ESP UTILITIES GROUP

ZOOM HOLDING LIMITED

2024

Annual Report & Accounts

Company Number: 05777758

CONTENTS

STRATEGIC REPORT

GROUP SNAPSHOT

Operating profit:
£52.3m
£36.3m in 2023

Turnover:
£159.2m
£123.3m in 2023

Connections orderbook:
302K
2023: 272K

EV Charging Capacity[1]:
264.0mVa
2023: 136.2mVa

EV Charging Capacity in orderbook[2]:
384.4mVa
2023: 436.7mVa

Connections:
1,057,000
2023: 1,004,000

RIDDOR incident:
1
None in 2023

Employees:
148
2023: 125 employees

1. 264.0mVa of EV charging capacity is equivalent to 462.5 million EV miles driven per year (2023: 136.2mVa is equivalent to 234.4 million EV miles). **2.** 384.4mVa of EV charging capacity is equivalent to 673.4 million EV miles driven per year (2023: 436.7mVa is equivalent to 765.0 million EV miles).

BUSINESS MODEL AND 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.

The Group does not build new networks, instead purchases completed networks and connections from accredited constructors. The regulated entities owning and operating the assets are known as:

Electricity, Independent Distribution Network Operator (iDNO)

Gas, Independent Gas Transporter (IGT)

Water, New Appointments and Variations (NAV)

As the network owner and operator of the 'last mile' of infrastructure to the end consumer, the Group is responsible for maintaining the network and repairing any faults that cause interruptions to supply as quickly and safely as possible. Gas and electricity revenues are generated from Utility suppliers who pay a monthly rental per connection for use of this 'last mile' of infrastructure. Water revenues are generated from consumers. Revenues are regulated by Ofgem (gas and electricity) and Ofwat (water).

Electricity

ESP charges the Supplier for the Consumers share of the 'all the way' distribution charge for use of its network and refunds the upstream share of the revenue back to the Distribution Network Operator via the DUoS mechanism.

Gas

ESP charges the Supplier/ Shipper a rental for the use of its networks, pipes and meters to transport the gas to consumers.

Water

ESP charges the consumer directly for the supplied water, including meter rental, and pays wholesale water charges back to the Incumbent Water Company for the provision of clean water and waste water services.

BUSINESS MODEL AND STRATEGY

(CONTINUED)

We operate a business model focused predominantly 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 being delivered.

We have a proven entrepreneurial history of proactively adapting to market conditions to strengthen the resilience of the business, achieved through strategy diversification. To strengthen our Residential offering we have developed our Direct to Developer proposition. This sits alongside our successful Industrial and Commercial proposition, specialising in the delivery of Electric Vehicle (EV) opportunities. Our business model can be summarised through the Group's Vision, delivering on our Mission, which is achieved through our Delivery.

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.

VISION

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

MISSION

To adopt and maintain safe, efficient and reliable networks while delivering strong and reliable results for our investors, being consumer and customer focused through 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
- Providing excellent levels of service and reliability for our consumers and customers

CHAIR'S STATEMENT

I am pleased to introduce our 2024 annual report following my appointment as Chair on 1 January 2025.

I am delighted to be joining the Group and look forward to contributing to its continued successful growth. Having passed the 1 million connections milestone in 2023, the Group had another excellent year in 2024 achieving increases in turnover, profitability, connections and forward order book.

Introduction

In a year where markets continued to be challenging due to the sustained slowdown in the new housing market, high interest rates and political uncertainty in the UK caused by a General Election, the Group has continued to show its strength and resilience by maintaining market share in the residential sector and in growing its Industrial and Commercial (I&C) business.

The Group is committed to meeting the challenges by adapting and expanding its offering to the market and in 2024, the group launched its Heat division, which offers a low carbon, cost effective alternative to both gas heating and air source heat pumps for new homes. Backed by the experienced teams supporting our other utilities, the new Heat offering complements the Group's existing provision of gas, electricity and water placing it in a strong position for continued growth in 2025 and beyond.

The future of gas

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 the 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 anticipated that there will be a significant transition period before the standard becomes fully effective. This represents a key challenge to the Group and is also addressed in the Chief Executive's Review.

Board structure and governance

Our strong corporate governance processes are overseen by the Board, which comprises three non-executive Directors, two Executive Directors and a non-executive Chair. 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.

Investing in the future

The strength of the Group lies in our people, and the Board recognises that the ongoing training and development of its employees is a key driver to our success. The Step-Up training programme is now well established, supporting high potential employees with career progression and development. We have now successfully graduated four cohorts of trainees through the programme, many of whom have progressed into management positions within the business. 2025 sees the start of the fifth cohort of the programme, and we are pleased to continue to support their growth. In 2024, a structured training programme, open to all staff, was established providing training and personal development opportunities on a regular basis throughout the year. This is in addition to offering apprenticeships and study support to all employees to assist in gaining relevant professional qualifications.

Following the successful introduction of a Managers Rewards scheme in 2023, the programme has been expanded to allow for more flexible awards. The scheme has proved popular with all employees, providing recognition and reward for outstanding individual performance aligned with our values for the business.

Although inflation rates are now falling in the UK, the Board continues to recognise the lasting pressures on our team caused by cost of living increases. Annual salary reviews have been maintained in line with inflation, and above the living wage to support our staff.

CHAIR'S STATEMENT
(CONTINUED)

Sustainability

The Group is committed to moving to a low carbon future and continues to strive towards operating in an environmentally positive way. We are investing time and resources to make sustainability part of our way of doing business and have developed a sustainability strategy which sets out the priority areas where we believe we can have most positive effect. During 2024 we achieved the globally recognised ISO14064-1 GHG certification. We continue 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 recognise our responsibility to the communities we work in and encourage staff to use their paid volunteering days to support our chosen charity, Queen Elizabeth Foundation (QEF). QEF is headquartered near our Leatherhead office and provides support for children and adults with learning disabilities and acquired brain injuries. During the year we have also provided additional support for The Golf Foundation, Birmingham Hospice and 'Movember'.

Outlook

The outlook for the Group is positive, despite the current weakness in the UK economy and housing market. The Group has a sound business model based on regulated revenue streams, and a strong forward orderbook for connections. The success of the I&C and water offerings have proved the Groups ability to adapt to a changing utilities infrastructure market. I therefore remain confident that through the positive, accountable, and proactive nature of its employees, ESP will continue to adapt to market change and execute on our strategy to deliver sustained growth to achieve the next million connections.

MIRIAM GREENWOOD,
CHAIR

MARKET TRENDS

Residential new build market and demand for assets

Over the last three years, the UK housing market has seen a trend of decline in new build completions due to factors affecting consumer confidence and demand – inflation, interest rate rises and the phasing out of the "Help to Buy" scheme, resulting in a reduced average number of homes built per year compared to previous periods. This has resulted in fewer opportunities in gas and electricity new housing.

The water proposition has opened up a new market to the Group, expanding the addressable market despite the lower number of completions, with the resultant multi-utility offering making ESP increasingly competitive.

Further investments in customer service and expertise, 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 and are entering 2025 with a strong pipeline of opportunities.

Demand for industrial and commercial connections

Over the last three years, the UK new build industrial and commercial market has shown a trend of relative resilience despite some slowdown in overall construction activity. The industrial and logistics sector has remained the strongest performer with consistent demand for warehouse driven by e-commerce growth, leading to stable take-up rates even during periods of market uncertainty.

Demand for new data centre capacity, continues to grow and the Group is well placed to take advantage of the market growth with established credentials and a strong proposition. Recent data centre contract energisations, 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 stream for the Group.

Demand for EV charging infrastructure

The UK's demand for electric vehicle (EV) charging infrastructure is growing, driven by consumer demand and regulatory support. The UK's EV charging network is expected to continue to expand, with more charging points and higher-powered chargers being added. The number of charging points in the UK has increased each year since 2021. Scaling operations and achieving profitability remains a significant challenge for charge point operators, as building and maintaining charging infrastructure demands substantial upfront investment. Some operators slowed their deployments in 2024 to reconsider their strategy and position in the market.

The clear differentiated proposition ESP provide has been successful in attracting and retaining the majority market share of ultrafast operators who intend to connect their existing estates and target new charging sites over the coming three to five years.

REGULATORY TRENDS

2024 Regulatory initiatives

In 2024, cost-of-living pressures remained a significant focus for the sector. Understanding customer needs, particularly for those in vulnerable situations, is increasingly important in the regulation of Utility Networks. In response, we published our first Vulnerability Strategy to ensure the best service for customers requiring extra assistance across all our utilities.

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. Additionally, the Group is responsible to the Health and Safety Executive for managing safety issues in network operations. We operate our water business under appointment 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), the Environment Agency (EA) who are responsible for the protection of the environment, and the Consumer Council for Water (CCW).

The Group actively manages its compliance with all licence requirements and regulatory obligations through a 'three lines of defence model', including reporting to the Executive Team and Board. We take a proactive approach with our regulators and maintain 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 compliance actions and required processes when undertaking certain activities. Furthermore, the Group's revenue is 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.

The key regulatory changes currently facing the Group are:

Future of gas

The UK Government has announced its intention that, in England and Wales, no new residential gas connections will be permitted from 2025 onwards to meet its legally binding net zero targets. This legislation will be introduced through the Future Homes Standard (FHS). The Government has not yet responded to its consultation on this standard, but it is expected that a response will be published simultaneously with the legislation being laid before Parliament in the latter part of 2025. The anticipated negative impact on housebuilding and the significance of housebuilding targets for the new Labour Government suggest a substantial transition period, likely around two years from the enactment of the legislation to the full implementation of the standard.

The UK Government has also confirmed its support for the use of a 20% hydrogen blend in the natural gas network, contingent upon the successful demonstration of all safety aspects. However, this is expected only to address surplus hydrogen from producers rather than serve as an alternative home heating solution.

There is growing recognition of the challenges posed by properties that are difficult to adapt, making it unlikely that a single low-carbon solution will be suitable for all households. Consequently, the Government continues to endorse a variety of options including heat pumps, electric storage heating, and heat networks, all of which will fall under Ofgem's regulation. ESP has already commenced work on a Heat Network proposition to meet the changing needs of new housing developers. A no regrets solution that utilises a gas boiler as a back-up to an electric heat pumps, a "hybrid heat pump" solution, is gaining favour as a means of reducing fossil fuel consumption in the short term.

Regulatory change

Heat Regulation

Ofgem has been designated as the regulator for the Heat Network sector. It has already conducted consultations on implementing technical and customer service standards, as well as fair pricing principles, to ensure that consumers on these networks receive the same protection as gas and electricity customers. The proposed regulations are slated to take effect in 2027, with a transitional period beginning in January 2026, during which all new networks will need to obtain authorisation from Ofgem.

CEO'S REVIEW

Another successful year for the group.

2024 was another successful year for the Group and I would like to thank all employees for their hard work and dedication to deliver growth in what was a challenging market. A special thank you to both Nick Horler and Adam Miller for their contribution, and I wish them both well in the future.

I welcome Miriam Greenwood to the Group as our new Chair. Miriam brings a wealth of knowledge and industry experience, and I look forward to working with her in 2025 and beyond.

The Group again delivered year on year growth in turnover, operating profit, connection numbers and the orderbook. This was achieved despite ongoing depressed activity in the new housing market. At the end of 2024 the Group had achieved an 11% growth in the orderbook, which is a clear indicator of ongoing future business growth.

As a business we continue to evolve and grow, recognising that our ability to adapt our strategy quickly to meet new challenges is key in maintaining our position as adopter of choice for gas, electricity and water networks.

Established and resilient business model

The new housing market remained challenging during 2024, with activity continuing to fall as interest rates remained high throughout the year. With a strong multi-utility proposition, the Group continued to win new business and ended the year with an increased order book, securing future revenues as connections are built out and become revenue generating. Our diversified portfolio, including a successful EV delivery team, gives additional resilience in an environment where residential growth is slow. As a regulated business we are protected from the negative effects of inflation as our revenues increase with inflation to match increased costs – this is considered further 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 focused culture within the business. We partner with our customers: the Utility Infrastructure Providers for gas (UIPs), Independent Connection Providers for electricity (ICPs) and Self Lay Providers for water (SLPs) that build the networks we adopt, to provide technical guidance and support, competitive and sustainable asset values, and excellent service. We continue to focus on customer service to offer our customers excellent and consistent service and support throughout the whole customer journey.

The financial strength of the business is underlined by our continued ability to raise further debt to support sustained growth. Our lenders have advanced £20m on the Capex facility during the year to further support the growth in our business.

Adapting to market and regulatory change

The implementation of the Future Homes Standard, which will phase out gas connections in new homes, is likely to have a significant impact on housebuilders as they transition to low carbon heating solutions. Through strategy diversification, the Group has taken strides in recent years to adapt to the implementation of the new Standard, including developing an ESP Heat Network solution. We anticipate that legislation will be brought forward in 2025, but the implementation will be phased over a period of time to prevent unintended impacts to housebuilding targets. There is increasing support for the use of "hybrid heat pump" solutions which utilise a gas back up to supplement electric heat pumps when the temperature falls below a threshold at which the heat pump works effectively.

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 localised 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 support to proposals to blend up to 20% hydrogen into the gas grid pending finalised safety case assessment.

In 2024 we launched ESP Heat, offering district heating to developers as a cost effective, low carbon alternative to both gas heating and air source heat pumps in new housing developments. There has been successful engagement with developers, and the outlook for future wins is positive.

ESP Water has seen accelerating growth in 2024 and closed the year with an orderbook of over 100,000 connections at year end. ESP Electricity has cemented its position in the market as a leading EV partner for many of the ultrafast operators, energising over 125mVa of capacity during 2024, with an order book at year end of a further 384mVa.

CEO'S REVIEW
(CONTINUED)

SUSTAINABILITY AND ENVIRONMENTAL MATTERS

The Board acknowledges that to achieve our ambition of becoming the leading adopter of choice for independent networks, we must operate sustainably for both people and the planet. Our focus is on enhancing the business's environmental impact, notwithstanding the minimal direct environmental effects of the Group's activities.

To support our sustainability goals, we have developed a strategy that aligns with our business objectives while targeting key areas where we can make a meaningful difference, benefiting our customers, our employees, and the environment.

The Group is proud to be a member of GRESB, the global ESG benchmarking process for real estate and infrastructure investments. Since joining the scheme, we have consistently improved our GRESB scores annually, continuing this positive trend in 2024.

In December 2024, we were pleased to release our inaugural Sustainability Report. This comprehensive document demonstrates our steadfast commitment to sustainable practices and highlights our achievements across three strategic pillars:

SUSTAINABLE | DIVERSE | RESPONSIBLE

The Group has designed its annual report in a format optimised for on-screen viewing prior to physical printing, and we encourage readers to consider the environmental impact before deciding to print this report.

Sustained growth

The Group continues to grow its gas, electricity and water networks: gas connections increased by 22,506 (3.3%) during the year to 703,800, electricity increased by 27,776 (8.6%) to 350,864 and water connection increase by 2,132 (956.1%) to 2,355. Future network growth is driven through delivery of the Group's orderbook and through winning new connections. Our orderbook has increased again through 2024 predominantly due to water network wins, and ends the year at 302,264 combined gas, electricity and water connections. Further details of the Group's financial performance during 2024 and its position at year end are included in the Operational and financial performance section of this report.

Our Culture

The success of the Group depends upon our people. We aim to nurture a high-performance culture, motivating staff to both achieve in their roles whilst supporting development with training through both the Step Up programme and structured training for all staff, together with support for staff pursuing professional qualifications. As a responsible employer we take our Environmental, Social and Governance (ESG) responsibilities seriously, working within the business to maximise sustainability and extending this into the wider local community by encouraging charity fundraising and volunteering.

Our sustainability report can be located on the ESP Utilities Group website (www.espug.com)

Outlook

The outlook for the Group is extremely positive, backed by a proven track record of delivering year on year increases in growth and profitability. Our long-term aim of being the adopter of choice for gas, electricity and water networks remains unchanged and at the core of everything we do. We strive to provide a supportive environment for our employees to develop, to have productive relationships with our customers, and to deliver outstanding service to our consumers. I look forward to continued success in 2025.

KEVIN O'CONNOR,
CHIEF EXECUTIVE OFFICER

Gas connections increased by **22,506**

Electricity connections increased by **27,776**

Water connections increased by **2,132**

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; 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.

When making business decisions, the directors engage with the Group's stakeholders, aiming to align the impact of the decision to stakeholders. Details of how we engage with them to understand their view is provided on page 27.

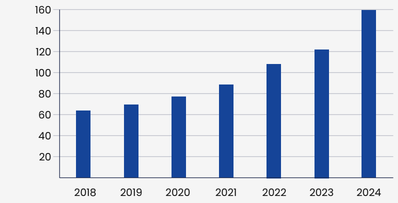
Key decisions made in the year

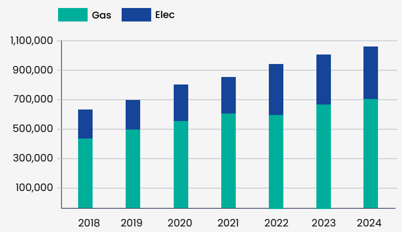
Decision	Effect
1. Decision to launch ESP District Heating	
During early 2024 the Directors took the decision to enter the District Heating market and developed a proposition for the UK new housing market offering a cost-effective alternative to gas heating and air source heat pumps for larger housing developments.	
Shareholders	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.
Employees	Reducing reliance on future gas revenues increases long term job security.
Customers	A wider commercial offering strengthens our customers' ability to compete within the market, helping them to win business.
2. 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.
Employees	More opportunities for career progression assists with staff retention.
Customers	Increased technical staff allow the Group to support customers with complex propositions.
3. 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.

KEY PERFORMANCE INDICATORS

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	**£159.2m** (2023: £123.3m)	Turnover growth has been driven by both increased connection numbers across all utilities and increases in regulated tariffs. The consistency of growth highlights the resilient business model of the Group.
	Operating profit	**£52.3m** (2023: £36.3m)	Turnover growth has been translated into increased operating profit. Prior year investment in our I&C and water teams has delivered increased operating profitability in 2024.
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 live at year end	**1,057,019 connections** (2023: 1,004,605)	Despite a challenging housebuilding market, new connections live higher than previous year for both electricity and water.
	Orderbook – number of gas, electricity and water connections won, yet to be connected	**302,264 connections** (2023: 272,127)	Maintaining a strong connection orderbook, that will be realised over a number of future years, underlines the strength of the business.
Sustainability Operate the business in a sustainable manner whilst encouraging business growth	Electric vehicle mileage capability – electric vehicle energised and orderbook charging load at the end of the year	**Energised:** 264.0mVa (2023: 136.2mVa) **Orderbook:** 384.4mVa (2023: 436.7mVa)	Growth in our EV network highlights the Group's focus on electricity networks that support the UK's environmental focus, whilst also highlighting the continued growth during 2024 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. Through this process emerging risks are identified, quantified and added to the risk register when necessary. Both the risk register and authority matrix are monitored and reviewed by the Board and Executive Team on a regular basis.

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.

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

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 conducted as part of normal business activity.

ANALYSE

All risks 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.

PRIORITISE

All risks are reviewed with the highest scoring risks receiving greatest effort in terms of mitigating actions.

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.

All employees are informed and made aware of our risk management processes with many involved formally through day-to-day operations. Our employees are engaged on Health and Safety topics on a regular basis via communications coordinated through the Health and Safety Committee. The Health and Safety Committee review hazard and near miss reports from across the business, the outputs of which are shared with the Executive Committee each month.

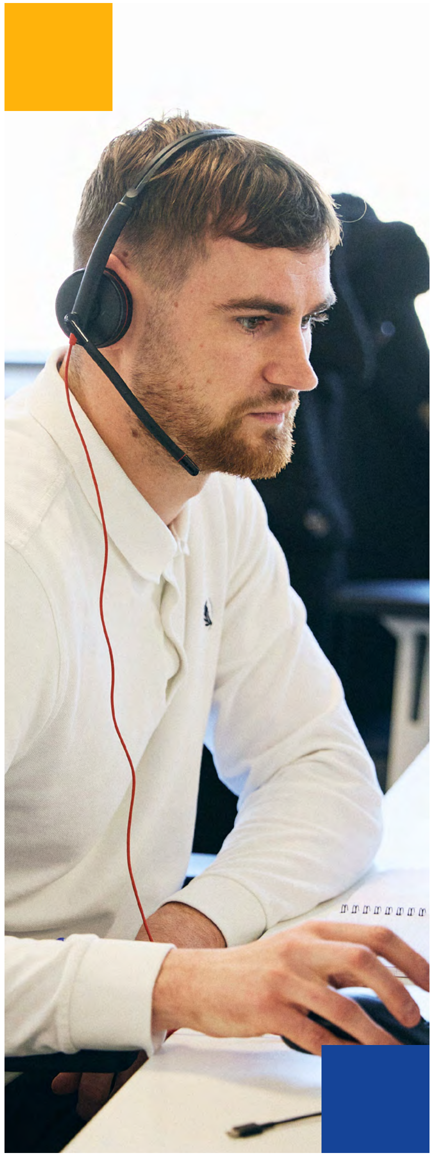
RISK REPORT
(CONTINUED)

Principal Risks and Mitigations

Risk	Description	Mitigation	Change
Regulatory environment – future of gas	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. The decarbonisation of home heating could lead, in the next few decades, to gas assets becoming stranded. Ofgem has instructed Gas Network Operators to accelerate the recovery of asset costs to allow for a potentially shortened lifespan, starting in April 2026. ESP has engaged with Ofgem on the best route to ensure that it can also recover investment in gas assets.	The Group has developed a heat network solution which offers a low carbon alternative heating option for housing developers. 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. During 2024 the risk has increased due to: • new entrants into the market • aggressive pricing from competitors • increased competitiveness in the EV market • the collapse or acquisition of a UIP, ICP, SLP or CPO (charge point operator) reducing the addressable market Coupled with our own inaction, this could have a significant and adverse impact on future investment opportunities.	The Group continually focuses 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. During 2024 the Group has successfully won several large sites through it's Direct to Developer proposition. To support our customers and strengthen their offering to developers, the Group has established a strong I&C proposition, especially in the EV market. The launch of ESP Heat has provided an alternative to gas heating as part of the multi utility offering. We are an established operator in 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 and Ofwat. 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

RISK REPORT
(CONTINUED)



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. The National Cyber Security Centre (NCSC) has warned operators of the UK's critical infrastructure of growing and persistent threats from state-backed and aligned actors.	Our documented security plan includes a business continuity, cyber incident response plan and disaster recovery. We have a Security Operations Centre and undertake phishing awareness training supplemented by simulated attacks. We also maintain a certified Information Security Management system. Maintenance of ISO27001 Information Security Certification, now re-certified to the latest (2022) version.	=
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.	Whilst there may be a delay in growth plans, ultimately the UK has growing requirement for more new homes than are currently being built, with a stated Government target of 1.5 million new homes by the end of the current Parliament. Our growing I&C proposition reduces reliance on the residential market.	=
Safety/ Environmental	Risk of financial, legal, regulatory or environmental risk arising from the operation of our gas, electricity or water networks. These risks could include but aren't limited to: • Major incident or outage due to external factors. • Outages caused by failure to adequately maintain network infrastructure. • Issues with water quality or sewage escape on water networks.	Safe operation of all networks is the Groups highest priority. Network designs for all utilities assessed and reviewed for compliance with relevant standards and known risks prior to acceptance. Enhanced Customer, asset, and safety assurance plans in place with a 3 lines of defence oversight model adopted. Emergency contracts in place for managing incidents and provision of alternative supplies where appropriate. Rigorous monitoring of water quality. Water networks designed, built and maintained to highest standards to minimise risk of sewage discharges.	+
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 a comprehensive health and safety strategy, where safety is at the forefront of our culture, measuring safety performance and strong risk management procedures.	=

Key = No change + Risk increased - Risk decreased

GOING CONCERN

The Group's financial statements have been prepared on a going concern basis, notwithstanding that as at 31 December 2024 the Group had net liabilities of £209.5m (2023: £210.6m). Within net liabilities the Group's non-callable shareholder loans are £260.9m (2023: £270.9m). 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, with £20m drawn on the Capex facility in 2024. The Directors have concluded that the Group will be able to operate within its current facilities and comply with its covenants for the next twelve months.

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 challenging UK housebuilding market, increased cost of living and higher interest rates. Based on the lack of any significant detriment to the business from any of the aforementioned factors, the Directors do not believe there will be any material financial or operational impact from these factors over that timeframe.

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.

FINANCIAL RISK MANAGEMENT

Capital is managed so as to maximise the return to shareholders, while maintaining a strong capital base that ensures that the Group can operate effectively in the marketplace and sustain future development of the business. The Board is responsible for regularly monitoring capital requirements to ensure that the Group is maintaining sufficient capital to meet its future operational needs. Excluding shareholder debt, the Group has net debt of £393.8 million as at 31 December 2024 (£367.3 million 31 December 2023).

Credit Risk

Although the UK energy markets have stabilised compared to the turbulence of 2021/2022, the price to Consumers of energy remains high. Combined with ongoing cost of living pressures in the wider economy there is still a risk of the Group suffering bad debts through energy supplier failure due to high levels of consumer bad debt.

Controls

A significant portion of the Group's revenue is regulated, including customer payment terms. This minimises exposure to bad debt, allowing any default to be quickly identified and escalated for credit control.

Ofgem provide mechanisms for the recovery of both gas and electricity transportation bad debt in later years. The Group submit all claims to Ofgem ahead of deadlines.

Liquidity Risk

The Group has an ongoing requirement for external loans to fund growth and is reliant on the ongoing support of its Lenders.

Controls

Maintenance of an Investment grade credit rating, Baa2, with Moody's Investor Service, which enables the Group to raise funds at competitive rates. The Group ensures it meets all debt monitoring requirements, including covenant targets which are tracked and reported to Lenders.

Regular cash analysis is performed to understand the cash requirements of the Group and ensure it can access sufficient cash resources to meet its funding requirements and its liabilities as they fall due. Short and long term cash flow forecasts are regularly performed and reported to the board. The external debt facilities and their utilisation/headroom are reported to the board on a monthly basis.

OPERATIONAL AND FINANCIAL PERFORMANCE

Overview

Through a challenging market the Group has shown its resilience, achieving another year of strong growth in operating profit, the key performance indicator for the Group. Continued investment in network aquisitions combined with regulated tariff increases has seen turnover increase by 29% from £123m in 2023 to £159m in 2024, and operating profit increase by 43% over the year, from £36.3m to £52.3m.

Installed connection numbers have increased from 2023 to 2024 by 5.2% from 1,004,605 to 1,057,019. Our connections orderbook of 302,264 connections (2023: 272,127 connections) further highlights the stability of our expected growth.

The slowdown in the new housing market negatively affected growth in residential connections for 2024 which were just over 52,000 for the year, down from 55,000 in 2023.

The Group has generated a profit in the 2024 financial year of £6.3m, an increase from the £0.5m profit generated in 2023. The Group incurred annual interest charges of £34.8m in 2024 (£29.7m in 2023). The interest charge in the current year is reduced by £4.9m (2023 £7m) due to a fair value gain on financial instruments. 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. Interest received on cash balances of £2.1m (2023: £1.0m) partly offset the increased interest costs for the year. The Group continues to generate sufficient cash from operating activities to pay all its interest liabilities.

During 2024 the Group made a drawdown of £20m on the Capex loan facility. Total debt at the end of the year was £701.7m. Excluding shareholder loans, external debt at year end was £440.9m. 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 5.2%. We own and operate gas, electricity and water networks throughout mainland UK.

Our electricity network business continues to show strong growth again in 2024 due partly to an increase in both residential and industrial connections, and partly to an increase in regulated tariffs. This has produced turnover growth of 39% (2023: 17%), increasing from £66.6m in 2023 to £93.1m in 2024. 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 existing connections, reflecting our background as a gas network adopter. During 2024 we have increased gas connections by 22,506, a 3.3% increase on 2023 connections which combined with RPI increases in tariffs has driven revenue growth of 15.2% to £65.1m (2023: £56.6m).

Turnover
£159M
increased by 29%, from £123M in 2023

Operating profit
£52.3M
increased by 43%, from £36.3M in 2023

Installed connections
5.2% increase
From 1,004,605 in 2023 to 1,057,019.

OPERATIONAL AND FINANCIAL PERFORMANCE

Turnover and cost of sales (continued)

Our connections orderbook represents connections that we have won and contracted with developers, but that have not been energised or connected 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 2024 year end our orderbook was for 302,264 connections, increased from 272,127 at 2023 predominantly due to water wins.

The Group's cost of sales represents the direct costs of owning our networks. It includes the electricity DUoS charges we pay to DNOs for use of their networks, and water NAV charges we pay to upstream water companies for the supply of water and wastewater. These have increased by 30.4% to £80.2m (2023: £61.4m) due to a combination of the increase in connection numbers and electricity tariff increases in DUoS charges.

Operating costs

During 2024 the Group has continued to invest in increasing the depth of technical and professional staff within the business to support both the delivery of the orderbook, and the safe operation of our existing networks. This has seen our operating cost base increase, up 4.2% to £26.7m (2023: £25.6m).

Capital expenditure

2024 has seen the Group invest £58.2m in its gas, electricity and water networks, including meters. This is a 15.6% increase on its 2023 investment levels and includes £3.5m paid to Fulcrum Utility Services Limited for the purchase of 3,500 gas connections.

Depreciation and impairment

The depreciation charge during the year was £12.6m (2023: £12.0m), and during the year goodwill was amortised by £5.5m (2023: £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.

Connections orderbook

302,264

increased from 272,127

Tax

The Group's tax charge of £13.2m for 2024 (2023: £7.2m) includes a deferred tax charge in the current year of £11.5m (2023: £7.2m). The increased overall tax charge from 2023 to 2024 is due to the deferred tax charge arising on an increase in timing differences on network additions due to enhanced capital allowances under the full expensing rules introduced in 2023. The Group has generated a profit before tax in the current year of £19.6m (2023: £7.6m profit) which after adjustment gives rise to a small tax charge for the current year of £0.01m (2023: current tax charge £0.05m).

The Group's deferred tax position is predominantly driven by timing differences and differences between accumulated depreciation and capital allowances, with net deferred tax liabilities at 2024 year end of £12.9m (2023: tax asset of £0.3m).

OPERATIONAL AND FINANCIAL PERFORMANCE

(CONTINUED)

Cashflows

During 2024 the Group generated £19.5m from its operating activities, which is an increase from the £6.0m generated in 2023 due partly to increased profitability and partly to movements in working capital.

Cash paid to acquire fixed assets was £52.8m (2023: £52.2m) which is in part funded by a net increase in loans of £20.0m (2023: £60.0m).

At 2024 year end the Group had a positive cash balance of £47.5m, a £11.0m decrease on the prior year balance of £58.1m.

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 loan facilities that highlight the credit worthiness of our business – we are able to access investment grade rates on long-term facilities.

In October 2024 the Group made a drawdown of £20m on its Capex facility, leaving the Group with £80m headroom on the Capex facility for future asset purchases. At year end the total loan facilities net of financing costs were £701.7m, up from £696.4m as at December 2023. The Group's net debt* at 2024 year end has increased by £16.4m from £638.2m to £654.6m. At year end, the facilities had a weighted average repayment period of 10.6 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 5.3:1 (2023: 5.2:1). The Group's net debt, excluding the shareholder loan, was £393.8m. Resulting in a gearing ratio of 3.4:1 (2023: 3.2:1).

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 2024 the Group had outstanding shareholder loans totalling £260.9m (2023: £270.9m), which incur interest at 12% and 8%. During the year, the Group incurred interest on these shareholder loans of £21.2m (2023: £21.9m) and paid interest to the noteholders of £31.2m (2023: £29.3m).

Paul Miles
Chief Financial Officer

* Financial measures or metrics used in this report that are not defined by UK GAAP are alternative performance measures. Although not a formal debt covenant the Group uses the gearing ratio as a useful KPI for monitoring levels of debt. Net debt is calculated based on external borrowings net of cash and cash equivalents. These measures are not intended to be a substitute for, or superior to, UK GAAP measurements, and have been consistently applied within each year presented in these financial statements.

SUSTAINABILITY

The Board and management of ESP aim to be the Number One Adopter of Choice for independent networks by operating sustainably for people and the planet.

Our success relies on strong relationships with customers, employees, and investors. We are dedicated to being an environmentally and socially responsible network owner, upholding high standards of conduct and ethics for ourselves and our partners.

In defining our approach to sustainability, we have focused on key areas where we can make an impact and provide lasting benefits to our customers, employees and the environment.

- Providing last mile residential gas, electricity and water connections in the UK, providing house builder choice for a critical infrastructure service.
- Caring for priority residential customers to ensure vital services remain operational.
- Supporting EV charging companies with infrastructure rollout, enabling the electrification of road transport in the UK, contributing to emissions reductions .
- Creating an environment conducive to collaboration and personal development for our team.
- Employing rigorous governance processes to ensure responsible actions that support long-term growth.

Our Sustainability Strategy is set out in three pillars:

SUSTAINABLE

DIVERSE

RESPONSIBLE

SUSTAINABLE – a safe and innovative operator, investing in our future.

The health and safety of our team, our contractors, and the communities we serve is the highest priority for the Group. As a regulated business we are overseen by the Health and Safety Executive and have a strong culture of hazard reporting to help us identify ways to improve before any serious incidents occur.

Our construction partners develop modern and efficient networks which are built for the long term, and we undertake frequent audits during the construction phase to ensure that all procedures and safety standards are adhered to.

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. Our residential networks include an increasing number of Electric Vehicle charge points, reducing emissions and noise pollution for local communities. This aligns with our goal to remain the leading adopter of EV connections in the UK.

Our expanding electricity networks also support the take up of low carbon heating solutions and our new heat network offering affords further opportunities to de-carbonise home heating. This allows us to play our part in the energy transition to meet the UK Net Zero goals.

We continuously explore market opportunities to support the electrification of heat and other low carbon alternatives, aiming to deliver future-ready networks and sustainable water management systems.

We are committed to measuring and reducing our emissions, preparing and delivering in line with a Paris-aligned carbon emissions reduction plan. We have achieved the globally recognised ISO14064-1 GHG certification. We have used 2022 as our starting point and will be reporting our progress against this baseline in future years.

Our Sustainability Report can be located on the ESP Utilities Group website (www.espug.com).

As part of our ongoing focus on managing the risks and opportunities that climate change brings, we have incorporated climate risk and opportunity into our corporate risk assessments.

We measure and report progress in our sustainability reporting and have set ourselves key short-term targets as well as making longer term commitments.

SUSTAINABILITY

(CONTINUED)

We are dedicated to supporting and enhancing our community. To achieve this objective, we have established a partnership with our selected local charity, Queen Elizabeth's Foundation for Disabled People. As part of this collaboration, along with fundraising and matching donations, all staff members are encouraged to volunteer in various areas of the charity. We have committed to providing one day of paid volunteering for each staff member to facilitate this initiative.

DIVERSE – a diverse and inclusive employer, investing in our people.

We consider our staff to be vital stakeholders, and their engagement and contribution are essential for developing and maintaining ESP's culture as an attractive workplace. We strive to be an excellent employer and provide various learning programs at all levels, including professional qualifications and training in Unconscious Bias. We offer a management training program called 'Step Up,' which has had a successful track record for participants. This program is now in its fifth year and has become a key part of our commitment to developing future leaders. Each cohort of participants embarks on a one-year journey starting in December and concluding with a graduation dinner the following November.

We are dedicated to celebrating and sharing the diversity of our team through our cultural calendar and ensuring that team feedback is collected and addressed via regular staff feedback forums. In response to the demand for new ways of working, we introduced hybrid working and have an Employee Assistance Programme available to all staff. We also offer flexible benefits, including universal private medical care.

RESPONSIBLE – a good corporate citizen, investing in our community.

As a provider of essential services, we acknowledge our obligation to conduct business in a trustworthy and responsible manner for our network users and the broader community. We have a robust governance process informed by risk assessments and regular reporting. We have identified and documented our obligations and best practices related to our services, and we employ a "three lines of defence" model to ensure compliance with all relevant legislation in our operations:

- The first line is delivered by our team and operatives on the ground.
- The second tier is management with Executive oversight, monitoring, and reviewing performance.
- The third tier consists of independent and specialist external audits of our activities by accredited third parties.

We maintain a clear and accountable customer services culture aimed at providing the highest levels of service. While there may be occasions where we fall short, we are committed to addressing issues promptly and learning from them to improve.

The Group participates in the GRESB global benchmark for ESG initiatives for real estate and infrastructure investments. Our GRESB score has improved annually since our first report in 2018. In 2024, we achieved a score of 95 (compared to 79 in 2023), reflecting our commitment to responsible operations and sustainable practices.

Corporate and social responsibility

The Companies Act 2006 mandates that we provide information on human rights issues relevant to our business. Our existing policies address this, but given the low risk in our operations, we do not consider it necessary to include detailed information.

The Board holds ultimate accountability for corporate and social responsibility. Our regulated sectors require strict compliance, and our processes ensure we meet all regulatory requirements with a strong compliance record.

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

SUSTAINABILITY
(CONTINUED)

In consultation with our staff, we have identified and adopted the core values which ESP stands for. Displaying these values every day, and in all we do, is encouraged, recognised and rewarded.

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 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.

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.

Environmental matters

The Group's direct activities have minimal direct environmental impact. However, we are committed to protecting the environment through responsible practices. Our policy includes:

- **Ensuring compliance with all relevant environmental laws, standards, and codes of practice.**
- **Safely disposing of waste materials by both the Group and our external service providers.**
- **Minimising staff environmental impact by encouraging recycling, reducing printing, and minimising business travel.**

www.espug.com

Our full environmental policy can be located on the ESP Utilities Group website.

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. 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 as set out by the Health and Safety Executive:

- Safety & Environmental Polices
- Risk Management
- Assurance
- Performance

Employee health and safety

Reporting of safety issues by all 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 Assets and including a cross section of operational and non-operational 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 and proactively engage staff through regular employee focused health and safety communications each month.

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 Assets 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 continues to be maintained through annual external audit.

Health and safety key performance indicators

Safety performance is reviewed monthly at the Executive level and reviewed at every Board meeting. The review uses a standard set of KPIs to monitor trends, including any statutory reporting requirements.

The following table sets out safety performance in 2024:

	2024	2024 Target	2023
Lost time injuries	0	0	0
RIDDOR reportable injuries	0	0	0
Non-reportable injuries[1]	0	0	1
Road traffic collisions	0	0	0
RIDDOR/GSMR gas related incidents[2]	1	0	0
HSE enforcement actions	0	0	0
ESQCR reportable issues[3]	0	0	0
Reportable environmental incidents	0	0	0
Near miss reports[4]	87	50	66

1. 2023 Non-Lost Time Injury to a new starter who bruised a toe following a trip upon entry to the building.
2. 2024 Incident caused by third party interference damage to a gas main. No harm, injury or loss of supply. GSMR is a large volume gas escape.
3. ESQCR is a significant electrical fault.
4. Team members complete near miss reports to identify and proactively address potential concerns before they become more significant. During 2024 there was an increased level of reporting as part of initiatives to ensure all hazards encountered are recorded with clear actions to achieve closure and prevent reoccurrence.
5. RIDDOR stands for Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

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.

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.

In 2024 the Group fully paid out employee performance bonuses to all eligible team members, based on 2023 performance targets being exceeded.

The following table sets out our diversity balance as between men and women at the end of 2024:

	2024		2023	
	Male	Female	Male	Female
Board of Directors[1]	4	1	5	1
Executive Team (excluding Board of Directors)	5	1	5	1
Employees	83	57	60	57

1. Miriam Greenwood appointed 1 January 2025.

STAKEHOLDER ENGAGEMENT

(CONTINUED)

1M+

Connections

Consumers

The Group has over 1,000,000 connections serving customers 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.

A winter preparedness mailshot is sent out annually to all consumers with particular emphasis on ensuring that vulnerable consumers are aware of additional services available to them and that their contact details are registered with ESP.

For gas consumers we maintain an Emergency Service Provision with the incumbent GDNs to meet Guaranteed Standards of Performance as set out in our 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.

For water consumers we maintain an Emergency Service Provision with the incumbent Water Companies and our internal supply chain to meet Guaranteed Standards of Performance as set out in our Licence Conditions. The requirement to attend water and wastewater incidents is monitored 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.

The 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 26.

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.

Environment

As part of the ongoing development our sustainability strategy, we are seeking views from our stakeholders both internally and externally. It is important to us to understand what our key stakeholders feel are the priorities for ESP and we will increase our engagement externally to build on our strategy year on year.

Community

As part of our business and sustainability objectives, we are dedicated to being an environmentally and socially responsible network owner. This commitment includes making a positive impact in the communities in which we operate. For ESP, this begins with a focus on the vicinity of our head office in Surrey.

In support of our social responsibility pledge, we have partnered with a local charity, Queen Elizabeth's Foundation for Disabled People (QEF). To ensure full engagement from our employees, we have invited speakers from QEF to visit our head office and have granted each staff member one dedicated paid volunteering day annually.

So far our support has included:

- Fundraising event by employees including sponsored 10K runs, staff raffles, bake sales.
- Corporate team entry into The Nuts Challenge
- Corporate donations
- IT equipment
- Volunteering days

Activities undertaken by our staff have included:

- Repairing a carpark and laying new pathways at QEF's rehabilitation centre.
- Modifying toys for children with disabilities for Christmas.
- Fundraising as part of charity running events.

QEF provides a range of support for disabled people. This includes adapting toys for disabled children, providing electric wheelchairs for children too young to receive them on the NHS and supporting drivers that need adaptive technology.

A key part of QEF's work is neuro rehabilitation and nursing care to support people to regain core skills following an acquired brain injury, stroke, incomplete spinal injury or neurological illness.

Clients can be referred to QEF when discharged from hospital. QEF's provision of specialist care at their specialist facility enables more people to regain the skills needed to rebuild lives and to achieve their potential to be as independent as possible. ESP's donations have helped towards, for example:

- Maintaining assistive technology in every room;
- Providing leisure and learning activities that enhance the client experience and support therapeutic goals;
- Creating a modern, airy, and spacious building that contrasts with institutional hospital environments;
- Allowing unrestricted visiting hours and offering free parking, ensuring that friends and family play a crucial role in the clients' progress.

STAKEHOLDER ENGAGEMENT
(CONTINUED)

In addition to our support for QEF, donations have been made to:

The Movember charity, raising money for initiatives that prioritise funding for men's mental health and suicide prevention, as well as prostate cancer and testicular cancer treatment and prevention.

The Golf Foundation, raising money to help deliver sport to a wider community of juniors and disadvantaged adults to help mental wellbeing.

Continued support will involve further volunteering and fundraising events with the opportunity for greater employee engagement.

Third party debt providers

The Group has regular contact with our third party debt providers and provides them with the regular reporting, annual and interim accounts and compliance certificates to satisfy the conditions of its facilities. Additional trading or compliance information from the Group is provided on an ad hoc basis as requested.

Values and Behaviours

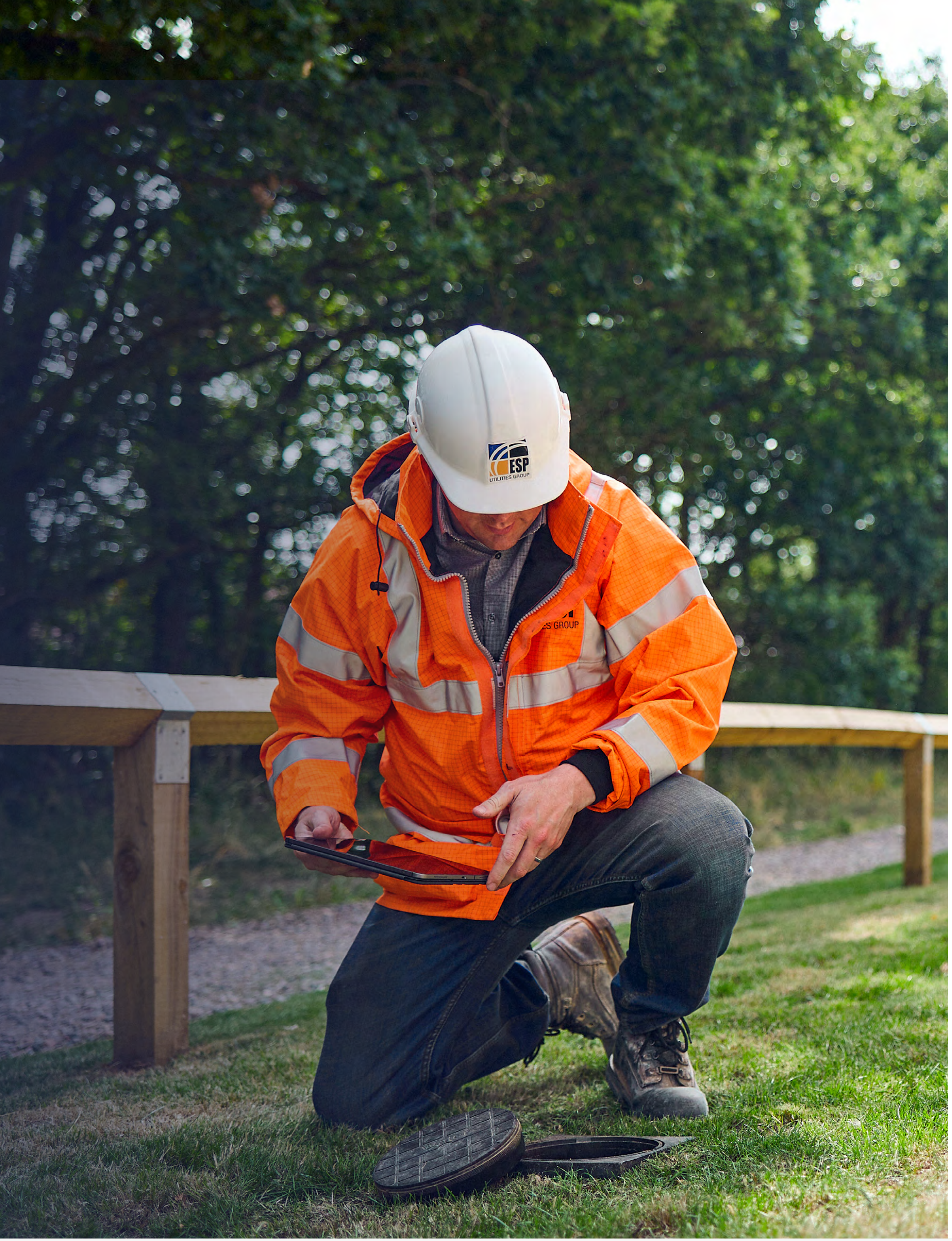
Our strategy outlines what we do, but by creating and implementing a set of values and behaviours, we demonstrate what makes the Group unique both to work for, and to work with. Through initial internal engagement, it was evident our people were keen to have a set of Values and Behaviours to encapsulate the culture we have in place.

Our values define our culture, underpinning our performance driven mindset. There are five core values, with each value having three behaviours to help us achieve our strategic goals. These values are now firmly embedded into our recruitment and ongoing development of our people.

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

Paul Miles, Chief Financial Officer

28 April 2025



CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Miriam Greenwood
Non-Executive Chair

Miriam joined the group in 2025 and has a background as a barrister and in investment banking. She is an experienced Non-executive Director and brings extensive experience working in regulated sectors. Miriam is a member of the advisory committee of the Mayor of London's Energy Efficiency Fund and served on the Board of OFGEM and on the Board of several publicly quoted companies. Miriam holds a law degree from Queen Mary College, University of London. A Deputy Lieutenant of the City of Edinburgh, Miriam was awarded an OBE DL for services to corporate finance in 2000.

Committees:
Board, Remuneration, Audit & Risk Committee and Water Board

Other key appointments:
Aquila Energy Efficiency Trust Plc, Liontrust Asset Management Plc, Encyclis Holdco Limited, Canopius Managing Agents Limited, Attika Holdings Limited, Aquila Energy Efficiency Trust Plc, Chelsea Pitch Owners Plc, Eclipse Shipping Limited

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 and Water Board

BOARD OF DIRECTORS
(CONTINUED)

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 and Water Board

Anna Dellis
Non-Executive Director

Anna is a partner at 3i, working in its Infrastructure investment team. She leads asset management activities for its portfolio of economic infrastructure assets across a number of funds. In addition to her board responsibilities at ESP, Anna is on the boards of Advario Singapore Limited (a Singapore oil storage business) and European Waste Holdings (a holding company for a 25% stake in Italian waste treatment business Herambiente). She is also responsible for the team's investment in DNS:NET which is rolling out fibre to the home in the Berlin vicinity. Prior to joining 3i in 2006, Anna qualified as a Chartered Accountant (ICAEW) at PricewaterhouseCoopers. She has a degree in French and German from the University of Nottingham.

Committees:
Board, Remuneration Committee, Audit & Risk Committee and Water Board

Other key appointments:
Advario Singapore Limited, European Waste Holdings Limited, Member of the Advisory Board for DNS:NET Holdings GmbH

BOARD OF DIRECTORS
(CONTINUED)

Bernardo Sottomayor
Non-Executive Director

Bernardo joined 3i in 2015 as a Partner with responsibility for origination and execution of new investments across Europe, principally economic infrastructure businesses. Bernardo became Co-Head of European Infrastructure in 2022. 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 and Economics in Lisbon.

Committees:
Board, Remuneration Committee

Other key appointments:
Envol Investments Limited, 3i Investments Plc

Yaadvinder Virdee
Non-Executive Director

Yaad joined 3i in 2014 and is a Director in the Infrastructure team. Yaad 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, Audit & Risk Committee and Water Board

Other key appointments:
Amalthea HoldCo Limited, Future Biogas HoldCo Limited

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
Regulations 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. Vicki is the current Chair of the INA (Independent Networks Association).

Committees:
Executive Committee

Liam McAvoy
Chief Commercial Officer

Liam joined the group in 2024 after 11 years in the telecoms sector where he played a key role in Hyperoptic, the alt-net recognised for introducing gigabit broadband to the UK and serving the second largest share of new build homes with full fibre. Liam held three executive positions: Managing Director of Business Development, Transformation Director, and Chief Operating Officer. During his tenure, he led and transformed multiple departments, including Business Development, New Build Deployment and Supply Chain.

Committees:
Executive Committee

EXECUTIVE TEAM

(CONTINUED)

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 Loh
Chief Operating Officer

Simon joined ESP in September 2023 as the Group FD. He was previously the COO for IWG Plc where he worked from 2019. Prior to this Simon was the Regional Managing Director at Arriva and has held a number of senior finance positions whilst at Arriva and on the Crossrail project. Simon is a Chartered Accountant, having started his career in Ernst & Young's Corporate Finance Team.

Committees:
Executive Committee and Water Board

Peter Whittaker
Technical Director

Peter joined ESP in January 2022 having worked extensively in the Electricity supply industry for 40 years. Peter has extensive knowledge in electricity distribution networks as the Technical Director for Leep Utilities and the Technical Director and Designated Engineer for Freedom (An NG Bailey company). He had spent the previous 15 years in the independent market place as the Operations Director at Inexus (A BUUK owned IDNO, IGT and NAV).

Committees:
Executive Committee

Stephen Morris
Water Managing Director

Since becoming part time, Stephen no longer sits on the Executive Team but remains on the Board of ESP Water Limited. Stephen joined the Group in 2021 as Water MD. 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, past President of the Institute of Asset Management (IAM) and holds a Masters in Business Administration.

Committees:
Water Board

CORPORATE GOVERNANCE STATEMENT

STRONG CORPORATE GOVERNANCE IS THE CORNERSTONE OF OUR COMPANY'S SUCCESS. IT ENSURES TRANSPARENCY, ACCOUNTABILITY, AND SUSTAINABLE GROWTH, FOSTERING TRUST AND CONFIDENCE AMONG OUR STAKEHOLDERS."

Miriam Greenwood
Chair

Chair's introduction

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 monthly 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 2024 the Board made a number of key strategic decisions that are outlined in Directors' Duties and Key Decisions on page 13. In addition, the Directors continue to discuss ongoing business matters, including the performance of the Group; the response to inflation and maintaining operational performance; and reviewing our risk register considering 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 13.

I would also like to welcome Liam McAvoy, who joined the Executive Committee in January. Liam brings extensive utility experience within business development to the new housing sector, and joins as our new Chief Commercial Officer.

Finally I would like to thank my predecessor Nick Horler, and Adam Miller (former Chief Commercial Officer) for their contribution to the growth of the Group in recent years.

CORPORATE GOVERNANCE STATEMENT

(CONTINUED)

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 overall leadership and governance, guiding the Group to add value for shareholders. Through strategic oversight of key operational decisions, the Board ensures 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 we are compliant with regulatory requirements at all times. The Board recognises that there are four principles for effective governance:

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

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 non-executive Directors (Bernardo Sottomayor; Anna Dellis; and Yaad Virdee) and a non-executive Chair (Miriam Greenwood, appointed 1 January 2025).

The Executive Committee comprises eight Executives (Kevin O'Connor; Paul Miles; Vicki Spiers; Simon Lees, Stephen Morris, Peter Whittaker, Simon Loh and Liam McAvoy).

Full biographies of the Board and Executive Committee are provided in the Board of Directors on pages 32 to 36.

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 2024 the Board held eleven meetings. Six were predominantly focused on the Group's commercial performance and future developments. However, 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 2024 the Directors discussed scheduled topics such as health and safety, business risks and mitigation, succession planning, cyber risks, customer satisfaction and annual objectives, remuneration and ESG.

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 2024 the number of meetings held, and attendance by Committee members, is outlined below:

	Board	Board - Commercial	Executive Committee	Remuneration Committee	Audit and Risk Committee
2024 meetings	5	6	12	1	2
Committee meeting attendance					
Nick Horler	2	3	-	1	2
Bernardo Sottomayor	5	4	-	1	-
Anna Dellis	4	6	-	1	2
Yaad Virdee	5	5	-	-	2
Kevin O'Connor	4	5	11	-	-
Paul Miles	5	6	12	-	-
Simon Loh	-	-	12	-	-
Adam Miller	-	-	8	-	-
Vicki Spiers	-	-	11	-	-
Simon Lees	-	-	12	-	-
Stephen Morris	-	-	6	-	-
Peter Whittaker	-	-	11	-	-
Liam McAvoy	-	-	2	-	-

Executive Committee

The Executive Committee, or Executive Management, comprises eight Executive Directors of the operating business as outlined in the Board of Directors section of this report. In 2024 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

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 Chair of the Committee. The Board appoint the Chair of the Committee and determine the period for which they will hold office. The Committee comprises of not less than three Directors, including the Chair of the Committee, and where possible these should be independent non-executive directors and/or the Chair of the Group. The quorum for any meeting will be two members of the Committee. The members of the Committee through 2024 were Nick Horler (resigned 21 June 2024), Bernardo Sottomayor and Anna Dellis. Throughout 2024 the Chair of the Committee was Anna Dellis. Miriam Greenwood was appointed as Chair of the Remuneration Committee for 2025.

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, Chair and Executives. The remuneration of non-executive directors shall be a matter for the Chair 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.

Audit and Risk Committee

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

Membership of the Committee is appointed by the Board in consultation with the Chair of the Committee. The Committee comprises of not less than three Directors, including the Chair of the Committee, and where possible these should be independent non-executive directors and/or the Chair 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 2024 were Nick Horler (resigned 21 June 2024), Anna Dellis and Yaad Virdee. Throughout 2024 the Chair 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 2024 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 2024 the Committee:

- Oversaw and reviewed the results from the 2023 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 response to inflation and maintaining operational performance
- 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 2024 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 2024.

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 2024 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 4 to 30.

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.

Directors

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)
Miriam Greenwood (Chair) - Appointed 1 January 2025
Nicholas Horler (Chair) - Resigned 21 June 2024
Paul Miles
Kevin O'Connor
Bernardo Sottomayor (Appointed by 3i MIA LP)
Yaadvinder Virdee (Appointed by 3i MIA LP)

Further details on the Directors of the Group can be found on pages 32 to 36. The Directors appointed by 3i MIA LP have oversight of the Group.

Directors' duties

Information on directors' duties has been included in the Strategic Report on page 13.

Corporate governance

A full report on corporate governance of the Group can be found on pages 37 to 41.

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. Information on financial risk management can be found on page 19 of the Strategic Report.

Results and dividends

The consolidated statement of comprehensive income is set out on page 55 and shows the Group's profit for the year of £6.3m (2023: profit £0.5m).

A dividend of £5,300,000 was voted and approved during the year (2023: nil).

DIRECTORS REPORT
(CONTINUED)

Future developments

Information on other likely future developments in the business of the Group has been included in the Strategic Report on pages 4 to 30.

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.

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 27 to 30.

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 27 to 30.

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 13.

Creditor payment policy

The Group's policy for payment of suppliers is outlined in the Stakeholder engagement report on page 27 to 30.

Charitable and political donations

During the year the Group made charitable donation of £26,559 (2023: £25,620). Details of the Group's charitable and fundraising relationships can be found in the Sustainability section of this report on page 23.

No political donations were made during the year (2023: none).

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 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.

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.

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's consumption exceeds the 40,000kWh reporting threshold. Additionally, the Group is exempt from reporting Taskforce for Climate-related Financial Disclosures. Nonetheless, in the interest of transparency and accountability, we have had our Greenhouse Gas Emissions reporting verified against the ISO 14064 standard by Achilles Information Limited. We have designated 2022 as our baseline year and will include subsequent years' data in our future Sustainability Reports.

The Directors report of the Group for the year ended 31 December 2024 comprises these pages and the sections of the Annual Report referred to under the Corporate Governance statement on pages 37 to 41 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

Paul Miles,

Chief Financial Officer
Zoom Holding Limited
Company number 05777758

28 April 2025

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 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.

FINANCIAL STATEMENTS

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 2024 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the consolidated statements of changes in equity;
- the consolidated cash flows;
- the parent company balance sheet;
- the company statement of changes in equity;
- the accounting policies and
- the related notes 1 to 22.

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

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: • Recoverability of the parent company's investments in subsidiaries • Complex loan accounting Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £11,188k (2023: £10,357k) which was determined on the basis of 2% (2023:1.9%) of total assets.
Scoping	Our scoping has been performed at a group account balance level. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.
Significant changes in our approach	The goodwill balance is not material in the current year and we have therefore not considered the valuation of goodwill to be a key audit matter. Further, given the non-basic nature of certain loans, they are required to be fair valued. This increases the complexity of both the accounting and the extent of our audit procedures and we have determined complex loan accounting to be a key audit matter for 2024. Despite this, our overall audit approach remains largely consistent with the prior year.

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:

- Obtaining an understanding of management's process in performing the going concern assessment;
- Evaluating the cash-flow forecasts and the scenario analysis prepared by management and evaluating the group's ability to operate without accessing external funding;
- Agreeing available committed facilities to underlying signed debt agreements;
- In conjunction with our internal treasury specialists, where relevant, inspecting the key terms of new funding agreements;
- Performing integrity checks of management's going concern model, including checking for mathematical and clerical accuracy;
- Recalculating debt covenants and assessed compliance over the forecasted period;
- Assessing the consistency of the forecasted cash flows with the forecasts prepared for the investments impairment models;
- Performing independent sensitivity scenarios tests; and
- Evaluating the group's disclosures on going concern against the requirements of IAS 1.
- Performing procedures in relation to the assessment of the current economic environment.
- 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.

5.1. Recoverability of the parent company's investments in subsidiaries

Key audit matter description	The parent company has investments, directly and indirectly, in 8 subsidiaries at 31 December 2024 totalling £113,610k (2023: £113,610k). Under FRS 102, an impairment test is required to identify whether indicators of impairment exist as at the balance sheet date. Some of the investments are noted to have carrying values in excess of their net asset value which could be a potential indicator of impairment. Management noted no indicators of impairment for the investments in subsidiaries. There is a 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 including an assessment of the future of gas connections in the UK and cash flow forecasts, as incorporated in management's model. Our key audit matter focuses on the key assumptions used in management's impairment model used to identify impairment indicators, specifically discount rate and forecasted cash flows. Refer to page 59 for the respective accounting policy and note 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 in relation to management's assessment of investment impairment; • Assessed each investment for impairment indicators as at 31 December 2024; • Performed sensitivity analysis on the earnings before interest, tax, depreciation and amortisation forecasts and the discount rate to identify whether indicators of impairment would exist if a reasonably possible change in these key assumptions were to take place; • Performed an assessment of any contradictory information; and • Assessed the disclosures in the financial statements to determine whether sufficient and appropriate disclosure has been made, 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.

5.2. Complex loan accounting !

Key audit matter description	Under FRS 102, external loans are required to be accounted for under either the amortised cost or fair value method depending on whether the loan agreements are considered 'basic' or 'non-basic' respectively. Three tranches of loans with a total principal amount of £58m at 31 December 2024 (2023: £58m) are considered to be 'non-basic'. The fair value measurement of existing loans represents a key audit matter this year due to the inherent complexity of the valuation process, data and assumptions used in the cash flow, such as principal repayments, interest payments, any prepayment, default expectations and discount rates, and its subsequent impact on the financial statements. Refer to note 15 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: • Identified the various tranches that should be evaluated using the fair value method, as opposed to amortised cost. • Recalculated management's future cash flows associated with each loan tranche, including principal repayments, interest payments, and any prepayment or default expectations. • Compared the discount rates from external sources to assess whether the discount rates used by management in the calculation of the fair value of the loans are appropriate. • Assessed the disclosures in the financial statements to determine whether sufficient and appropriate disclosure has been made, in line with the requirements of FRS 102.
Key observations	Based on the audit procedures performed we concluded that the loan accounting treatment is appropriate and the fair value of the loans are appropriately stated in the financial statements.

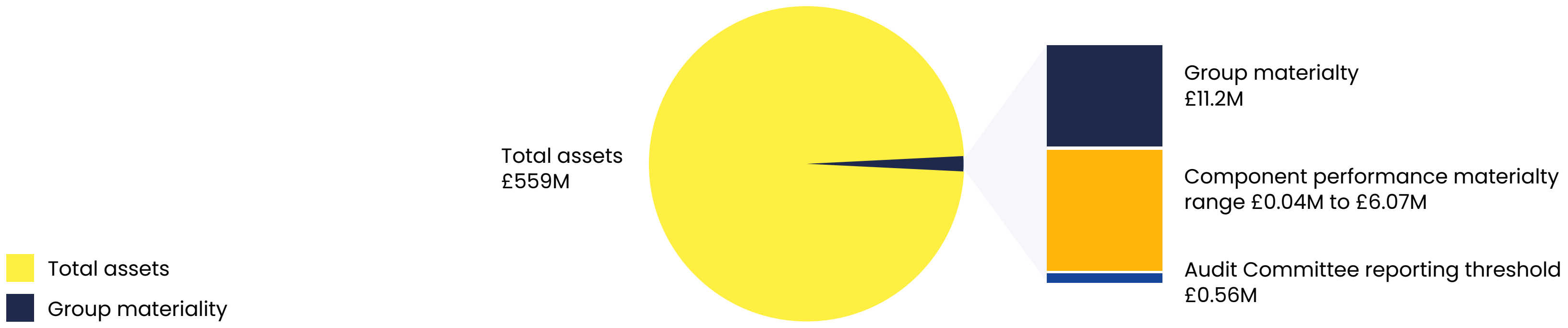
6. Our application of materiality

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	£11,188k (2023: £10,357k)	£6,711k (2023: £6,214k)
Basis for determining materiality	2.0% (2023: 1.9%) of total assets	Parent company materiality equates to 2.0% (2023: 2.0%) of total assets, which is capped at 60% of group materiality.
Rationale for the benchmark applied	As the main objective of the entity is growth of its connections, this is linked to the net assets of the entity. Therefore, we determined that the primary 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% (2023: 70%) of group materiality	70% (2023: 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 committee that we would report to the committee all audit differences in excess of £559k (2023: £517k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit 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 group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

Our audit procedures have noted that the control environment is the same across the group, with the eight (2023: 12) consolidated entities all operating from the same office. Therefore, we have continued with the scoping approach to include all entities in scope and determined specified account balances for audit procedures. Our scoping has been performed at a group account balance level. From a group perspective, this approach has led to 100% (2023:100%) of revenue, 99% (2023: 99%) of profit before tax and 99% (2023: 99%) of net assets being scoped in by the group engagement team. All work was performed by the group engagement team, using component performance materiality ranging from £0.04m to £6.07m.

7.2. Our consideration of climate-related risk

We tested general IT controls over IT systems that were key to the group's financial reporting processes with the assistance of our IT specialists. We also tested relevant controls over the supporting infrastructure of those systems including databases and operating systems.

We performed detailed walkthroughs of all relevant processes and obtained an understanding of relevant controls over revenue, and financial reporting cycles.

Where control deficiencies and improvements were identified in relation to IT systems and segregation of duties, these were reported to management and the audit committee as appropriate. The group continues to invest time in responding to, and addressing, our observations.

Based on our testing and understanding obtained, we have adopted a fully substantive approach.

7.3. Our consideration of climate-related risks

As a part of our audit procedures, we have held discussions with Management to understand the process of identifying climate-related risks and opportunities, the determination of mitigating actions and the impact on the group's financial statements. Management consider climate related risks as part of each principal risk as described on pages 15-16, in particular in relation to the future of gas in the UK on page 10. The risks identified do not have a material impact on our key audit matters in the current year. Management has assessed that there is currently no material impact arising from climate change on the judgements and estimates determining the valuations within the financial statements. This is disclosed in Note 2 to the financial statements.

We performed our own qualitative risk assessment of the potential impact of climate change on the group's account balances and classes of transaction. Our procedures included reading disclosures included in the strategic report on page 7, as well considering whether they are materially consistent with the financial statements and our knowledge obtained as part of the audit.

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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, internal audit, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- 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 team and relevant internal specialists, including tax and IT 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 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 and relevant tax 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 and environmental regulations.

11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

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, the audit committee 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, Ofgem and Ofwat;
- 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.

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 this regard.

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 this regard.

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.

Lindsey Mehrer, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK

28 April 2025

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
Turnover	3	**159,200**	123,344
Cost of sales		**(80,171)**	(61,457)
Gross profit		**79,029**	61,887
Administrative expenses		**(26,727)**	(25,580)
Group operating profit	4	**52,302**	36,307
Interest receivable and similar income		**2,123**	1,018
Interest payable and similar charges	7	**(34,845)**	(29,694)
Profit on ordinary activities before taxation		**19,580**	7,631
Taxation on loss on ordinary activities	8	**(13,253)**	(7,170)
Profit for the financial year and total comprehensive profit for the year		**6,327**	461

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 59 to 72 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2024

	Note	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Fixed assets					
Intangible assets	10		**8,693**		14,183
Tangible assets	11		**509,751**		460,203
Deferred tax asset	17		**-**		329
			518,444		474,715
Current assets					
Debtors	13	**24,749**		17,864	
Cash at bank and in hand		**47,115**		58,194	
		71,864		76,058	
Creditors: amounts falling due within one year	14	**(52,062)**		(33,607)	
Net current assets			**19,802**		42,451
Total assets less current liabilities			**538,246**		517,166
Creditors: amounts falling due after more than one year	15		**(734,876)**		(727,736)
Deferred Tax Liability	17		**(12,913)**		-
Net liabilities			**(209,543)**		(210,570)
Capital and reserves					
Called up share capital	19		**134,242**		134,242
Share Premium			**918**		918
Profit and loss account			**(344,703)**		(345,730)
Equity shareholder deficit			**(209,543)**		(210,570)

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

Paul Miles

PAUL MILES, DIRECTOR

The notes on pages 59 to 72 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2024

	Share capital	Share premium	Profit and loss account	Total equity
	2023 £'000	2023 £'000	2023 £'000	2023 £'000
1 January 2023	134,241	–	(346,191)	(211,950)
Comprehensive income for the year	–	–	461	461
Total comprehensive income for the year	–	–	461	461
Contributions by and distributions to owners	–	–	–	–
Total contributions by and distributions to owners	–	–	–	–
Issue of share capital	1	918	–	919
Total issue of share capital	1	918	–	919
31 December 2023	134,242	918	(345,730)	(210,570)

	Share capital	Share premium	Profit and loss account	Total equity
	2024 £'000	2024 £'000	2024 £'000	2024 £'000
1 January 2024	134,242	918	(345,730)	(210,570)
Comprehensive income for the year	–	–	6,327	6,327
Total comprehensive income for the year	–	–	6,327	6,327
Contributions by and distributions to owners	–	–	(5,300)	(5,300)
Total contributions by and distributions to owners	–	–	(5,300)	(5,300)
Issue of share capital	–	–	–	–
Total issue of share capital	–	–	–	–
31 December 2024	134,242	918	(344,703)	(209,543)

The notes on pages 59 to 72 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
Cash flows from operating activities			
Profit/(loss) for the financial year		**6,327**	461
Adjustments for:			
Depreciation, amortisation and impairment of fixed assets	10/11	**18,038**	17,460
Net interest payable		**32,679**	28,676
Taxation expense	8	**13,253**	7,170
Increase in trade and other debtors		**(7,779)**	(617)
Increase/(decrease) in trade creditors		**12,467**	(4,909)
Gain on disposal of tangible fixed assets		**(80)**	(31)
Cash generated by operations		**74,905**	48,210
Dividends paid		**(5,300)**	-
Taxation paid		**883**	(32)
Net cash generated from operating activities		**70,488**	48,178
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets	11	**182**	72
Purchases of tangible fixed assets	11	**(52,783)**	(52,173)
Interest received		**2,123**	1,018
Net cash used in investing activities		**(50,478)**	(51,083)
Cash flows from financing activities			
Capex loan advanced		**20,000**	-
Capex loan repaid		**-**	(60,000)
Loan notes issued		**-**	120,000
Finance costs paid		**(50,715)**	(42,165)
Repayment of obligations under lease liabilities		**(232)**	-
Debt issue costs incurred		**(142)**	(839)
Issue of share capital		**-**	919
Net cash used in financing activities		**(31,089)**	17,915
Net (decrease)/increase in cash and cash equivalents		**(11,079)**	15,010
Cash and cash equivalents at beginning of year		**58,194**	43,184
Cash and cash equivalents at end of year		**47,115**	58,194
Cash and cash equivalents comprise:			
Cash at bank and in hand		**47,115**	58,194
		47,115	58,194

COMPANY BALANCE SHEET

for the year ended 31 December 2024

	Note	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Fixed assets					
Investments	12		**113,610**		113,610
Deferred tax asset			**-**		55
			113,610		113,665
Current assets					
Debtors	13	**288,466**		284,769	
Cash at bank and in hand		**88**		736	
		288,554		285,505	
Creditors: amounts falling due within one year	14	**(5,360)**		(2,083)	
Net current assets			**283,194**		283,422
Total assets less current liabilities			**396,804**		397,087
Creditors: amounts falling due after more than one year	15		**(260,880)**		(270,893)
Net assets			**135,924**		126,194
Capital and reserves					
Called up share capital	19		**134,242**		134,242
Share premium			**918**		918
Profit and loss account			**764**		(8,966)
Equity shareholder funds			**135,924**		126,194

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company has made a profit for the financial year of £15,030,000 (2023: £3,116,000 profit).

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

Paul Miles

PAUL MILES, DIRECTOR

The notes on pages 59 to 72 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2024

	Share capital	Share premium	Profit and loss account	Total equity
	2023 £'000	2023 £'000	2023 £'000	2023 £'000
1 January 2023	134,241	–	(12,082)	122,159
Comprehensive income for the year	–	–	3,116	3,116
Total comprehensive income for the year	–	–	3,116	3,116
Contributions by and distributions to owners	–	–	–	–
Total contributions by and distributions to owners	–	–	–	–
Issue of share capital	1	918	–	919
Total issue of share capital	1	918	–	919
31 December 2023	134,242	918	(8,966)	126,194

	Share capital	Share premium	Profit and loss account	Total equity
	2024 £'000	2024 £'000	2024 £'000	2024 £'000
1 January 2024	134,242	918	(8,966)	126,194
Comprehensive income for the year	–	–	15,030	15,030
Total comprehensive income for the year	–	–	15,030	15,030
Contributions by and distributions to owners	–	–	(5,300)	(5,300)
Total contributions by and distributions to owners	–	–	(5,300)	(5,300)
Issue of share capital	–	–	–	–
Total issue of share capital	–	–	–	–
31 December 2024	134,242	918	764	135,924

The notes on pages 59 to 72 form part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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, 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 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).

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 are discussed in more detail below, include changes to Section 20 Leases and 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 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 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.

Leases:

The amendments to FRS 102 had the effect of bringing all leases (excluding low value or short-term leases) on balance sheet. Following a detailed review of the Company's relevant contractual positions, application resulted in the recognition of total lease liabilities and right-of-use assets on 1 January 2024 of £494,000 and £494,000 respectively. Operating lease rental costs, previously recognised as an expense, are replaced by depreciation of the right-of-use assets, and a finance charge for the lease liability.

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.

1. Accounting policies (continued)

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 2024 the Group made a small profit for the year but had net liabilities of £209,539,000 (2023: £210,570,000). The Group is financed by a mixture of finance provided by shareholders in the form of £20,450,000 12% PIK notes (2023: £25,440,000); £240,430,000 8% PIK notes (2023: £245,453,000) listed on the Channel Islands Stock Exchange, and loans which totalled £440,871,000 (2023: £425,536,000) 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 any impact on the business from higher interest rates, the challenging UK housebuilding market, and current cost of living pressures including reductions in forecast new connections and reductions to forecast EBITDA. 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 the going concern basis.

The Groups existing loan structure was entered into in October 2017 by ESPUG Finance Limited. The facilities consist of lenders providing up to £549m 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 15. 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.

Revenue

Gas revenue represents the amount (excluding value added tax) derived from the provision of gas transportation and measurement for gas suppliers, on the basis of actual or estimated volumes delivered in the financial period. Rental income of metering equipment is recognised for rental periods covered by the financial statements. Income from the transport of gas through the Group's pipelines is measured at the fair value of the consideration received or receivable, net of returns and discounts.

Electricity revenue represents the amount (excluding value added tax) derived from the provision of electricity consumption recognised on the basis of actual or estimated consumption in the financial period. Income from the distribution of electricity through the Company's cables is measured at the fair value of the consideration received or receivable, net of returns and discounts.

Water revenue represents the amount (excluding value added tax) derived from the supply of water and sewerage services to residential and commercial customers, on the basis of actual or estimated volumes delivered in the financial period. Income from the transport of water and sewerage using the Company's infrastructure is measured at the fair value of the consideration received or receivable, net of returns and discounts.

All revenue arises solely within the United Kingdom.

1. Accounting policies (continued)

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	4-8 years
Gas, electricity & water networks	60 years
Meters	20 years
Prepayment meters	10 years
Motor vehicles	4 years
Land and buildings	over the period of the lease

During the year Management made the decision to change the depreciation rate on gas smart meters from 10 years to 20 years, and on electricity networks from 40 years to 60 years. Prior year data has not been re-stated for this change. For existing assets with a NBV as at 1 January 2024, the total useful life was extended to 20 years for meters and 60 years for electricity networks. New additions in year were depreciated using the revised useful life for each assets class,

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 CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flow (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

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

Investments

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

Employee benefits

The Group operates a defined 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 and movements in the fair value of non-basic debt instruments.

1. Accounting policies (continued)

Leased assets: Lessee

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement,

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the lease asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined, the groups' incremental or obtainable borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

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.

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.

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

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

- The phasing out of new connections of gas heated residential properties has been announced as part of the Future Homes Standard, expected to be brought before Parliament in late 2025. The Directors anticipate there being a phased transition away from gas that will extend for several years 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:

- 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 on the future of gas networks and industry trends are taken into account.
- The most significant area of estimation uncertainty is the Group's use of the discounted cashflow methodology when assessing the parent company's investments where estimates regarding revenue growth and a suitable discount rate are made.
- The Group has assessed the impact of climate-related risks on the financial statements, and does not consider there to be a material impact on its judgements and estimates from the physical and transition climate-related risks.

3. Analysis of Turnover

	2024 £'000	2023 £'000
Analysis by class of business:		
Gas transportation	**50,306**	44,092
Gas metering	**14,833**	11,738
Electricity distribution	**93,081**	66,768
Water & waste water	**245**	15
Release of deferred income on third party contributions	**735**	731
	159,200	123,344

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

4. Operating profit

	2024 £'000	2023 £'000
This is arrived at after charging:		
Depreciation of tangible fixed assets	**12,548**	11,969
Amortisation of intangible assets, including goodwill	**5,490**	5,491
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**24**	17
Operating lease – land and buildings	**-**	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	**233**	215
Other services	**6**	3

5. Employees

	2024 £'000	2023 £'000
Group		
Staff costs (including Directors) consist of:		
Wages and salaries	**9,419**	8,254
Social security costs	**1,195**	1,086
Cost of defined contribution pension scheme	**906**	697
	11,520	10,037

	2024 Number	2023 Number
The average monthly number of employees for the Group during the year was as follows:		
Gas	**62**	61
Electricity	**68**	58
Water	**7**	7
	137	126

Company

The Company does not directly employ any individuals.

6. Directors' remuneration

	2024 £'000	2023 £'000
Group		
Directors' emoluments	**3,569**	5,349
Group contributions to defined contribution pension schemes	**-**	-

There were three paid directors during the year (2023: three). The remuneration of the highest paid director who served during the period was as follows:

	2024 £'000	2023 £'000
Directors' emoluments	**1,907**	3,851
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 2024 (2023: nil). The Directors are considered to be the only key management personnel.

7. Interest payable and similar charges

	2024 £'000	2023 £'000
Third party debt	**18,563**	14,787
Fair value (gains) on financial instruments	**(4,948)**	(7,001)
Lease interest	**42**	-
12% PIK loan note	**2,649**	2,861
8% PIK loan note	**18,539**	19,047
	34,845	29,694

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

8. Taxation on profit on ordinary activities

	2024 £'000	2024 £'000	2023 £'000	2023 £'000
UK corporation tax				
Current tax on profits of the year		**11**		-
Adjustment in respect of previous periods		**-**		(48)
Total current tax		**11**		(48)
Deferred tax				
Deferred tax current period	**11,512**		7,155	
Prior year adjustment	**1,730**		63	
		13,242		7,218
Total tax charge		**13,253**		7,170

Tax reconciliation
The current tax charge for the period is higher (2023: higher) than the standard rate of corporation tax in the UK of 25%. The UK standard rate of corporation tax increased from 19% to 25% from 1 April 2023 therefore the weighted average corporation rate used was 23.5% for 2023. The differences are explained below.

	2024 £'000	2023 £'000
Profit/(Loss) on ordinary activities before tax	**19,584**	7,361
Current tax at 25% (2023: 23.5%)	**4,896**	1,729
Effects of:		
Expenses not tax deductible	**6,735**	4,962
Other permanent difference	**7**	74
Effect of change in tax rate change on opening deferred tax balances	**-**	425
Fixed asset difference	**(126)**	-
Prior year adjustment- deferred tax	**1,730**	15
Deferred tax not recognised	**11**	(35)
	13,253	7,170

For further information on deferred tax balances see note 17.

9. Parent company result for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company has made a profit for the financial year of £15,030,000 (2023: £3,116,000).

10. Intangible assets

Group	Goodwill on consolidation £'000
Cost or valuation	
At 1 January 2024	109,067
At 31 December 2024	**109,067**
Amortisation	
At 1 January 2024	94,884
Provision for year	5,490
At 31 December 2024	**100,374**
Net book value	
At 31 December 2024	**8,693**
At 31 December 2023	14,183

11. Tangible fixed assets

Group	Electricity, water and gas networks £'000	Meters £'000	Fixtures, fittings, tools and equipment £'000	Land and buildings £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 January 2024 prior to adoption of FRS102 amendments	516,791	37,834	5,643	-	1,165	561,433
Right-of-use assets recognised on adoption of FRS102 amendments	-	-	-	494	-	494
Revised cost 1 January 2024	516,791	37,834	5,643	494	1,165	561,927
Additions	56,001	2,152	588	2,126	838	61,705
Disposals	-	(1,632)	-	-	(400)	(2,032)
At 31 December 2024	**572,792**	**38,354**	**6,231**	**2,620**	**1,603**	**621,600**
Depreciation						
At 1 January 2024	83,513	13,836	3,353	-	528	101,230
Provision for the year	9,159	2,459	441	198	291	12,548
Disposals	-	(1,632)	-	-	(297)	(1,929)
At 31 December 2024	**92,672**	**14,663**	**3,794**	**198**	**522**	**111,849**
Net book value						
At 31 December 2024	**480,120**	**23,691**	**2,437**	**2,422**	**1,081**	**509,751**
At 31 December 2023	433,278	23,998	2,290	-	637	460,203

Land and Buildings contain only lease assets. The right-of-use asset balance of £494K was recognised on 1 January 2024 in respect of the outstanding lease term on Bluebird House, Leatherhead. The net carrying amount of right-of-use assets at year end was £2,422,000 (2023: £494,000).

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 2024 and 31 December 2024	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
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. 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.

13. Debtors

	Group 2024 £'000	Group 2023 £'000	Company 2024 £'000	Company 2023 £'000
Trade debtors	**12,380**	8,496	**-**	-
Loans owed by Group undertakings	**-**	-	**288,449**	284,757
Corporation tax	**-**	894	**-**	-
Other debtors	**395**	688	**17**	12
Prepayments and accrued income	**11,974**	7,786	**-**	-
	24,749	17,864	**288,466**	284,769

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 2024 £'000	Group 2023 £'000	Company 2024 £'000	Company 2023 £'000
Trade creditors	**22,225**	14,482	**26**	62
Other creditors	**7,368**	1,132	**5,300**	-
Accruals and deferred income	**19,736**	17,754	**34**	15
Other taxation and social security	**304**	239	**-**	-
Corporation tax	**2,362**			
Loan due to Group undertaking	**-**	-	**-**	2,006
Lease liabilities	**67**	-	**-**	-
	52,062	33,607	**5,360**	2,083

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 2024 £'000	Group 2023 £'000	Company 2024 £'000	Company 2023 £'000
Third party loan notes	**420,871**	425,536	**-**	-
Third party capex loan	**20,000**	-	**-**	-
12% PIK notes	**20,450**	25,440	**20,450**	25,440
8% PIK notes	**240,430**	245,453	**240,430**	245,453
Deferred income	**30,783**	31,307	**-**	-
Lease liabilities	**2,342**		**-**	-
	734,876	727,736	**260,880**	270,893

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 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

£60m at 6.91% Senior Secured Tranche B 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 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.

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

The maturity of sources of debt finance is as follows:

	Loans and overdrafts 2024 £'000	Loans and overdrafts 2023 £'000
Group		
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	627,747	642,429
	701,747	696,429

Company	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	-	-
In more than five years	260,880	270,893
	260,880	270,893

Lease liabilities The future minimum undiscounted minimum lease payments are as follows:	Finance leases £'000	Finance leases £'000
In one year or less, or on demand	243	-
In more than one year but not more than five years	1,359	-
In more than five years	2,199	-
	3,801	-

16. 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	47,115	58,194
Trade debtors	12,380	8,496
Other debtors	395	688
Financial liabilities *measured at amortised cost:*		
Trade creditors	22,225	14,482
Other creditors	7,368	1,132
Accruals	19,736	17,754
Lease liabilities	2,409	-
Third party loan notes	420,871	425,536
Third party capex loan	20,000	-
12% PIK notes	20,450	25,440
8% PIK notes	240,430	245,453
measured at fair value through profit or loss		
Loan notes	46,000	51,000

17. Deferred tax

Deferred tax	2024 £'000	2023 £'000
Group		
At 1 January	**329**	7,547
Charged to profit or loss	**(13,242)**	(7,218)
At 31 December	**(12,913)**	329
Comprising:		
Deferred tax asset	**30,068**	32,181
Deferred tax liability	**(42,981)**	(31,852)
	(12,913)	329

As at 31 December 2024, the Group has losses carried forward of £9,122k 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 due to belonging in companies without forecast revenue. There is a deferred tax asset for losses carried forward of £7,668k recognised in trading companies due to the likelihood of trading at a profit in 2025.

Deferred tax - Group	31 December 2024 £'000	31 December 2023 £'000
Difference between accumulated depreciation and amortisation and capital allowances	**(42,981)**	(31,852)
Other timing differences	**28,088**	31,082
Tax losses	**1,980**	1,099
At 31 December	**(12,913)**	329

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

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 £906,000 (2023: £697,000). The balance outstanding at year end was £nil (2023: £nil).

19. Share capital

	2024 £'000	2023 £'000
Allotted, called up and fully paid		
134,201,130 'A' ordinary shares of £1 each	**134,201**	134,201
40,000 'A' deferred shares of £1 each	**40**	40
127,612 'B' ordinary shares of £0.01 each	**1**	1
	134,242	134,242

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

The holders of B ordinary shares have limited rights to distribution of profits of the Company as per the prescribed particulars of the shares, and have no rights to vote on any question. 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 and the prescribed particulars of the shares.

20. Capital commitments

	Group 2024 £'000	Group 2023 £'000	**Company 2024 £'000**	Company 2023 £'000
Contracted but not provided for	**199,789**	185,804	**-**	-

Capital commitments are in respect of electricity, gas and water networks capital expenditure contracted but not provided for as at 31 December 2024.

21. 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 15 and interest accrued on these instruments disclosed in note 7.

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

22. Segmental information

Description of segments

The Group has two trading subsidiaries trade licenced by Ofgem: one subsidiary is an electrical distribution company engaged in the development of electrical distribution as an independent operator, and one subsidiary operates as gas transportation company engaged in the development of gas pipelines, the transportation of gas and metering services throughout mainland UK.

The Group has one trading subsidiary licenced by Ofwat.

Factors that management use in identification of segments

The Group's reportable segments are based along the lines of i) One Gas transportation company ii) One Electrical distribution licence company iii) One water supply 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.

	Water 2023 £'000	Electricity 2023 £'000	Gas 2023 £'000	Total 2023 £'000
Group's turnover per consolidated statement of comprehensive income	15	66,773	56,556	123,344
Depreciation	(12)	(2,409)	(9,549)	(11,970)
Segment profit	(610)	12,802	9,354	21,546
Administrative expenses				(917)
Amortisation				(5,490)
Financial expenses				(8,220)
Financial income				712
Group loss before tax				7,631

	Water 2024 £'000	**Electricity 2024 £'000**	**Gas 2024 £'000**	**Total 2024 £'000**
Group's turnover per consolidated statement of comprehensive income	**245**	**93,081**	**65,139**	**158,465**
Depreciation	**(34)**	**(2,826)**	**(9,474)**	**(12,334)**
Segment (loss)/profit	**(972)**	**19,642**	**15,840**	**34,510**
Administrative expenses				**(735)**
Amortisation				**(5,719)**
Financial expenses				**(10,025)**
Financial income				**1,553**
Group profit before tax				**19,584**

22. Segmental information (continued)

	Water 2023 £'000	Electricity 2023 £'000	Gas 2023 £'000	Total 2023 £'000
Additions to non-current assets	352	24,699	26,593	51,644
Reportable segment assets	706	125,623	352,809	479,138
Intangible assets				14,183
Tangible assets				9,766
Tax assets				772
Other assets				27
Cash at bank and in hand				46,887
Total Group assets				550,773
Reportable segment liabilities	46	17,070	63,564	80,680
Loans and borrowings (excluding leases and overdrafts)				700,168
Deferred tax and group relief				(18,672)
Other liabilities				(833)
Total Group liabilities				761,343

	Water 2024 £'000	**Electricity 2024 £'000**	**Gas 2024 £'000**	**Total 2024 £'000**
Additions to non-current assets	**1,471**	**34,108**	**26,767**	**62,346**
Reportable segment assets	2,511	167,678	367,246	537,435
Intangible assets				**8,693**
Tangible assets				**9,537**
Other assets				**33**
Cash at bank and in hand				**35,270**
Total Group assets				**590,968**
Reportable segment liabilities	**876**	**36,718**	**71,073**	**108,667**
Loans and borrowings (excluding leases and overdrafts)				**704,113**
Deferred tax and group relief				**(16,363)**
Other liabilities				**4,090**
Total Group liabilities				**800,507**

Analysis of the Group's Revenue has identified that the Group has three Key customers (combined gas and electricity utilities) whose turnover is greater than 10% of the Group's total and their percentages are: 23.66%, 17.59% and 17.18% (2023: three customers 25.54%, 19.49% and 16.35%).

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

UTILITIES GROUP

2024

Annual Report & Accounts

Zoom Holding Limited
Bluebird House, Mole Business Park,
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