

ESP Utilities Group Limited

Annual Report and Financial Statements

Year Ended

31 December 2023

Registered number 02612105

ESP Utilities Group Limited

Annual report and financial statements for the year ended 31 December 2023

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Directors

Anna Dellis
Nicholas Horler
Simon Lees
Simon Loh
Paul Miles
Adam Miller
Stephen Morris
Kevin O'Connor
Bernardo Sottomayor
Victoria Spiers
Yaadvinder Virdee
Peter Whittaker

Secretary and registered office

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

Company number

02612105

Auditor

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

ESP Utilities Group Limited

Strategic report for the year ended 31 December 2023

Principal activities

The principal activity of the ESP Utilities Group Limited ("Company") is a holding company. The Company has six trading subsidiaries (together "the Group"): one subsidiary is an electrical distribution company engaged in the development of electrical distribution as an independent operator, one subsidiary is an independent water company, providing water and waste-water to residential and commercial customers, and four subsidiaries operate as gas transporter companies engaged in the development of gas pipelines, the transportation of gas and metering services throughout mainland UK. There have been no changes in the Company's activities in the period under review.

In 2021 the Group launched ESP Water, which further supports our existing customers by adopting water and wastewater networks as part of a multi-utility proposition. As an early mover into the independent water adoption market, this has aided our proposition through an additional, regulated revenue stream. This strategy has proved successful with our customers, and ESP Water ends 2023 with 223 connected connections and an orderbook of over 58,800 connections to be built out in 2024 and beyond.

On 1st December 2023 there was a restructure of the group. The trade and assets of ESP Connections Limited, ESP Networks Limited and ESP Pipelines Limited were hived up to E.S. Pipelines Limited, thereby consolidating all gas networks into one reporting company. Consolidating the Group's gas licences into E.S. Pipelines Limited will provide both operational and overhead efficiencies, delivering cost savings in the long run.

The Group is ultimately controlled by 3i MIA Holding Limited, who are wholly owned by 3i Managed Infrastructure Acquisitions LP (3i MIA LP). 3i MIA LP is managed by 3i Investments plc, which is a wholly owned subsidiary of 3i Group plc. The general partner of 3i MIA LP is 3i Managed Infrastructure GP (2017) LLP. 3i Group plc is listed on the London Stock Exchange.

Review of the business

The consolidated statement of comprehensive income is set out on page 12 and shows turnover for the period of £123,344,000 (2022: £109,022,000). Profit for the period was £30,939,000 (2022: £19,537,000).

In early 2022 Ofgem issued consent for both Independent Gas Transporters and Independent Distribution Network Operators to recover Last Resort Supply Payments (LRSP). These charges have been accounted for differently within the gas and electricity businesses due to the mechanism's mandated for their collection.

For the gas companies the LRSP was billed separately and could be easily identified on invoicing. The Group is acting as an agent and as a consequence it has been presented net in the income statement.

For the electricity company the LRSP levy was recovered through industry wide tariffing, increasing both gross revenues and Duos cost of sale for the business. The Group is acting as a principal and as such the levy has been presented gross in the income statement for ESP Electricity Limited. It is estimated that the levy has accounted for £2.8m of last years' increase in turnover and Distribution use of system (Duos) cost of sales.

The Directors consider connections installed and turnover to be the main key performance indicators for the Group in monitoring its performance during the year.

The number of installed connections as at the end of the year was 1,004,605 (including 323,088 electricity connections) with a growth of 5.9% in the year, compared to 8.7% in the previous year. 91% of the growth is directly related to the build out of the Group's order book from previous years, with the remaining 9% being connections acquired from Fulcrum Utility Services Limited.

In October 2023 the Group issued new Private Placements of £120m, using £80m of this to repay the Capex loan balance. The remaining £40m is available to fund future Capex purchases. The £100m Capex Loan facility remains in place at the year-end and available for future drawn down.

ESP Utilities Group Limited

Strategic report for the year ended 31 December 2023 (*continued*)

Review of the business (*continued*)

Turnover has increased during the year due to a combination of the increase in connections, and electricity tariff adjustments in April 2023. Based on the current economic forecasts and given the competitive market conditions, expectations for 2024 are that turnover will continue to grow as the order book for both gas, electricity and water connections is installed.

The Group continues to expand its portfolio of assets through three main areas of activity. First, through the adoption of gas, electricity and water networks for newly built housing installed by Utility Infrastructure Providers ("UIPs"); second, through developing gas network extensions installed to connect existing properties previously not served by the national gas system (known as infill) and third, through adopting gas and electricity industrial and commercial ("I&C") connections for commercial units.

The Group's management actively nurture relationships with key partners to develop and strengthen relationships with Utility Infrastructure Providers (UIP's) for gas, Independent Connection Providers (ICP's) for electricity and Self Lay Providers (SLP's) for water, to develop new housing networks as well as I&C market participants.

Principal risks and uncertainties

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

The ownership and operation of gas pipelines represents approximately 36% (2022: 34%) of the Group's revenue. The Office of Gas and Electricity Markets ("Ofgem") regulates the activities of the Group, including the transportation tariffs that the Group charges. In 2004 Ofgem introduced the Relative Price Control ("RPC") mechanism. The purpose of RPC is to keep parity between the charges levied by Independent Gas Transporters (iGTs), including the Group's, and the operators of the Gas Distribution Networks. RPC allows the Group to increase prices partly in line with the Retail Price Index ("RPI"). Therefore, the Group's income will vary in accordance with RPI.

The Group also operates and maintains the meters connected to its gas pipelines. Meter income represents approximately 9% (2022: 9%) of the Group's revenue. The meter market in the UK has been open to competition since 2004 and over the next 4 years it is forecast that dumb meter revenue will materially decline as a consequence of the Government mandated smart meter roll out. However, the Group business model predicts an increase in the smart meter portfolio as new meters are installed with new connections going forward.

The ownership and operations of electricity connections represents 54% (2022: 56%) of the Group's revenue; the importance of this market is increasing each year as the market matures and more connections are installed on Independent Distribution Network Operator (iDNO) networks. Historically, electricity connections installed were adopted by the incumbent DNOs until 2001 when the market was opened to competition allowing iDNOs to adopt electricity connections. The regulatory changes in April 2010 to standardise the iDNOs' tariffs has opened up most of the market to competition, providing greater opportunities to iDNOs. As the market continues to mature it is expected that the iDNOs will obtain a similar market presence as the iGTs in the gas market.

ESP Utilities Group Limited

Strategic report for the year ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

The planned phasing out of new connections of gas heated residential properties, to commence for new applications from April 2024 in Scotland and from 2025 in England and Wales, will have a significant impact on utilities infrastructure in the UK. Through strategy diversification, the Group has taken strides in recent years to adapt to this necessary regulatory change. However, we do anticipate there being a phased transition that will extend beyond the Government's target, and we are planning for this accordingly to ensure we have the necessary capabilities to continue to win, adopt and maintain gas networks. This approach is supported by the recent Future Homes Standard consultation which envisages a transition period once the legislation is introduced. The Government has withdrawn support for the two village trials of hydrogen as a source of domestic heating, which were designed to test its reliability, safety and ease of use. Despite this, there will be no formal decision on the use of hydrogen for home heating until 2026. Our gas networks are built using modern materials that can be repurposed to transport hydrogen gas, ensuring flexibility of use should traditional gas be phased out in the future.

The government had given its support to proposals to blend up to 20% hydrogen into the gas grid and approval is expected pending finalised safety case assessment.

Directors' duties

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

'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and environment;
- The desirability of the company, maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between shareholders of the company.'

As part of their induction, a Director is briefed on their duties and they can access professional advice on these. It is important to recognise that the Directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to employees of the Group.

Risk Management

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

Our People

As a relatively small Group with just over 125 employees operating in one location, we recognise that our employees are fundamental to the success of the business and every single person's contribution counts. The health, safety and well-being of our employees is one of our primary considerations in the way we do business.

Business Relationships

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

ESP Utilities Group Limited

Strategic report for the year ended 31 December 2023 (*continued*)

Community and Environment

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

Shareholders

As a Board of Directors, our intention is to behave responsibly toward our shareholders, working closely with them to deliver growth and add value. Key decisions are made in conjunction with shareholders, whose interests are represented by their three Board appointees.

Key decisions made in the year

Decision	Effect
<i>Decision to improve staff benefits</i> During 2023 the Directors took the decision to offer staff enhanced maternity and paternity benefits and introduce support for staff undergoing IVF. These policies were formally implemented in early 2024.	
Shareholders	Improving benefits has improved the marketability of the Group as an employer and improves the retention of trained staff in a continued challenging recruitment market.
Employees	Enhanced support for employees at a point when it is really needed will improve staff wellbeing and loyalty.

Decision	Effect
<i>Decision to focus on improving sustainability and stakeholder engagement within the Group</i> During 2023 the Board recognised the growing need to embed sustainability and stakeholder engagement within the operation of the business. This is being done through a continued focus on how the Group operates to identify and implement improvements, both through the decision to obtain ISO14064-1 in early 2024 and to work more closely with Community partners.	
Shareholders	Strong ESG credentials are needed for the Group to meet the investment criteria for both our shareholders and investors.
Stakeholders	Donations of both time and money to local charities enables them to offer more support to the local community. Embedding sustainable practices within the Group make us a good corporate citizen.
Employees	Charity fundraising and staff volunteering days allow employees to give back to the community, whilst at the same time improving team spirit.

ESP Utilities Group Limited

Strategic report for the year ended 31 December 2023 (continued)

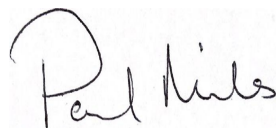
Key decisions made in the year (continued)

Decision	Effect
<i>Decision to develop and implement the Direct to Developer customer strategy</i> The Group is engaging directly with Housing Developers at an early stage in a new development to provide enhanced technical support and solutions across all our utilities, giving the Developer more flexibility during each construction phase on large sites.	
Shareholders	Add value to the business by increasing new connections with secure long term regulated revenues.
Employees	Increased profitability provides secure employment prospects.
Customers	Improves our ability to provide a business partnering service to support Developers.
Suppliers	Strong link with developers gives our infrastructure partners access to a wider market.

Going Concern

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

For and on behalf of the Board



Paul Miles
Director

26 April 2024

ESP Utilities Group Limited

Report of the Directors for the year ended 31 December 2023

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

There are no post balance sheet events to report.

Directors

The Directors in office during the period were as follows:

Anna Dellis
Nicholas Horler
Simon Lees
Simon Loh (appointed 18 March 2024)
Paul Miles
Adam Miller
Stephen Morris
Kevin O'Connor
Bernardo Sottomayor
Victoria Spiers
Yaadvinder Virdee
Peter Whittaker

Directors' duties

Information on directors' duties has been included in the strategic report on page 3.

Dividend

A dividend of £28,625,000 was voted during the year (2022: £28,500,000), of which £14,525,000 was payable after year end. A dividend of £28,850,000 was received during the year (2022: £14,750,000).

Financial instruments

Liquidity risk and cash flow risk

The Company holds financial instruments to finance its operations. Operations are financed by a mixture of retained profits and parent company loans. The Group has £2,195,000 (2022: £2,195,000) of debt outstanding with its parent company. The directors have controls in place to manage cash flow and maintain interest payments.

Credit risk

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

Price risk

The Group's balance sheet and statement of comprehensive income is exposed to changes in its transportation tariffs, which are regulated by Ofgem – as disclosed in the Strategic report under principal risks and uncertainties.

Directors' indemnities

The Company maintains directors' and officers' liability insurance, which gives appropriate cover for any legal action brought against its directors. The Company has also granted indemnities to each of its directors to the extent permitted by law. Qualifying third party indemnity provisions (as defined in Section 234 of the Act) were in force during the year ended 31 December 2023 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.

ESP Utilities Group Limited

Report of the Directors for the year ended 31 December 2023 (*continued*)

Energy and carbon disclosures

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

Likely future developments in the business of the Company

Information on likely future developments in the business of the Company has been included in the Strategic Report on page 1.

Auditor

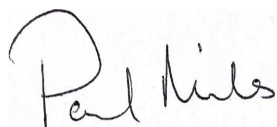
A resolution to reappoint Deloitte LLP will be proposed at the next Annual General Meeting.

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

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

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

For and on behalf of the Board



Paul Miles
Director

26 April 2024

ESP Utilities Group Limited

Directors' responsibilities statement for the year ended 31 December 2023

Directors' responsibilities

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

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

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on 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.

ESP Utilities Group Limited

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 21.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

ESP Utilities Group Limited

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

ESP Utilities Group Limited

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



Lindsey Mehner FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
26 April 2024

ESP Utilities Group Limited

Consolidated statement of comprehensive income for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Turnover	3	123,344	109,022
Cost of sales		(61,457)	(57,267)
Gross profit		61,887	51,755
Administrative expenses (before charge for bad debts)		(19,425)	(18,719)
Net recovery of bad debts		27	1,095
Total administrative expenses		(19,398)	(17,624)
Group operating profit	4	42,489	34,131
Interest receivable and similar income		988	1
Interest payable and similar charges	7	(7,965)	(12,177)
Profit on ordinary activities before taxation		35,512	21,955
Taxation on profit on ordinary activities	8	(4,573)	(2,418)
Profit for the financial year and total comprehensive income for the year		30,939	19,537

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.

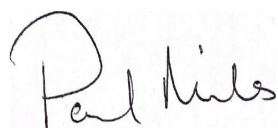
The notes on pages 18 to 31 form part of these financial statements.

ESP Utilities Group Limited

Consolidated balance sheet as at 31 December 2023

	Note	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Fixed assets					
Tangible assets	10		450,436		410,575
Current assets					
Debtors	12	17,864		17,168	
Cash at bank and in hand		57,161		41,663	
		<u>75,025</u>		<u>58,831</u>	
Creditors: amounts falling due within one year	13	(50,188)		(52,976)	
Net current assets			<u>24,837</u>		<u>5,855</u>
Total assets less current liabilities			<u>475,273</u>		<u>416,430</u>
Creditors: amounts falling due after more than one year	14		(456,843)		(404,934)
Provisions for liabilities	16		(26,844)		(22,224)
Net (liabilities)			<u>(8,414)</u>		<u>(10,728)</u>
Capital and reserves					
Called up share capital	18		156,426		156,426
Profit and loss account			(164,840)		(167,154)
Equity shareholder funds			<u>(8,414)</u>		<u>(10,728)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26 April 2024 and were signed on its behalf by:



Paul Miles
Director

The notes on pages 18 to 31 form part of these financial statements.

ESP Utilities Group Limited

Consolidated statement of changes in equity for the year ended 31 December 2023

	Share capital 2023 £'000	Profit and loss account 2023 £'000	Total equity 2023 £'000	Share capital 2022 £'000	Profit and loss account 2022 £'000	Total equity 2022 £'000
1 January	156,426	(167,154)	(10,728)	156,426	(158,191)	(1,765)
Comprehensive income for the year						
Profit for the year	-	30,939	30,939	-	19,537	19,537
Total comprehensive income for the year	-	30,939	30,939	-	19,537	19,537
Contributions by and distributions to owners						
Dividends paid	-	(28,625)	(28,625)	-	(28,500)	(28,500)
Total contributions by and distributions to owners	-	(28,625)	(28,625)	-	(28,500)	(28,500)
31 December	156,426	(164,840)	(8,414)	156,426	(167,154)	(10,728)

The notes on pages 18 to 31 form part of these financial statements.

ESP Utilities Group Limited

Consolidated statement of cash flows for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Cash flows from operating activities			
Profit for the financial year		30,939	19,537
Adjustments for:			
Depreciation, amortisation and impairment of fixed assets	10	11,742	10,753
Net interest payable		6,976	12,176
Taxation expense	8	4,573	2,418
Increase in trade and other debtors		(638)	(6,410)
(Decrease)/Increase in trade creditors		(4,359)	11,651
Gain on disposal of tangible assets		(31)	(32)
Cash generated by operations		49,202	50,093
Finance costs paid		(13,095)	(11,006)
Dividends paid		(28,625)	(14,500)
Taxation paid		(32)	(1,169)
Net cash generated from operating activities		7,450	23,418
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		72	128
Purchases of tangible fixed assets	10	(52,173)	(48,188)
Interest received		988	1
Net cash used in investing activities		(51,113)	(48,059)
Cash flows from financing activities			
Capex loan advanced		20,000	30,000
Capex loan repaid		(80,000)	-
Loan notes issued		120,000	-
Debt issue costs incurred		(839)	-
Net cash generated from financing activities		59,161	30,000
Net increase in cash and cash equivalents		15,498	5,359
Cash and cash equivalents at beginning of year		41,663	36,304
Cash and cash equivalents at end of year		57,161	41,663
Cash and cash equivalents comprise:			
Cash at bank and in hand		57,161	41,663
Bank overdrafts		-	-
		57,161	41,663

The notes on page 18 to 31 form part of these financial statements.

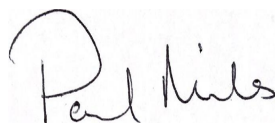
ESP Utilities Group Limited

Company balance sheet as at 31 December 2023

	Note	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Fixed assets					
Investments	11		511,705		511,705
Current assets					
Debtors	12	19,118		19,132	
Cash at bank and in hand		14,791		14,273	
		<u>33,909</u>		<u>33,405</u>	
Creditors: amounts falling due within one year	13	<u>(37,386)</u>		<u>(36,762)</u>	
Net current assets			<u>(3,477)</u>		<u>(3,357)</u>
Total assets less current liabilities			<u>508,228</u>		<u>508,348</u>
Creditors: amounts falling due after more than one year	14		-		-
Net assets			<u>508,228</u>		<u>508,348</u>
Capital and reserves					
Called up share capital	18		156,426		156,426
Profit and loss account			351,802		351,922
			<u>508,228</u>		<u>508,348</u>
Equity shareholder funds			<u>508,228</u>		<u>508,348</u>

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 £28,505,000 (2022: £14,462,000 profit).

The financial statements were approved by the Board of Directors and authorised for issue on 26 April 2024



Paul Miles
Director

The notes on pages 18 to 31 form part of these financial statements.

ESP Utilities Group Limited

Company statement of changes in equity for the year ended 31 December 2023

	Share capital 2023 £'000	Profit and loss account 2023 £'000	Total equity 2023 £'000	Share capital 2022 £'000	Profit and loss account 2022 £'000	Total equity 2022 £'000
1 January	156,426	351,922	508,348	156,426	365,960	522,386
Comprehensive profit for the year	-	28,505	28,505	-	14,462	14,462
Total comprehensive profit for the year	-	28,505	28,505	-	14,462	14,462
Contributions by and distributions to owners						
Dividends paid	-	(28,625)	(28,625)	-	(28,500)	(28,500)
Total contributions by and distributions to owners	-	(28,625)	(28,625)	-	(28,500)	(28,500)
31 December	156,426	351,802	508,228	156,426	351,922	508,348

The notes on pages 18 to 31 form part of these financial statements.

ESP Utilities Group Limited

Notes forming part of the financial statements for the year ended 31 December 2023

1 Accounting policies

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

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

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

Parent company disclosure exemptions

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

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- The requirements in Section 33 Related Party Disclosures, to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

The following principal accounting policies have been applied:

Going concern

The financial statements have been prepared on a going concern basis. The Group is dependent for its working capital on funds provided to it by fellow Group companies. A fellow Group company, Zoom Gas Pipelines Limited, has confirmed it will provide further financial support as required to ensure the Company is able to meet its liabilities as they fall due in the twelve-month period from the date of these financial statements. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

On 6 October 2017 ESPUG Finance Limited entered into new loan note agreements to refinance the Group's external debt borrowings. The facilities consist of lenders providing up to £554m of private loan placements, working capital, capital expenditure and liquidity facilities. The external private loan placements have maturities of ten, fifteen and twenty years at fixed rates of interest, as shown in note 14. These loans have an investment grade credit rating of Baa2 from Moody's Investor Services.

In October 2023 the Group issued new Private Placements of £120m, using £80m of this to repay the Capex loan balance. The remaining £40m is available to fund future Capex purchases. The £100m Capex Loan facility remains in place at the year end and is available for future draw downs.

ESP Utilities Group Limited

Notes forming part of the financial statements for the year ended 31 December 2023 (*continued*)

1 Accounting policies (*continued*)

Going concern (continued)

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, current cost of living pressure, and a challenging UK housebuilding market 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 a going concern basis.

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

Basis of consolidation

The consolidated financial statements present the results of ESP Utilities Group Limited and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between these group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. New asset purchases are initially recorded at cost and subsequently depreciated over their estimated useful life. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Turnover

Turnover represents the amount (excluding value added tax) derived from the provision of gas transportation and measurement for gas suppliers, together with electricity distribution charges from its iDNO business during the period. Income from the transport of gas through the Group's pipelines is recognised on the basis of actual or estimated volumes delivered in the financial period and rental income of metering equipment is recognised for rental periods covered by the financial statements. Electricity income is recognised on the basis of actual or estimated consumption in the financial period. Turnover arises solely within the United Kingdom.

Water income is derived from the supply of water and sewerage services to residential customers. Income from the transport of water and sewerage using the Company's infrastructure is recognised on the basis of actual or estimated volumes delivered in the financial period.

For gas the Last Resort Supplier Payment levy (LRSP) the Group is acting as an agent. The levy was billed separately and could be easily identified on invoicing. It has been presented net in the income statement.

For electricity the Group is acting as a principal for the Last Resort Supplier Levy, which was recovered through industry wide tariffing increasing both gross revenues and Duos cost of sales for the business.

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.

ESP Utilities Group Limited

Notes forming part of the financial statements for the year ended 31 December 2023 (*continued*)

1 Accounting policies (*continued*)

Tangible fixed assets (continued)

a) Depreciation

Depreciation is calculated so as to write off the cost of fixed assets by equal instalments over their estimated useful lives as follows:

Fixtures, fittings, tools & equipment	4 to 8 years
Gas networks	60 years
Motor vehicles	4 years
Meters	20 years
Prepayment meters	10 years
Electricity networks	40 years
Water networks	60 years

b) Third party contributions

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

Impairment of fixed assets and cost of investment

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

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

Investments

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

Employee Benefits

The Group operates a defined contributions pension scheme. Contributions to the scheme are charged to the statement of comprehensive income in the period in which they become payable. The assets of the scheme are held separately in an independently administered fund.

ESP Utilities Group Limited

Notes forming part of the financial statements for the year ended 31 December 2023 (*continued*)

1 Accounting policies (*continued*)

Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs that are initially recognised as a reduction in the proceeds of the associated capital instrument and movements in the fair value of non-basic debt instruments.

Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss account over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the statement of comprehensive income over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases and their annual rentals are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.
- Where timing differences relate to interests in subsidiaries and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

ESP Utilities Group Limited

Notes forming part of the financial statements for the year ended 31 December 2023 (*continued*)

1 Accounting policies (*continued*)

Financial Assets

Financial assets, other than investments, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

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

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

Reserves

The Group and Company's reserves are as follows:

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

Dividends

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

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

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 to commence in 2024 in Scotland and 2025 in England and Wales. The Directors anticipate there being a phased transition that will extend beyond the Government's target and have planned accordingly to ensure the Group has the necessary capabilities to continue to win, adopt and maintain gas networks.

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

- All 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.

ESP Utilities Group Limited

Notes forming part of the financial statements for the year ended 31 December 2023 (continued)

3 Analysis of Turnover

	2023 £'000	2022 £'000
Analysis by class of business:		
Gas transportation	44,092	37,378
Gas metering	11,738	9,546
Electricity distribution	66,768	61,372
Water & waste water	15	-
Release of deferred income on third party contributions	731	726
	123,344	109,022

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

4 Operating profit

	2023 £'000	2022 £'000
This is arrived at after charging:		
Depreciation of tangible fixed assets	11,742	10,753
Fees payable to the Company's auditor for the audit of the Company's annual accounts		
Fees payable to the Company's auditor for other services	3	6
Fees payable to the Company's auditor for the audit of the subsidiaries pursuant to legislation	185	186
Fees payable to the Company's auditor for the audit of the company's annual accounts	9	9
Operating lease – land and buildings	232	232
Operating lease – other operating leases	27	27

5 Employees

Group	2023 £'000	2022 £'000
Staff costs (including Directors) consist of:		
Wages and salaries	8,254	6,750
Social security costs	1,086	990
Cost of defined contribution pension scheme	697	587
	10,037	8,327

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

	2023 Number	2022 Number
Gas	61	67
Electricity	58	49
Water	7	5
	126	121

Company

The Company does not directly employ any individuals.

ESP Utilities Group Limited

Notes forming part of the financial statements for the year ended 31 December 2023 (*continued*)

6 Directors' remuneration

	2023 £'000	2022 £'000
Group		
Directors' emoluments	6929	2,933
Group contributions to money purchase pension schemes	128	127

There were seven paid directors during the period (2022: seven). Pension contributions are paid for four Directors in the year (2022:four).

The remuneration of the highest paid director who served during the period was as follows:

	2023 £'000	2022 £'000
Directors' emoluments	3,851	994
Group contributions to money purchase pension schemes	-	-

Company

The Directors received no remuneration or fees in respect of their services to the Company for the year ended 31 December 2023 (2022: nil). The Directors are considered to be the only key management personnel. The directors who served during the year were employed by Zoom Holding Limited and other group companies, and were remunerated through these companies.

7 Interest payable and similar charges

	2023 £'000	2022 £'000
Group loan interest	180	174
Loan note interest	14,786	12,003
Fair value (gains)/losses on financial instruments	(7,001)	
	7,965	12,177

8 Taxation on profit on ordinary activities

	2023 £'000	2023 £'000	2022 £'000	2022 £'000
<i>UK corporation tax</i>				
Current tax on profits of the year		-		217
Adjustment in respect of previous periods		(48)		11
Total current tax		(48)		228
<i>Deferred tax</i>				
Deferred tax current period	4,558		1,892	
Effect of changes in tax rate	-		282	
Deferred tax prior period	63		16	
		4,621		2,190
Total tax charge		4,573		2,418

ESP Utilities Group Limited

Notes forming part of the financial statements for the year ended 31 December 2023 (*continued*)

8 Taxation on profit on ordinary activities (*continued*)

Legislation to increase the UK standard rate of corporation tax from 19% to 25% from 1 April 2023 was enacted in the period to 31 December 2021. UK deferred tax balances at 31 December 2023, have been calculated at 25% (2022: 25%).

For further information on deferred tax balances see note 16.

Tax reconciliation

The current tax charge for the period is higher (2022: higher) than the standard rate of corporation tax in the UK of 25% (2022: 19%). 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.

	2023 £'000	2022 £'000
Profit on ordinary activity before tax	35,512	21,955
Current tax at 23.5% (2022: 19%)	8,353	4,171
<i>Effects of:</i>		
Expenses not tax deductible	116	22
Prior year adjustment – deferred tax	63	16
Prior year adjustment – current tax	(48)	(128)
Fair value (gains)/losses on financial instruments	(1,646)	
Group relief claimed for nil consideration	(2,541)	(1,950)
Effect of change in tax rate	270	282
Deferred tax not recognised	-	-
Other tax adjustments, reliefs and transfers	6	5
Total current tax charge	4,573	2,418

9 Parent company profit 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 £28,505k (2022: £14,462K).

ESP Utilities Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2023 (*continued*)

10 Tangible fixed assets

Group	Electricity & Gas Networks £'000	Meters £'000	Fixtures, fittings, tools and equipment £'000	Motor vehicles £'000	Total £'000
<i>Cost</i>					
At 1 January 2023	456,152	35,032	4,910	972	497,066
Additions	46,645	3,959	733	307	51,644
Disposals	-	(1,157)	-	(114)	(1,271)
At 31 December 2023	502,797	37,834	5,643	1,165	547,439
<i>Depreciation</i>					
At 1 January 2023	71,095	12,106	2,961	329	86,491
Charge for the year	8,191	2,887	392	272	11,742
Disposals	-	(1,157)	-	(73)	(1,230)
At 31 December 2023	79,286	13,836	3,353	528	97,003
<i>Net book value</i>					
At 31 December 2023	423,511	23,998	2,290	637	450,436
At 31 December 2022	385,057	22,926	1,949	643	410,575

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

11 Fixed asset investments

Company

	Investment in subsidiaries £'000
<i>Cost</i>	
At 1 January 2023 and at 31 December 2023	511,705

ESP Utilities Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2023 (*continued*)

11 Fixed asset investments (continued)

The undertakings in which the Company has interest at the year-end are as follows:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
<i>ESPUG Finance Limited*</i>	<i>England & Wales</i>	<i>100%</i>	<i>Finance & holding company</i>
<i>E.S. Pipelines Limited</i>	<i>England & Wales</i>	<i>100%</i>	<i>Gas transport</i>
<i>ESP Connections Limited**</i>	<i>England & Wales</i>	<i>100%</i>	<i>Gas transport</i>
<i>ESP Networks Limited**</i>	<i>England & Wales</i>	<i>100%</i>	<i>Gas transport</i>
<i>ESP Pipelines Limited**</i>	<i>England & Wales</i>	<i>100%</i>	<i>Gas transport</i>
<i>ESP Electricity Limited</i>	<i>England & Wales</i>	<i>100%</i>	<i>Independent distribution network operator</i>
<i>Gas Newco 1 Limited**</i>	<i>England & Wales</i>	<i>100%</i>	<i>Gas transport</i>
<i>ESP Water Limited</i>	<i>England & Wales</i>	<i>100%</i>	<i>Water company</i>
<i>ESP Water Retail Limited**</i>	<i>England & Wales</i>	<i>100%</i>	<i>Water company</i>

*Directly owned

** Non trading

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

On 1st December 2023 ESP Connections Limited, ESP Networks Limited and ESP Pipelines Limited transferred all trade and assets to E.S. Pipelines Limited. No trade has occurred since this date.

12 Debtors

	Group 2023	Group 2022	Company 2023	Company 2022
	£'000	£'000	£'000	£'000
Trade debtors	8,496	4,727	-	-
Amounts owed by Group undertakings	-	-	18,579	18,579
Other debtors	688	9,735	15	28
Prepayments and accrued income	7,786	1,892	12	13
Corporation tax	894	814	512	512
	17,864	17,168	19,118	19,132

All debtors are due within one year.

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

ESP Utilities Group Limited

Notes forming part of the financial statements for the year ended 31 December 2023 (continued)

13 Creditors: amounts falling due within one year

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Trade creditors	14,421	13,120	-	1
Loans due to Group undertakings	16,721	2,195	16,721	2,195
Loan interest due	3,739	2,112	-	-
Other amounts owed to Group undertakings	-	-	20,650	34,546
Taxation and social security	239	219	-	-
Other creditors	1,072	16,080	-	-
Accruals and deferred income	13,996	19,250	15	20
	50,188	52,976	37,386	36,762

Loans due to Group undertakings are currently attracting interest at a fixed rate of 8% (2022: fixed rate of 8%). The loan is repayable on demand.

14 Creditors: amounts falling due after more than one year

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Deferred income	31,307	31,802	-	-
Loan notes	425,536	313,132	-	-
Capex loan	-	60,000	-	-
	456,843	404,934	-	-

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

In October 2023 two loan notes were issued totalling £120m. 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 2023. The entire balance was repaid in October 2023 when the additional loan notes were issued. The £100m facility remains in place. Interest is payable at SONIA+1.62%.

ESP Utilities Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2023 (*continued*)

15 Financial instruments

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

	Group 2023 £'000	Group 2022 £'000
Financial assets		
<i>measured at amortised cost:</i>		
Cash at bank	57,161	41,663
Trade debtors	8,496	4,727
Other debtors	688	9,735
	<hr/>	<hr/>
Financial liabilities		
<i>measured at amortised cost:</i>		
Trade creditors	14,420	13,120
Loans due to Group undertakings	16,721	2,195
Loan note interest	3,739	2,112
Other creditors	1,072	16,080
Accruals	13,996	19,250
Loan notes	374,537	313,132
Capex loan	-	60,000
	<hr/>	<hr/>
<i>measured at fair value through profit or loss</i>		
Loan notes	51,000	-
	<hr/>	<hr/>

16 Provisions for liabilities

	Deferred taxation 2023 £'000	Deferred taxation 2022 £'000
Group		
At 1 January	22,224	20,034
Charged to profit or loss	4,620	2,190
	<hr/>	<hr/>
At 31 December	26,844	22,224
	<hr/>	<hr/>
Deferred tax liabilities - Group		
	2023 £'000	2022 £'000
Difference between accumulated depreciation and amortisation and capital allowances	29,410	24,250
Other timing differences	(2,566)	(2,026)
	<hr/>	<hr/>
	26,844	22,224
	<hr/>	<hr/>

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

ESP Utilities Group Limited

Notes forming part of the financial statements for the year ended 31 December 2023 (*continued*)

17 Pensions

Defined contribution scheme

The amount recognised in the statement of comprehensive income as an expense in relation to the Group's defined contribution schemes is £697,000 (2022: £587,000). The balance outstanding at year end was £nil (2022: £nil).

18 Share capital

	2023 £'000	2022 £'000
<i>Authorised</i>		
160,000,000 ordinary shares of £1 each	160,000	160,000
<i>Allotted, called up and fully paid</i>		
156,425,518 ordinary shares of £1 each	156,426	156,426

19 Commitments under operating leases

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

	2023 £'000	2022 £'000
Land & Buildings		
Not later than 1 year	232	232
Later than 1 year and not later than 5 years	291	523
Greater than 5 years	-	-
Total	523	755
	2023 £'000	2022 £'000
Other Operating Leases		
Not later than 1 year	-	25
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
Total	-	25

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

ESP Utilities Group Limited

Notes forming part of the financial statements for the year ended 31 December 2023 (*continued*)

20 Capital commitments

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Contracted but not provided for	185,804	184,440	-	-

Capital commitments are in respect of electricity, gas and water networks capital expenditure contracted but not provided for as at 31 December 2023.

21 Related party disclosures

The Group's immediate holding company is Zoom Gas Pipelines Limited, a company registered in England and Wales. The Group's ultimate holding company is Zoom Holding Limited, a company registered in England and Wales. The Group is ultimately controlled by 3i MIA LP, an English limited partnership, which is managed by 3i Investments plc. 3i Investments plc is wholly owned by 3i Group plc. The general partner of 3i MIA LP is 3i Managed Infrastructure GP (2017) LLP.

The largest group in which the results of the Group are consolidated is that headed by Zoom Holding Limited. A copy of these consolidated financial statements is available from Companies House.

The registered office of all Group companies is Bluebird House, Mole Business Park, Leatherhead, KT22 7BA.

There are no related party transactions in the year, other than those with wholly owned group companies which are exempt from disclosure under FRS102.