ESPUG Finance Limited

Annual Report and Financial Statements

Year Ended

31 December 2024

Registered number 10933801

ESPUG Finance Limited

Annual report and financial statements
for the year ended 31 December 2024

Contents

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Directors
Anna Dellis
Simon Lees
Simon Loh
Liam McAvoy
Paul Miles
Kevin O'Connor
Bernardo Sottomayor
Victoria Spiers
Yaadvinder Virdee
Peter Whittaker

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

Company number
10933801

Auditor
Deloitte LLP, 2 New Street Square, London. EC4A 3BZ

Principal activities and future developments

The principal activity of the Company is that of a holding company. The Company has three trading subsidiaries (together "the Group"): one subsidiary is an electrical distribution company engaged in the development of electrical distribution as an independent operator, one subsidiary is an independent water company, providing water and waste-water to residential and commercial customers, and one subsidiary operates as a gas transportation company engaged in the development of gas pipelines, the transportation of gas and metering services throughout mainland UK.

The Company forms part of the ESP Utilities Group of companies, which in addition to ESPUG Finance Limited comprises ESP Electricity Limited, ESP Water Limited, E.S. Pipelines Limited and ESP Utilities Group Limited.

The Directors consider that there will be no material changes to the business of the Company going forward.

Review of the business

A statement of comprehensive income is set out on page 11 and shows turnover for the period of £nil (2023: £nil) and profit for the period of £27,610,000 (2023: £36,310,000), due to net interest received on intercompany balances.

The Directors considered loan interest to be the main key performance indicator as this is a holding company with the only other material transactions being dividends. Interest payable for the period was £13,614,000 (2023: £7,785,000). Interest received for the period was £26,280,000 (2023: £22,164,000).

A dividend of £32,400,000 was paid during the year (2023: £28,850,000). Dividends of £15,000,000 were received during the year (2023: £22,000,000).

On 5th October 2017 the Group refinanced its external debt borrowings. The Group's facilities consist of a banking syndicate of seven banks providing £434m of private loan placements, £5m working capital, £100m capital expenditure and £15m liquidity facilities. In October 2021 the working capital, capital expenditure and liquidity facilities were renewed for a further 5 years. The loan notes have maturity dates of ten, fifteen and twenty years at a fixed rate of interest. These loans have an investment grade credit rating of Baa2 from Moody's Investor Services.

The Group's ongoing capital expenditure has been funded by ESPUG Finance Limited through a drawdown of £20m on the Capex Loan facility in the year.

Principal risks and uncertainties

The Company is a holding company therefore what is relevant in terms of risks and uncertainties is in respect of the trading of the subsidiaries.

The market for the adoption of new housing networks is competitive. The availability of new housing connections from customers is dependent on the overall housing market, which is dependent upon a positive economic outlook.

The ownership and operation of gas pipelines represents approximately 32% (2023: 36%) of the Group's revenue. The Office of Gas and Electricity Markets ("Ofgem") regulates the activities of the Group, including the transportation tariffs that the Group charges. In 2004 Ofgem introduced the Relative Price Control ("RPC") mechanism. The purpose of RPC is to keep parity between the charges levied by Independent Gas Transporters (iGTs), including the Group's, and the operators of the Gas Distribution Networks. RPC allows the Group to increase prices partly in line with the Retail Price Index ("RPI"). Therefore, the Group's income will vary in accordance with RPI.

Principal risks and uncertainties (continued)

The Group also operates and maintains the meters connected to its gas pipelines. Meter income represents approximately 9% (2023: 9%) of the Group's revenue. The meter market in the UK has been open to competition since 2004 and over the next 4 years it is forecast that dumb meter revenue will materially decline as a consequence of the Government mandated smart meter roll out. However, the Group business model predicts an increase in the smart meter portfolio as new meters are installed with new connections going forward.

The ownership and operation of electricity connections represents 58% (2023: 54%) of the Group's revenue; the importance of this market is increasing each year as the market matures and more connections are installed on Independent Distribution Network Operator (iDNO) networks. Historically, electricity connections installed were adopted by the incumbent DNOs until 2001 when the market was opened to competition allowing iDNOs to adopt electricity connections. The regulatory changes in April 2010 to standardise the iDNOs' tariffs has opened up most of the market to competition, providing greater opportunities to iDNOs. As the market continues to mature it is expected that the iDNOs will obtain a similar market presence as the iGTs in the gas market.

The UK Government has committed to moving away from residential gas connections and we anticipate a gradual phasing out of future connections and reduced growth levels. As part of the energy transition to meet the UK Net Zero goals the UK Government plans to introduce a Future Home Standard, which will require non-fossil fuel heating systems to be installed in all new homes. The timing of this legislation remains uncertain, but it is expected that this will be laid in Parliament in the latter half of 2025. This new standard will present multiple challenges for house builders, supply chain readiness, suitably trained workforce and consumer appetite, and it is therefore expected that there will be a significant transition period before the standard becomes fully effective.

The new Government has not confirmed a date for a decision on the use of hydrogen as a heating solution, but with no ongoing trials in the UK it is reasonable to assume it will not play a significant part. Should there be a localized case for hydrogen, in support of local production capability, our gas networks are built using modern materials that can be repurposed to transport hydrogen gas.

The government had given its supports to proposals to blend up to 20% hydrogen into the gas grid pending finalised safety case assessment.

Directors' duties

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

'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its 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; and
- 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.

Risk Management

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

Our People

As a relatively small Group with just over 150 employees operating in one location, we recognise that our employees are fundamental to the success of the business and every single person's contribution counts. The health, safety and well-being of our employees is one of our primary considerations in the way we do business.

Business Relationships

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

Community and Environment

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

Shareholders

As a Board of Directors, our intention is to behave responsibly towards our shareholders, with whom we work closely to deliver growth and add value, as well as our Lenders who support the Group by providing the funding for growth. Key decisions are made in conjunction with shareholders, whose interests are represented by their three Board appointees.

Key decisions made in the year

<table>
<tr><td>Decision</td><td>Effect</td></tr>
<tr><td colspan="2">Decision to launch ESP District Heating
During early 2024 the Directors took the decision to enter the District Heating market and developed a proposition for the UK new housing market offering a cost-effective alternative to gas heating and air source heat pumps for larger housing developments.</td></tr>
<tr><td>Shareholders</td><td>Diversification of the heating sources offered for domestic housing provides resilience to both revenues and value caused by the uncertainty over the end of gas.</td></tr>
<tr><td>Employees</td><td>Reducing reliance on future gas revenues increases long term job security.</td></tr>
<tr><td>Customers</td><td>A wider commercial offering strengthens our customers' ability to compete within the market, helping them to win business.</td></tr>
</table>

Key decisions made in the year (continued)

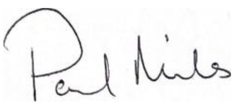
Decision	Effect
Decision to employ more technical staff and senior management During 2024 the Board recognised that as the Group continues to grow and diversify, there is a need to strengthen the technical depth of the operational teams, and to recruit additional specialist senior managers in areas such as HR and IT to support the Executive team.	
Shareholders	A broader level of technical and managerial staff reduces reliance on key personnel, and allows for succession planning within the Group
Stakeholders	More opportunities for career progression assists with staff retention.
Employees	Increased technical staff allow the Group to support customers with complex propositions

Decision	**Effect**
Decision to increase staff annual holiday entitlement During 2024 the Directors reviewed the annual holiday entitlement to all staff, benchmarking against both the local and industry recruitment market. Following this review, an extra day was granted to all staff during 2024, and from 1st January 2025 all staff received an uplift of 2 days to their full year annual holiday allowance.	
Shareholders	Improving annual leave entitlement as part of the wider benefits package has improved the marketability of the Group as an employer and improves the retention of trained staff in a continued challenging recruitment market.
Employees	Increased annual leave entitlement has improved staff wellbeing and loyalty.

Going Concern

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

Approved by the Board and signed on its behalf by



Paul Miles
Director
28 April 2025

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

Post balance sheet events

ESP Connections Limited and ESP Networks Limited were struck off in early 2025. There is an active request to strike off ESP Pipelines Limited.
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Dividends

Dividends of £15,000,000 were received during the year (2023: £22,000,000). Dividends of £32,400,000 were declared and paid during the year (2023: £28,850,000). All dividends were paid within the year.

Directors

The Directors of the Company throughout the year to the date of this report were:

Anna Dellis
Simon Lees
Liam McAvoy (appointed 1 January 2025)
Paul Miles
Adam Miller (resigned 31 December 2024)
Stephen Morris (resigned 9 July 2024)
Kevin O'Connor
Victoria Spiers
Bernardo Sottomayor
Yaadvinder Virdee
Peter Whittaker
Simon Loh (appointed 18 March 2024)

Directors' duties

Information on directors' duties has been included in the strategic report on pages 2.

Financial instruments

Liquidity risk and cash flow risk
On 6 October 2017 the company entered into new loan note agreements to refinance the Group's' external debt borrowings. The facilities consist of lenders providing up to £554m of private loan placements, working capital, capital expenditure and liquidity facilities. In October 2021 the capital expenditure, working capital and liquidity facilities were extended for a further 5 years. These loans have an investment grade credit rating of Baa2 from Moody's Investor Services. Details of the private placement notes can be found in note 11 on page 20,

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

Directors' indemnities

The Company maintains directors' and officers' liability insurance, which gives appropriate cover for any legal action brought against its directors. The Company has also granted indemnities to each of its directors to the extent permitted by law. Qualifying third party indemnity provisions (as defined in Section 234 of the Act) were in force during the year ended 31 December 2024 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. This indemnity exists for all companies within the Group.

Energy and carbon disclosures

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

Likely future developments in the business of the Company

The Directors consider that having secured long term funding for the Group, as shown in note 11, there will be no material changes to the business of the Company going forward.

Auditor

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

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

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

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

Approved by the Board and signed on its behalf by

Paul Miles

Paul Miles
Director

28 April 2025

Directors' responsibilities statement
for the year ended 31 December 2024

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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 a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR’S REPORT TO MEMBERS OF ESPUG FINANCE LIMITED

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of ESPUG Finance Limited (the ‘company’):

- give a true and fair view of the state of the company’s affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:
had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors’ report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

L. Mehrer

Lindsey Mehrer FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
28 April 2025

ESPUG Finance Limited

Statement of comprehensive income
for the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
Turnover		**-**	-
Cost of sales		**-**	-
Gross profit		**-**	-
Administrative expenses		**(56)**	(69)
Operating loss	3	**(56)**	(69)
Interest payable and similar charges	4	**(13,614)**	(7,785)
Other interest receivable and similar income	5	**26,280**	22,164
Dividends from share in group undertakings		**15,000**	22,000
Profit on ordinary activities before taxation		**27,610**	36,310
Taxation on profit on ordinary activities	7	**-**	-
Profit for the financial year and total comprehensive income for the year		**27,610**	36,310

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.

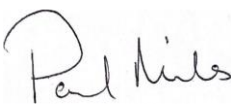
The notes on pages 14 to 22 form part of these financial statements.

ESPUG Finance Limited

Balance sheet
at 31 December 2024

	Note	**2024** **£'000**	**2024** **£'000**	2023 £'000	2023 £'000
Fixed assets					
Investments	8		**620,309**		620,177
			620,309		620,177
Current assets					
Debtors	9	**321,566**		300,139	
Cash at bank and in hand		**18,380**		31,062	
		339,946		331,201	
Creditors: amounts falling due within one year	10	**(2,371)**		(4,039)	
Net current assets			**337,575**		327,162
Total assets less current liabilities			**957,884**		947,339
Creditors: amounts falling due after more than one year	11		**(440,871)**		(425,536)
Net assets			**517,013**		521,803
Capital and reserves					
Called up share capital	12		**141,705**		141,705
Share premium account			**369,999**		369,999
Profit and loss account			**5,309**		10,099
Equity shareholder funds			**517,013**		521,803

The financial statements were approved by the Board of Directors and authorised for issue on 28 April 2025 and were signed on its behalf by:



Paul Miles
Director

The notes on pages 14 to 22 form part of these financial statements.

ESPUG Finance Limited

Statement of changes in equity
for the year ended 31 December 2024

	Share capital 2024 £'000	Share Premium 2024 £'000	Profit and loss account 2024 £'000	Total equity 2024 £'000	Share capital 2023 £'000	Share Premium 2023 £'000	Profit and loss account 2023 £'000	Total equity 2023 £'000
1 January	**141,705**	**369,999**	**10,099**	**521,803**	141,705	369,999	2,639	514,343
Comprehensive income for the year								
Profit for the year	**-**	**-**	**27,610**	**27,610**	-	-	36,310	36,310
Total comprehensive income for the year	**-**	**-**	**27,610**	**27,610**	-	-	36,310	36,310
Contributions by and distributions to owners	**-**	**-**	**-**	**-**	-	-	-	-
Dividends paid	**-**	**-**	**(32,400)**	**(32,400)**	-	-	(28,850)	(28,850)
Total contributions by and distributions to owners	**-**	**-**	**(32,400)**	**(32,400)**	-	-	(28,850)	(28,850)
31 December	**141,705**	**369,999**	**5,309**	**517,013**	141,705	369,999	10,099	521,803

The notes on pages 14 to 22 form part of these financial statements.

1 Accounting policies

ESPUG Finance 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 have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

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.

New and amended Standards that are effective for the current year

In March 2024 the FRC issued Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs – Periodic Review 2024 (the ‘Periodic Review 2024 amendments’).

The Company has applied the amendments to FRS 102 issued by the FRC in March 2024, for the first time during the year in advance of their effective date. The amendments that impact the Company, discussed in more detail below, include changes to Section 23 Revenue from Contracts with Customers (formerly Section 23 Revenue). Several other amendments have been made which affect numerous areas of FRS 102, including changes to Section 20 Leases, new disclosures for supplier finance arrangements within Section 7 Statement of Cash Flows, a revised section on concepts and pervasive principles, changes to fair value measurement and to the requirements for uncertain tax positions, however these have not had a material impact on the Company’s financial statements.

Revenue from Contracts with Customers:
The amendments to FRS 102 include a 5-step approach to revenue recognition, applied retrospectively. Following a detailed review of the Company’s relevant transactions and positions, no material adjustments were required and as a result, no cumulative adjustment to opening retained earnings has been presented. The amendments use the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however, the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. As a result, no changes have been made to existing terminology.

Basis of preparation
Disclosure exemptions

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

- No cash flow statement has been presented for the Company as this information is included in the consolidated accounts of ESP Utilities Group Limited (company number 02612105), which can be obtained from Companies House; and
- Disclosures in respect of the Company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole.
- The requirements in Section 33 Related Party Disclosures, to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- No disclosure has been given for the aggregate remuneration of the key management personnel of the Company as their remuneration is included within E.S. Pipelines Limited (company number 03822878) as a whole.

1 Accounting policies *(continued)*

Going concern

The financial statements have been prepared on a going concern basis.

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 any impact on the business from higher interest rates and current cost of living pressures. The Directors do not believe there will be any material financial or operational impact from these in the future.

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 a going concern basis.

On 5th October 2017 the Group refinanced its external debt borrowings. The Group's facilities consist of a banking syndicate of five banks providing £434m of private loan placements, £5m working capital, £100m capital expenditure and £15m liquidity facilities. In October 2021 the working capital, capital expenditure and liquidity facilities were renewed for a further 5 years. The loan notes have maturity dates of ten, fifteen and twenty years at a fixed rate of interest. These loans have an investment grade credit rating of Baa2 from Moody's Investor Services. Details of the private placement notes can be found in note 11 on page 20.

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

The following principal accounting policies have been applied:

Consolidated financial statements

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statement of a parent undertaking. These financial statements therefore present information about the Company as an individual undertaking and not as a Group.

Investments

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

Impairment of cost of investment

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

1 Accounting policies *(continued)*

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 and movements in the fair value of non-basic debt instruments.

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 operates and generates 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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 been 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 instruments are classified according to the substance of the contractual arrangements entered into. Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of transaction costs. Financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments which comply with all of the condition of paragraph 11.9 of FRS 102 are classified as 'basic'. For debt instruments that do not meet the conditions of FRS 102.11.9, it is considered whether the debt instrument is consistent with the principle in paragraph 11.9A of FRS 102 in order to determine whether it can be classified as basic. Instruments classified as 'basic' financial instruments are subsequently measured at amortised cost using the effective interest method. Other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

1 Accounting policies *(continued)*

Reserves

The Company's reserves are as follows:

- Called up share capital represents the nominal value of shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue cost.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.. The profit and loss account is wholly distributable.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders.

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

There are no areas representing critical judgements made by management and no key sources of estimation uncertainty in the company's financial statements.

3 Operating loss

	2024	2023
This is arrived at after charging	**£'000**	£'000
Auditor's remuneration	**9**	8

All auditor's remuneration relates to the audit of the financial statements, Consistent with the previous year, no non-audit services were provided by the auditor.

4 Interest payable and similar charges

	2024	2023
	£'000	£'000
Interest on loan notes	**18,562**	14,786
Fair value (gains) on financial instruments	**(4,948)**	(7,001)
	13,614	7,785

5 Other interest receivable and similar income

	2024	2023
	£'000	£'000
Bank interest received	**1,027**	674
Other interest received	**476**	-
Interest receivable from Group companies	**24,645**	21,466
Preference share interest received	**132**	24
	26,280	22,164

6 Remuneration of Directors

The Directors, the only employees of the Company, received no remuneration or fees in respect of their services to the Company for the year ended 31 December 2024 (2023 £nil). The directors who served during the year were employed by Zoom Holding Limited and other group companies and were remunerated through these companies.

7 Taxation on profit on ordinary activities

	2024 £'000	**2024 £'000**	2023 £'000	2023 £'000
UK corporation tax				
Current tax on profits of the year		**-**		-
Adjustment in respect of previous periods		**-**		-
Total current tax		**-**		-
Deferred tax				
Deferred tax current period	**-**		-	
		-		-
Total tax charge		**-**		-

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2023: lower) than the standard rate of corporation tax in the year of 25% (2023: 23.5%). The differences are explained below.

	2024 £'000	2023 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	**27,610**	36,310
Current tax at 25% (2023: 23.5%)	**6,901**	8,539
Effects of:		
Exempt group income	**(3,783)**	(5,180)
Fair value (gains) on financial instruments	**-**	(1,646)
Group relief claimed for nil consideration	**(3,118)**	(1,713)
Total current tax charge	**-**	-

8 Fixed asset investments

	2024	2023
	£'000	£'000
Cost as at 1 January and 31 December	**620,309**	620,177

Details of the Company's fixed asset investment in subsidiaries are as follows:

Subsidiary	**Country of incorporation**	**Nature of business**	**Class and percentage of shares held**
ESP Electricity Limited *	England & Wales	Independent distribution network operator	Ordinary shares 100%
E.S. Pipelines Limited *	England & Wales	Gas transport	Ordinary shares 100% Preference shares 100%
ESP Pipelines Limited***	England & Wales	Gas transport	Ordinary shares 100%
ESP Networks Limited***	England & Wales	Gas transport	Ordinary shares 100%
ESP Connections Limited***	England & Wales	Gas transport	Ordinary shares 100%
ESP Water Limited*	England & Wales	Water company	Ordinary shares 100%
ESP Water Retail Limited**	England & Wales	Water company	Ordinary shares 100%

Directly owned *
Directly owned and non trading**
Non trading ***

The registered address for all investments listed above is Bluebird House, Mole Business Park, Leatherhead, Surrey, KT22 7BA. The registered address for all investments will be changing to 1st Floor, Kings Court, Kingston Road, Leatherhead, Surrey. KT22 7SL during 2025.

During the year a dormant subsidiary undertaking Gas Newco 1 Limited was struck off.

There is an active request to strike off ESP Pipelines Limited. ESP Connections Limited and ESP Networks Limited were struck off in early 2025.

9 Debtors

	2024	2023
	£'000	£'000
Amounts owed by Group undertakings	**321,566**	300,016
Other debtors	**-**	54
Corporation tax	**-**	69
	321,566	300,139

All debtors are due within one year.

10 Creditors: amounts falling due within one year

	2024 £'000	2023 £'000
Trade creditors	**-**	287
Private placement note interest	**2,362**	3,739
Accruals and deferred income	**9**	13
	2,371	4,039

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

11 Creditors: amounts falling due after more than one year

	2024 £'000	2023 £'000
Private placement notes issued	**420,871**	425,536
Capex loan	**20,000**	-
	440,871	425,536

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
£60m at 6.67% Senior Secured Tranche A note due 19th October 2033
£30m at 2.116% Senior Secured note due 13th 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 13th May 2041
£60m at 6.91% Senior Secured Tranche note due 19th October 2043

£20m was drawn down against the £100m capital expenditure facility during 2024, leaving £80m available to draw on the facility. Interest is payable at SONIA +1.62%.

The maturity of sources of debt finance is as follows:

11 Creditors: amounts falling due after more than one year

Group	**Loans and overdrafts 2024 £'000**	Loans and overdrafts 2023 £'000
In one year or less, or on demand	**-**	-
In more than one year but not more than five years	**74,000**	54,000
In more than five years	**366,871**	371,536
	440,871	425,536

12 Financial instruments

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

	Group 2024 £'000	Group 2023 £'000
Financial assets		
measured at amortised cost:		
Cash at bank	**18,380**	31,062
Amounts owed by Group undertakings	**321,566**	300,016
Other debtors	**-**	54
Financial liabilities		
measured at amortised cost:		
Trade creditors	**-**	287
Loan note interest	**2,362**	3,739
Accruals	**9**	13
Loan notes	**420,871**	425,536
Capex loan	**20,000**	-
measured at fair value through profit or loss		
Loan notes	**46,000**	51,000

13 Share capital

	2024 £'000	2023 £'000
Allotted, called up and fully paid		
141,705,534 Ordinary shares of £1 each	**141,705**	141,705

14 Immediate and ultimate holding company and parent undertaking of larger group

The Company's immediate holding company is ESP Utilities Group Limited, a Company registered in England. The Company's ultimate holding company is Zoom Holding Limited, a Company registered in England and Wales.

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 group in which the results of the Company are consolidated is that headed by Zoom Holding Limited. The smallest group in which the results of the Company are consolidated is that headed by ESP Utilities Group Limited. The address of all Group companies is 1st Floor, Bluebird House, Mole Business Park, Leatherhead, KT22 7BA. Copies of these consolidated financial statements are available from Companies House.