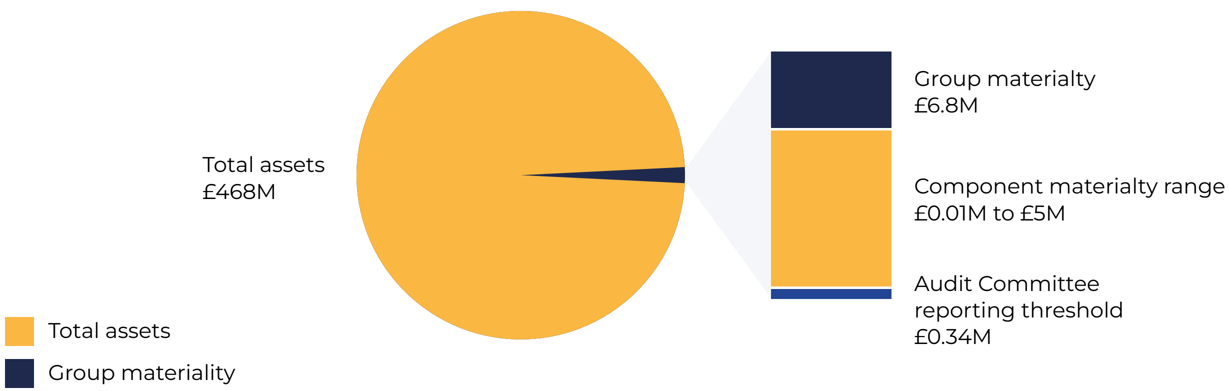
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£6,800k	£4,522k
Basis for determining materiality	1.5% of Total Assets of £468,137k	Parent company materiality was calculated on 1.5% of total assets, which is capped at 95% of group performance materiality.
Rationale for the benchmark applied	As the main objective of the entity is growth of its connections, this is linked to the assets value of the entity. Therefore, we determined that the primary line users of the financial statements will base judgements on total assets.	As the parent company of the group it does not generate significant revenues but instead holds investments such that total assets are an appropriate base to use to determine materiality.



INDEPENDENT AUDITOR'S REPORT CONTINUED

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% of group materiality	70% of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: **a)** our risk assessment, including our assessment of the group's overall control environment; **b)** the low turnover in key management personnel; and **c)** a low number of corrected and uncorrected misstatements identified in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £340k, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our audit procedures have noted that the control environment is the same across the group, with the 10 consolidated entities all operating from the same office. Therefore, we have continued with the scoping approach to include all entities in scope and then determine balances to scope out from a statutory accounts perspective. This approach has led to 100% of revenue being scoped, 100% of Profit Before Tax being scoped, and 100% of Net Liabilities being scoped by the Group Engagement team. All work was performed by the Group Engagement team, and component materialities varied from £0.01m for the smallest component to £4.5m for the largest.

8. Other information

The other information comprises the information included in the annual report, 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.

9. 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.

10. 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.

11. 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets.
- results of our enquiries of management and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities.
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance.
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud.
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement and relevant internal specialists, including tax, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: goodwill impairment assessment and recoverability of parent company's investment in subsidiaries. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, tax legislation, pension legislation.

In addition, we considered provisions of other laws and regulations that 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. These included the group's operating licence, regulatory solvency requirements and environmental regulations.

INDEPENDENT AUDITOR'S REPORT CONTINUED

11.2. Audit response to risks identified

As a result of performing the above, we identified goodwill impairment assessment and recoverability of parent company's investment in subsidiaries as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matters.

14. 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

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)		**(20,850)**	(19,510)
Charge for bad debts		**(1,030)**	-
Total administrative expenses		**(21,880)**	(19,510)
Group operating profit	4	**26,124**	24,253
Interest receivable and similar income		**6**	4
Interest payable and similar charges	7	**(33,167)**	(32,049)
Loss on ordinary activities before taxation		**(7,037)**	(7,792)
Taxation on loss on ordinary activities	8	**(2,016)**	(3,789)
Loss for the financial year and total comprehensive loss for the year		**(9,053)**	(11,581)

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 54 to 66 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2021

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Intangible assets	10		**25,164**		30,654
Tangible assets	11		**383,836**		348,051
Deferred tax asset	17		**11,605**		13,493
			420,605		392,198
Current assets					
Debtors	13	**9,974**		8,740	
Cash at bank and in hand		**37,558**		16,789	
		47,532		25,529	
Creditors: amounts falling due within one year	14	**(25,372)**		(23,756)	
Net current assets			**22,160**		1,773
Total assets less current liabilities			**442,765**		393,971
Creditors: amounts falling due after more than one year	15		**(644,239)**		(586,392)
Net liabilities			**(201,474)**		(192,421)
Capital and reserves					
Called up share capital	19		**134,241**		134,241
Profit and loss account			**(335,715)**		(326,662)
Equity shareholder funds			**(201,474)**		(192,421)

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 54 to 66 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Share capital	Profit and loss account	Total equity
	2020 £'000	2020 £'000	2020 £'000
1 January 2020	134,241	(315,081)	(180,840)
Comprehensive expense for the year	-	(11,581)	(11,581)
Total comprehensive expense for the year	-	(11,581)	(11,581)
Contributions by and distributions to owners	-	-	-
Total contributions by and distributions to owners	-	-	-
31 December 2020	134,241	(326,662)	(192,421)

	Share capital	**Profit and loss account**	**Total equity**
	2021 £'000	**2021 £'000**	**2021 £'000**
1 January 2021	**134,241**	**(326,662)**	**(192,421)**
Comprehensive expense for the year	**-**	**(9,053)**	**(9,053)**
Total comprehensive expense for the year	-	**(9,053)**	**(9,053)**
Contributions by and distributions to owners	-	-	-
Total contributions by and distributions to owners	-	-	-
31 December 2021	**134,241**	**(335,715)**	**(20,474)**

The notes on pages 54 to 66 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Loss for the financial year		**(9,053)**	(11,581)
Adjustments for:			
Depreciation, amortisation and impairment of fixed assets	10/11	**15,767**	15,535
Net interest payable		**33,161**	32,045
Taxation expense	8	**2,016**	3,789
Increase in trade and other debtors		**(1,234)**	(1,132)
Increase in trade creditors		**1,099**	869
Gain on disposal of tangible fixed assets		**(51)**	(33)
Cash generated by operations		**41,705**	39,492
Finance costs paid		**(34,967)**	(30,249)
Net cash generated from operating activities		**6,738**	9,243
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets	11	**127**	136
Purchases of tangible fixed assets	11	**(46,102)**	(50,698)
Interest received		**6**	4
Net cash used in investing activities		**(45,969)**	(50,558)
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		**20,769**	(1,315)
Cash and cash equivalents at beginning of year		**16,789**	18,104
Cash and cash equivalents at end of year		**37,558**	16,789
Cash and cash equivalents comprise:			
Cash at bank and in hand		**37,558**	16,789
		37,558	16,789

The notes on pages 54 to 66 form part of these financial statements.

COMPANY BALANCE SHEET

at 31 December 2021

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Investments	12		**113,610**		**113,610**
			113,610		**113,610**
Current assets					
Debtors	13	**282,462**		286,407	
Cash at bank and in hand		**142**		189	
		282,604		286,596	
Creditors: amounts falling due within one year	14	**(2,043)**		(2, 015)	
Net current assets			**280,561**		284,581
Total assets less current liabilities			**394,171**		398,191
Creditors: amounts falling due after more than one year	15		**(270,075)**		(272,097)
Net assets			**124,096**		126,094
Capital and reserves					
Called up share capital	19		**134,241**		134,241
Profit and loss account			**(10,145)**		(8,147)
Equity shareholder funds			**(124,096)**		(126,094)

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 loss for the financial year of £1,997,000 (2020: £2,014,000).

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

Paul Miles

Paul Miles
Director

The notes on pages 54 to 66 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Share capital 2020 £'000	Profit and loss account 2020 £'000	Total equity 2020 £'000
1 January 2020	134,241	(6,133)	(128,108)
Comprehensive expense for the year	-	(2,014)	(2,014)
Total comprehensive expense for the year	-	(2,014)	(2,014)
Contributions by and distributions to owners	-	-	-
Total contributions by and distributions to owners	-	-	-
31 December 2020	134,241	(8,147)	126,094

	Share capital 2021 £'000	**Profit and loss account 2021 £'000**	**Total equity 2021 £'000**
1 January 2021	**134,241**	**(8,147)**	**126,094**
Comprehensive expense for the year	**-**	**(1,998)**	**(1,998)**
Total comprehensive expense for the year	**-**	**(1,998)**	**(1,998)**
Contributions by and distributions to owners	**-**	**-**	**-**
Total contributions by and distributions to owners	**-**	**-**	**-**
31 December 2021	**134,241**	**(10,145)**	**124,096**

The notes on pages 54 to 66 form part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Zoom Holding 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 year 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 2021 the Group is loss making and had net liabilities of £201,474,000 (2020: £192,421,000). The Group is financed by a mixture of finance provided by shareholders in the form of £23,072,000 12% PIK notes (2020: £24,398,000); £247,003,000 8% PIK notes (2020: £247,669,000) listed on the Channel Islands Stock Exchange, and bank loans which totalled £341,972,000 (2020: £281,863,000) at the balance sheet date.

The Directors have concluded that the Group will be able to operate within its current facilities and comply with its covenants for the foreseeable future.

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.

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 16. 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 Zoom Holding Limited and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between 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 consolidated balance sheet, 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

1 Accounting policies *(continued)*

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.

Intangible fixed assets - Goodwill

Goodwill arising on the acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the consolidated statement of comprehensive income over the Directors' estimate of its useful economic life that is considered to be 20 years. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life.

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 tangible 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

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 goodwill

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 CGUs) 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 contribution 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

1 Accounting policies *(continued)*

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 the statement of comprehensive income 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.

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 balance sheet date.

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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- 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, and initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Derivative financial instruments

The Group had entered into inflation and interest rate swaps to manage its exposure to interest rate cash flow risk on part of its external debt. These derivatives were measured at fair value at each reporting date with movements in the fair value been recognised in the statement of comprehensive income.

Reserves

The Group and Company's reserves are as follows:

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

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 and intangible assets, including goodwill. 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.
- The phasing out of new connections of gas heated residential properties has been announced to commence in 2024 in Scotland and 2025 in England and Wales. The Directors anticipate there being a phased transition that will extend beyond the Government's target, and have planned accordingly to ensure the Group has the necessary capabilities to continue to win, adopt and maintain gas networks.

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

- 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.
- 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.

3 Analysis of turnover

	2021 £'000	2020 £'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

	2021 £'000	2020 £'000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	**10,277**	9,956
Amortisation of intangible assets, including goodwill	**5,490**	5,490
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**14**	9
Operating lease – land and buildings	**232**	232
Operating lease – other operating leases	**27**	-
Fees payable to the Company's auditor for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	**193**	149
Other services	**6**	2

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

5 Employees

	2021 £'000	2020 £'000
Group		
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

	2021 Number	2020 Number
The average number of employees for the Group during the year was as follows:		
Gas	**66**	53
Electricity	**39**	35
	105	88

Company

The Company does not directly employ any individuals.

6 Directors' remuneration

	2021 £'000	2020 £'000
Group		
Directors' emoluments	**2,181**	1,820
Compensation for loss of office	**-**	-
Group contributions to defined contribution pension schemes	**115**	80

There were seven paid directors during the year (2020: seven). 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 defined contribution pension schemes	**-**	-

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 £'000	2020 £'000
Bank loans	**10,621**	9,547
12% PIK loan note	**2,683**	2,574
8% PIK loan note	**19,863**	19,928
	33,167	32,049

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

8 Taxation on profit on ordinary activities

	2021 £'000	**2021 £'000**	2020 £'000	2020 £'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	**5,258**		3,840	
Effect of change in tax rate	**(3,381)**		(1,824)	
Prior year adjustment	**11**		1,773	
		1,888		3,789
Total tax charge		**2,016**		3,789

Tax reconciliation

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

	2021 £'000	2020 £'000
Loss on ordinary activity before tax	**(7,037)**	(7,792)
Current tax at 19% (2020: 19%)	**(1,335)**	(1,471)
Effects of		
Expenses not tax deductible	**5,434**	5,387
Other permanent difference	**(27)**	(36)
Effect of change in tax rate change on opening deferred tax balances	**(2,119)**	(2,007)
Prior year adjustment	**11**	1,773
Deferred tax not recognised	**2**	143
	2,016	3,789

For further information on deferred tax balances see note 18

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 loss for the financial year of £1,998,000 (2020: £2,014,000).

10 Intangible assets

Group	**Goodwill on consolidation £'000**
Cost or valuation	
At 1 January 2021	109,067
At 31 December 2021	**109,067**
Amortisation	
At 1 January 2021	78,413
Provision for year	5,490
At 31 December 2021	**83,903**
Net book value	
At 31 December 2021	**25,164**
At 31 December 2020	30,654

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

11 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	384,999	31,146	3,660	392	420,197
Additions	41,965	2,872	618	683	46,138
Disposals	-	(1,617)	(49)	(251)	(1,917)
At 31 December 2021	**426,964**	**32,401**	**4,229**	**824**	**464,418**
Depreciation					
At 1 January 2021	59,032	10,568	2,367	179	72,146
Provision for year	7,676	2,147	306	148	10,277
Disposals	-	(1,617)	(49)	(175)	(1,841)
At 31 December 2021	**66,708**	**11,098**	**2,624**	**152**	**80,582**
Net book value					
At 31 December 2021	**360,256**	**21,303**	**1,605**	**672**	**383,836**
At 31 December 2020	325,967	20,578	1,293	213	348,051

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.

12 Fixed asset investments

Company	Group undertakings £'000
Cost	
At 1 January 2021 and 31 December 2021	113,610

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
Zoom Infrastructure Limited*	England & Wales	100%	Holding company
Zoom Gas Pipelines Limited	England & Wales	100%	Holding company
ESP Utilities Group Limited	England & Wales	100%	Holding company
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
Gas Newco 1 Limited	England & Wales	100%	Gas transport
ESP Electricity Limited	England & Wales	100%	Independent distribution network operator
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 investments listed above is Bluebird House, Mole Business Park, Leatherhead, Surrey, KT22 7BA.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

13 Debtors

	Group 2021 £'000	Group 2020 £'000	**Company 2021 £'000**	Company 2020 £'000
Trade debtors	**8,317**	7,385	**-**	-
Loans owed by Group undertakings	**-**	-	**282,462**	285,957
Other amounts owed by Group undertakings	**-**	-	**-**	450
Other debtors	**53**	32	**-**	-
Prepayments and accrued income	**1,604**	1,323	**-**	-
	9,974	8,740	**282,462**	286,407

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.

14 Creditors: amounts falling due within one year

	Group 2021 £'000	Group 2020 £'000	**Company 2021 £'000**	Company 2020 £'000
Trade creditors	**12,889**	12,924	**25**	-
Other creditors	**847**	1,541	**-**	-
Accruals and deferred income	**11,326**	9,145	**12**	9
Other taxation and social security	**182**	146	**-**	-
Corporation tax	**128**	-	**-**	-
Loan due to Group undertaking	**-**	-	**2,006**	2,006
	25,372	23,756	**2,043**	2,015

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.

15 Creditors: amounts falling due after more than one year

	Group 2021 £'000	Group 2020 £'000	**Company 2021 £'000**	Company 2020 £'000
Loan notes	311,972	251,863	-	-
Capex loan	30,000	30,000	-	-
12% PIK notes	23,072	24,398	23,072	24,398
8% PIK notes	247,003	247,699	247,003	247,699
Deferred income	32,192	32,432	-	-
	644,239	586,392	**270,075**	272,097

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

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

The 12% and 8% PIK loan notes are listed on the Channel Island Stock Exchange and mature in 2036.

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

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

The maturity of sources of debt finance is as follows:

Group	**Loans and overdrafts 2021 £'000**	Loans and overdrafts 2020 £'000
In one year or less, or on demand	**-**	-
In more than one year but not more than five years	**30,000**	30,000
In more than five years	**582,047**	523,960
	612,047	553,960

Company	**Loans and overdrafts 2021 £'000**	Loans and overdrafts 2020 £'000
In one year or less, or on demand	**-**	-
In more than one year but not more than five years	**-**	-
In more than five years	**270,075**	272,097
	270,075	272,097

16 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	**37,558**	16,789
Trade debtors	**8,317**	7,385
Other debtors	**53**	32
Deposits	**-**	-
Financial liabilities *measured at amortised cost:*		
Trade creditors	**12,889**	12,924
Other creditors	**847**	1,541
Accrual	**11,326**	8,446
Loan notes	**311,972**	251,863
Capex loan	**30,000**	30,000
12% PIK notes	**23,072**	24,398
8% PIK notes	**247,003**	247,699

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

17 Deferred tax

	2021 £'000	2020 £'000
Group		
At 1 January	**13,493**	17,282
Charged to profit or loss	**(1,888)**	(3,789)
At 31 December	**11,605**	13,493
Comprising:		
Deferred tax asset	**34,978**	29,616
Deferred tax liability	**(23,373)**	(16,123)
	11,605	13,493

As at 31 December 2021, the Group has losses carried forward of £2,281k on which no deferred tax asset has been recognised on the grounds that suitable profits against which the losses could be offset are not forecast.

Deferred tax - Group

	31 December 2021 £'000	31 December 2020 £'000
Difference between accumulated depreciation and amortisation and capital allowances	**(23,373)**	(16,123)
Other timing differences	**34,978**	29,231
Tax losses	**-**	385
	11,605	13,493

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

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.

18 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: £315,000). The balance outstanding at year end was £nil (2020: £nil).

19 Share capital

	2021 £'000	2020 £'000
Allotted, called up and fully paid		
134,201,000 ordinary shares of £1 each	**134,201**	134,201
40,000 'B' shares of £1 each	**40**	40
	134,241	134,241

The holders of the B shares shall have no rights to any distribution of profits of the Company, secondly they shall have no rights to vote on any question, and thirdly the holders of the B shares shall between them be entitled to the B shareholder proportion of the Capitalisation Value on the occurrence of a Liquidity Event as laid down within the Articles of Association.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

20 Commitments under operating leases

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

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

21 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.

22 Related party disclosures

The parent undertaking is 3i MIA Holdings Limited, which is wholly owned by 3i Managed Infrastructure Acquisitions LP ("3i MIA LP").

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

Debt instruments due to the parent undertaking, the 12% and 8% PIK Notes, are disclosed in note 1 and 16 and interest accrued on these instruments disclosed in note 8.

The Directors consider that all related party transactions have been appropriately disclosed.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

23 Segmental information

Description of segments

The Group has five trading subsidiaries licenced by Ofgem: 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.

Factors that management use in identification of segments

The Group's reportable segments are based along the lines of i) Gas Transportation companies of which there are four licenced companies and ii) One Electrical distribution licence company.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the management team and Directors of ESP Utilities Group Limited.

Measurement of operating segment profit, assets and liabilities

The Group evaluates segmental performance on the basis of profit or loss from operations calculated in accordance with FRS102 but excluding non-recurring losses, such as goodwill impairment, financing loans and deferred tax movements relating to financing loans.

Segment assets exclude tax assets and assets used primarily for corporate purposes. Segment liabilities exclude tax liabilities.

23 Segmental information *(continued)*

	Electricity 2021 £'000	**Gas 2021 £'000**	**Total 2021 £'000**	Electricity 2020 £'000	Gas 2020 £'000	Total 2020 £'000
Group's turnover per consolidated statement of comprehensive income	**44,033**	**44,615**	**88,648**	35,358	42,895	78,253
Depreciation	**(1,768)**	**(8,509)**	**(10,277)**	(1,526)	(8,430)	(9,956)
Segment profit	**11,086**	**4,785**	**15,871**	9,098	7,807	16,905
Cost of Sales			**(229)**			(229)
Administrative expenses			**(485)**			(774)
Amortisation			**(5,490)**			(5,490)
Financial expenses			**(16,710)**			(18,208)
Financial income			**6**			4
Group loss before tax			**(7,037)**			(7,792)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

23 Segmental information *(continued)*

	Electricity 2021 £'000	Gas 2021 £'000	Total 2021 £'000	Electricity 2020 £'000	Gas 2020 £'000	Total 2020 £'000
Additions to non-current assets	**14,453**	**31,685**	**46,138**	7,796	40,947	48,743
Reportable segment assets	**79,904**	**320,196**	**400,100**	67,600	298,574	366,174
Intangible assets			**25,163**			30,653
Tangible assets			**1,143**			1,365
Tax assets			**12,481**			13,493
Cash at bank and in hand			**30,126**			6,042
Total Group assets			**469,013**			417,727
Reportable segment assets	**5,069**	**67,439**	**72,508**	8,994	58,206	67,200
Loans and borrowings (excluding leases and overdrafts)			**612,047**			553,995
Deferred tax and group relief			**(15,058)**			(11,388)
Other liabilities			**144**			341
Total Group assets			**669,641**			610,148

Analysis of the Group's Revenue has identified that the Group has two Key customers (combined gas and electricity utilities) whose turnover is greater than 10% and their percentages are: 22.6% and 21.45% (2020: two customers 23.8%, 12.5%).

24 Post Balance sheet event

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

Glossary of terms

COSHH	Control of Substances Hazardous to Health
DNO	Distribution Network Operator
DUoS	Distribution Use of System
DWI	Drinking Water Inspectorate
ESQCR	Electricity Safety, Quality and Continuity Regulations
EV	Electric Vehicle
GDN	Gas Distribution Network
GSMR	Gas Safety (Management) Regulations 1996
HSE	Health and Safety Executive
ICP	Independent Connection Provider – constructor of electricity networks
IDNO	Independent Distribution Network Operator
IGT	Independent Gas Transporter
INA	Independent Networks Association
MP	Member of Parliament
NAV	New Appointments and Variations
Ofgem	Office of Gas and Electricity Markets
Ofwat	Water Services Regulation Authority
RA	Risk Assessment
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013
SH&E	Safety, Health and Environment
SLP	Self Lay Provider – constructor of water and sewerage networks
SSRA	System Safety Risk Assessment
UIP	Utilities Infrastructure Provider – constructor of gas networks

2021 Annual Report & Accounts

Zoom Holding Limited
Bluebird House, Mole Business Park,
Randalls Road, Leatherhead,
KT22 7BA