



ZOOM HOLDING LIMITED

2022

**ANNUAL REPORT
& ACCOUNTS**

Company number: 05777758

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GROUP SNAPSHOT



¹ 55.5mVa of EV charging capacity is equivalent to 97.2 million EV miles driven per year (2021: 13.2mVa is equivalent to 23.2 million EV miles)
² 284.2mVa of EV charging capacity is equivalent to 497.9 million EV miles driven per year (2021: 232.0mVa is equivalent to 406.5 million EV miles)

BUSINESS MODEL & STRATEGY

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

We operate a business model focussed on regulated revenue streams generated from long life assets, highlighted by; continued growth in our residential connections, an increasing portfolio of Industrial and Commercial connections, and a strong orderbook being delivered despite operating in a year impacted by a slow-down in the UK new housing market, high inflation levels, the impact of the invasion of Ukraine and early in the year, the last Covid restrictions.

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

We have a proven entrepreneurial history of proactively adapting to market conditions to strengthen the resilience of the business, achieved through strategy diversification. On top of our traditional strength in residential adoption, we have broadened our Industrial and Commercial proposition, particularly through the development of Electric Vehicle (EV) opportunities. During 2021 we established our water network adoption business, ESP Water, which has been successful in winning multiple sites in 2022 with the first water connections coming on supply in early 2023.

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



VISION

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



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.



MISSION

To adopt and maintain safe, efficient and reliable networks while delivering strong and reliable results for our investors, being consumer and customer focussed through accountable and ethical working practices



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 26.

CHAIRMAN'S STATEMENT

I am pleased to introduce our 2022 annual report. 2022 has demonstrated the resilience of the Group as we have continued to meet the demands of operating through the end of the Covid-19 pandemic, and the continuing multiple challenges facing the UK economy. I would like to take this opportunity to thank our employees, customers, consumers and service providers, and express my best wishes to those that have been affected by what has been a tumultuous year.

In a year where the market has been impacted by a number of macro events, including; challenging economic conditions, a slow down in the new housing market and the end of the pandemic, the Group has continued to show its strength through maintaining market share in the residential sector and growing its Industrial and Commercial (I&C) business. Decisions of the Board to further invest in water, continue the growth in our Industrial and Commercial proposition, and the execution of this strategy by our team members, have put the Group in a strong position for further future growth.

The future of gas

The UK devolved Governments continue to target net zero emissions, permitting no new residential gas connections from 2024 in Scotland and 2025 in England and Wales. This is a complex policy area which will be the subject of further consultation in 2023, and legislation to implement these changes has not

yet been finalised. The Group continues to seek clarity from Government on the precise timing of the ban on new gas connections. Further details are provided in the Market and Regulatory Trends section of this report. This represents a key challenge to the Group, which is also addressed in the Chief Executive's Review.

Board structure and governance

Our strong corporate governance process is overseen by the Board, which includes three Shareholder Directors, two Executive Directors and an independent Chairman. We have established committees that oversee audit and risk, and remuneration, of which further details can be found in the Corporate Governance section of this report.

Investing in the future

The Group continues to invest in the training and development of its employees. During 2020 we introduced the Step Up programme, aimed to support high potential employees with career progression and development. I am pleased that the 2022 cohort was a resounding success, with 2023 seeing the start of the third cohort of the programme. It has also been rewarding to see the Group's Values and Behaviours, developed during 2021, become embedded within the culture of the Group, underpinning our performance driven mindset. This is further explored within the Stakeholder Engagement section of this report. The Board recognises that the rising cost of living has and will continue to impact our team members, and we have brought forward and increased our annual salary review to support our employees.

The Group is committed to moving to a low carbon future and continues to strive towards operating in an environmentally positive way. During 2022 we continued to work with operators of electric vehicle chargers that will help establish the UK's charging infrastructure, reducing reliance on non-renewable



fossil fuels. We also continue to replace our company car fleet with electric or hybrid vehicles, recognising the positive impact this will have on our environment.

Outlook

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

————— NICK HORLER, CHAIRMAN

MARKET AND REGULATORY TRENDS

Market Trends

Residential new build market and demand for assets

Demand for residential new build homes slowed during 2022 due to the war in Ukraine, inflation, interest rate rises, and recession. This has resulted in fewer opportunities in gas and electricity new housing. The water proposition has opened up a new market to the Group, with the resultant multi-utility offering making ESP increasingly competitive and able to take advantage of new opportunities in the coming period.

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

Demand for industrial & commercial connections

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



Demand for EV charging infrastructure

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

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



MARKET AND REGULATORY TRENDS (CONTINUED)

Regulatory Trends

The regulatory landscape

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

Regulation is of crucial importance to the Group as it dictates how it carries out its business in terms of necessary actions which require compliance and processes which need to be followed when undertaking certain activities. Furthermore, the Group's revenue is 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.



2022 regulatory challenges

The energy market continued to face significant challenges from the cost and security of supply impacts of national and global events throughout 2022. The Government put in place the Energy Price Guarantee to support households and industrial users to manage the high cost of energy. The Group

worked with Ofgem and industry on plans for winter resilience in the face of a heightened risk of planned outages to manage scarce supplies. We expect Ofgem's duty to protect consumers from a price and fairness perspective will continue to drive its agenda throughout 2023.

MARKET AND REGULATORY TRENDS (CONTINUED)

Regulatory change

The two principle regulatory changes currently facing the Group are:

- The planned phasing out of new gas connections for residential properties.
- The implementation of the Ofgem review of electricity distribution network charges and access.

Electricity distribution network charging and access

Ofgem's regulatory change programme regarding electricity network charging and access has now completed. The new rules mean that reinforcement costs triggered by new (or upgraded) connections will be socialised across all DUoS customers within each DNO region. This is subject to an overall expenditure limit on an individual connection basis, alongside retaining the requirement for newly connected users to self-fund any sole-use network assets. These new rules will come into force on 1st April 2023, and once implemented, we expect that this will result in a marginal increase to DUoS revenues compared to the status quo. Further, there will be new connection choices for larger users, such as enabling a newly connecting customer to voluntarily restrict their usage, based either on time of day or in response to increased demand on the network. This will allow connections to be made more quickly as less reinforcements will be required to accommodate the new connections.

Industry is anticipating a significant volume of connection requests will be made to incumbent Electricity network companies shortly after the new arrangements come into place, which may have impacts on the time it takes to secure a connection.

The review of DUoS charges, which was initially included in the scope of the reform, has been delayed with no new timetable announced.

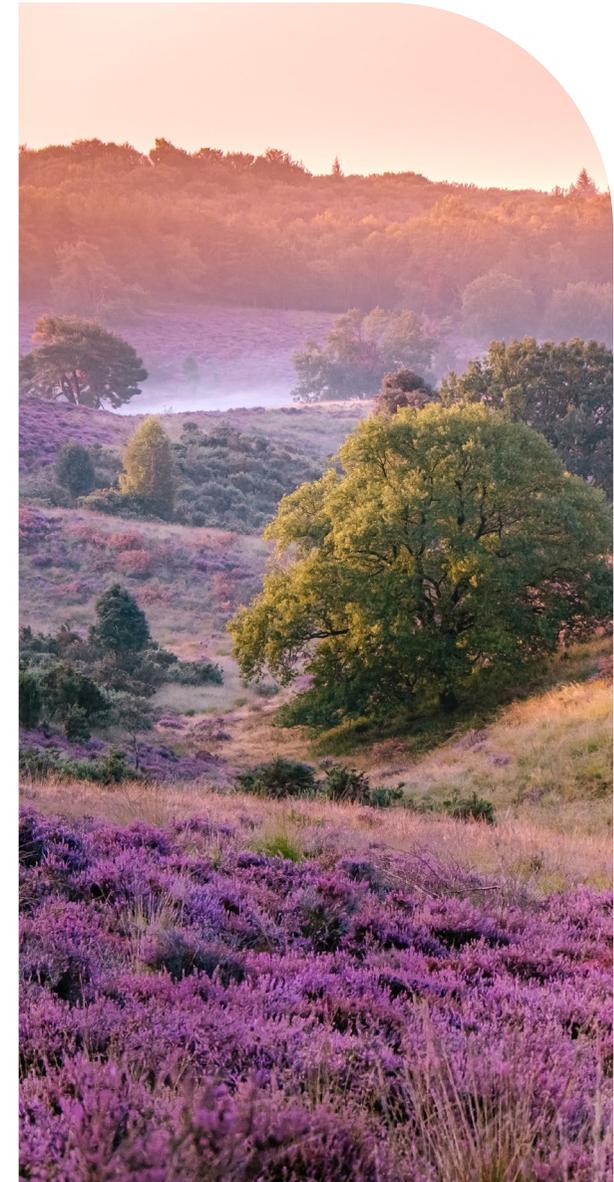
Future of gas

The UK Government has announced its intention that in England and Wales no new residential gas connections should be permitted from 2025 onwards, in order to meet its legally binding net zero targets. The current timetable to achieve this is challenging with a consultation due in Spring 2023 already delayed and not now expected until later in the year. The result and final decision on the permissibility of new gas connections will need to be given parliamentary time in 2024, when a general election is also due to be held. The Scottish Government has confirmed that any property with a building warrant issued from 2024 must use zero emissions heating, ensuring no new gas connections are permitted.

The UK Government published updates to a suite of energy policies at the end of March focussing on energy security and affordability. This included a commitment to decide in 2023 on blending hydrogen into the gas grid and a 2026 decision date on the use of 100% Hydrogen as a low carbon form of domestic heating. Trials of domestic hydrogen use are underway with the aim of understanding the consumer, cost and safety implications of a switch over. The Government rejected calls from the Climate Change Committee to bring forward by two years the ban on the sale of all new gas boilers, but has set out policies to increase the manufacture and sale of hydrogen ready boilers.

It is unlikely that one low carbon solution will be suitable for all households and the Government continues to support a mixture of options including heat networks, heat pumps, hydrogen and electric storage heating.

The risks and impact to the business of these regulatory changes are considered in further detail in the Chief Executive's review on page 10 and Principal risks and mitigations within the Risk report on page 15.



CHIEF EXECUTIVE'S REVIEW

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

Since the start of the pandemic in 2020, through to the high inflation and recession in 2022 we have faced and adapted to unprecedented challenges as a business, applying a committed, determined and collaborative approach. As a business, we have adopted new, flexible, ways of working and we have supported our colleagues to balance responsibilities at home and work. Despite these challenges, we have become a stronger and more resilient business.

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

Established and resilient business model

Through a challenging marketplace in 2022, the Group's business model has ensured continued growth through the year. As highlighted in Market and regulatory trends, the utility providers that use our networks have faced challenges throughout 2022 from a global spike in natural gas prices, yet despite this, the impact to the Group has been minimal.

We have considered the impact to the Group of the current war in Ukraine, however as the Group is not a gas wholesaler, we have seen little impact to the business's turnover or cost base. There are macro-economic impacts to the market through both inflation and underlying uncertainty impacting the UK economy – these are considered within the Market risk and mitigation report.

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

The financial strength of the business is underlined by our continued ability to raise further debt to support sustained growth. Our lenders have extended our loan facilities by £30m during the year to further support the growth in our business.

Adapting to market and regulatory change

The phasing out of new connections of gas heated residential properties, announced to commence in 2024 in Scotland shortly followed in 2025 in England and Wales, will have a significant impact on utilities infrastructure in the UK. Through strategy diversification, the Group has taken strides in recent years to adapt to this necessary regulatory change. However, we do anticipate there being a phased transition that will extend beyond the Government's target, and we are planning for this accordingly to ensure we have the necessary capabilities to continue to win, adopt and maintain gas networks. The Government is supporting village trials of hydrogen as a source of domestic heating to test its reliability, safety and ease of use. These will be followed by town scale trials which will inform a decision on more widespread use of hydrogen, expected in 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.



In the short term a decision on blending up to 20% hydrogen into the gas grid is expected in 2023.

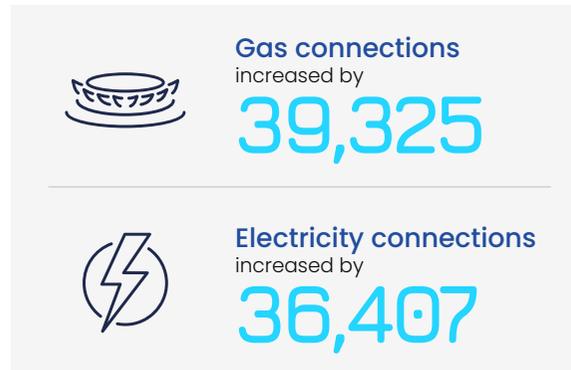
In 2021 the Group launched ESP Water, which further supports our existing customers by adopting water and wastewater networks as part of a multi-utility proposition. As a relatively early mover into the independent water adoption market, this has aided our proposition through an additional, regulated revenue stream. This strategy has proved successful with our customers, and ESP Water ends 2022 with an orderbook of over 30,000 connections to be built out in 2023 and beyond.

During 2022 the Group further developed its industrial and commercial proposition through expansion and further investment in team structure, processes, systems and capability. This is reaping particular rewards in our EV proposition, where the Group is now supporting a number of national charge point operators in rolling out their charging networks. This sector will see significant growth in coming years as vehicle manufacturers move away from traditional fossil fuel engines, and the Group is well placed for this growth.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

Sustained growth

The Group continues to grow its gas and electricity networks: gas connections increased by 39,325 (6.5%) during the year to 646,803 and electricity increased by 36,407 (13.7%) to 302,092. Future network growth is driven through delivery of the Group's orderbook and through winning new connections. Our orderbook has increased again through 2022 due to water network wins, and ends the year at 271,940 combined gas, electricity and water connections. Further details of the Group's financial performance during 2022 and its position at year end are included in the Operational and financial performance section of this report.



Sustainability and environmental matters

The Board are focussed on improving the impact the business has on its environment, albeit the Group's activities have minimal direct environmental impacts. The Group owns a number of company vehicles used by employees for necessary visits to assets and customers – the majority of the fleet are now electric or hybrid vehicles and it is Group policy that all new vehicles or replacements are electric or hybrid.

The Group is a member of GRESB, the global ESG benchmarking process for real estate and

infrastructure investments. Whilst we made strides with our GRESB rating in 2022, there is further room for improvement that we expect to see in future ratings. Further information on our GRESB policies are in the Sustainability section of this report.

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

Outlook

The performance of the business during 2022 and position at year end give me confidence that we will continue to deliver consistent results for our investors.

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

— KEVIN O'CONNOR,
CHIEF EXECUTIVE OFFICER

DIRECTORS' DUTIES AND KEY DECISIONS

Directors' duties

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

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

- The likely consequences of any decision in the long term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; 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 and how we engage with them to understand their view is provided on page 26.

Key decisions made in the year

Decision	Effect
1. Decision to further develop our water proposition	
During 2020 the Directors took the decision to form ESP Water to enter the water adoption market. During 2022 the Board made the decision to further expand the water team, both to support further wins, and manage connections already won as they go live.	
Shareholders	Add value to the business through secure long-term increase in revenues.
Employees	Increased profitability provides secure employment prospects.
Suppliers	Enables infrastructure partners to provide a more comprehensive offering to developers, improving their competitiveness in the market.
2. Decision to expand the Delivery team electric vehicle charging point proposition	
The Group has established a growing USP within the electric vehicle charging infrastructure market, partnering with key developers to execute on their rollout plans. This has resulted in an increased portfolio of sites to energise. During 2022 the Board decided to expand the Delivery team to support execution of the rollout plans of our customers.	
Shareholders	Add value to the business through revenues from a growth industry.
Employees	Increased profitability provides secure employment prospects.
Customers	Improves our ability to provide a business partnering service to support them with their roll-out plans.
Suppliers	Supports our infrastructure partners in a growth market.
Environment	Growth of electric vehicle infrastructure encourages environmentally sustainable transport.
3. Decision to bring forward pay reviews and introduce flexible staff benefits	
During 2022 the Board decided to bring forward the annual pay reviews twice to support employees during the current cost of living crisis. In addition, a range of flexible benefits was introduced which are offered to all staff.	
Employees	Increasing salaries in line with inflation has aided staff retention. Allowing employees to choose relevant benefits has improved marketability of the Group, allowing us to attract and retain team members in a challenging recruitment market.

KEY PERFORMANCE INDICATORS

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

Strategy & Objective	KPI & calculation	KPI		Commentary
<p>Strong financial performance Operate a profitable business, with year-on-year turnover and operating profit growth</p>	Turnover	£109.0m (2021: £88.6m)		Turnover growth has largely been driven by increased connection numbers across gas and electric networks, for both residential and I&C. The consistency of growth highlights the resilient business model of the Group.
	Operating profit	£28.2m (2021: £26.1m)		Turnover growth has been translated into increased operating profit. During 2022 we have invested in our I&C and water teams to execute on our residential and I&C orderbook.
<p>Sustained growth Grow the Group's share of network coverage through year-on-year connection growth</p>	Connections – number of new gas, electricity and water connections energised at year end	948,895 connections (2021: 873,163)		Connections in 2022 have recovered to pre-pandemic levels.
	Orderbook – number of new gas, electricity and water connections won, yet to be connected	271,940 connections (2021: 267,536)		Maintaining a strong connection orderbook, that will be realised over a number of future years, underlines the strength of the business.
<p>Sustainability Operate the business in a sustainable manner whilst encouraging business growth</p>	Electric vehicle mileage capability – electric vehicle energised and orderbook charging load at the end of the year	Energised: 55.5mVa (2021: 13.2mVa) Orderbook: 284.2mVa (2021: 232.0mVa)		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 2022 of our I&C proposition.

RISK REPORT

Risk Management

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

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

1. **Identify** – risks arising from day-to-day operations and business activities are managed at departmental level, with inclusion on the Group Risk Register reserved for the most significant strategic issues. Continuous monitoring of legislative, regulatory and market changes to identify new risks to the business is carried out as part of normal business activity.
2. **Analyse** – all changes are assessed against their likelihood of occurring and the impact to the business should they materialise. These figures are multiplied to give an overall risk score.
3. **Prioritise** – all risks are reviewed with the highest scoring risks receiving greatest effort in terms of mitigating actions.
4. **Treat** – risks and the progress of their respective mitigating actions are reviewed monthly in the business, quarterly at the Executive Committee and twice yearly by the Board.



IDENTIFY



ANALYSE



TREAT



PRIORITISE

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

All 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’s stated target is no new residential gas connections after 2025, leading to the uncertainty of future gas connections and reduced growth levels. The decarbonisation of home heating could lead, in the next few decades, to gas assets becoming stranded, with no funding mechanism to recover asset investment.	The Group has established a strong electricity I&C proposition and diversified into water network adoption. The Group’s gas networks are made of modern materials and can be repurposed to transport hydrogen for gas blends up to 100% hydrogen. Any cessation of gas connections will result in increased electricity demand. The Group is engaged with stakeholders within the industry, including GDNs, housebuilders and trade associations, Ofgem and MPs.	=
Competitive environment	Our business strategy relies on the ability to increase our connections whilst keeping costs low. The markets in which we operate are competitive. During 2022 the risk has increased due to: <ul style="list-style-type: none"> • new entrants into the market • aggressive pricing from competitors • successful entry into the water market from competitors • the collapse or acquisition of a UIP, ICP or SLP reducing the addressable market <p>Coupled with our own inaction, this could have a significant and adverse impact on future investment opportunities.</p>	The Group continually focusses on providing competitive pricing combined with excellent levels of service to our customers and partners. We support our partners to develop market share in target regions. We also identify and develop new partners to reduce individual customer reliance. To support our customers and strengthen their offering to developers, the Group has established a strong I&C proposition. We are an early investor into the water network adoption market and have invested in experienced personnel to grow this business.	+
Regulatory environment – price changes	A significant portion of the Group’s revenue is regulated by Ofgem. Changes in charging methodologies from future price control reviews, or from future fuel price changes, could lead to uncertainty around future revenues.	The Group takes a leading role in industry bodies to remain informed and ensure that the interests of the industry are represented effectively. Assumptions on future pricing changes are regularly monitored and factored into the financial modelling of the business.	=

Key

= No change + Risk increased – Risk decreased

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.	Our documented security plan includes a cyber incident response plan and disaster recovery systems plan, and we undertake phishing awareness training supplemented by simulated attacks. We maintain information security certification.	+
Macro-economic factors	Successful delivery of the growth strategy is reliant on the buoyancy of the UK new housing market, with a slow-down for an extended period likely to have a detrimental impact on wins and lower returns due to increased competition in a smaller market.	Whilst there may be a delay in growth plans, ultimately the UK has growing requirement for more new homes than are currently being built. Our growing I&C proposition reduces reliance on the residential market.	-
Inflation	Through macro-economic factors, the sustained high rates of inflation throughout 2022 and into 2023 have raised the operating cost base of the Group through higher personnel costs and higher operating costs.	Most of the Group's revenues are regulated with annual tariff increases linked to RPI. This mitigates the negative effect of inflation on the cost base. The Group has a robust budgeting process and going concern assessment that incorporates sensitivities in a range of variables, including operating costs.	=
Health and safety	The health and safety of our employees, subcontractors, suppliers and customers is of paramount importance to us. Major incidents on our networks including outages and faults could lead to harm to individuals, reputational damage, financial penalties, prosecution or change of regulatory status.	The Group has revised its comprehensive health and safety strategy, which includes bringing safety to the forefront of our culture, measuring safety performance and strong risk management procedures.	=

Key

= No change + Risk increased - Risk decreased

RISK REPORT (CONTINUED)

Going Concern

The Group's financial statements have been prepared on a going concern basis, notwithstanding that for the year ended 31 December 2022 the Group is loss making and at year end had net liabilities of £211.9m (2021: £201.5m). Within net liabilities the Group's non-callable shareholder loans are £278.2m (2021: £270.1m). These are listed on the Channel Islands Stock Exchange and incur interest at 8% and 12%.

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

The Directors have considered and reviewed projections and cash flow forecasts that cover the period to fifteen months from the date of approval of these financial statements, including stress testing of the forecasts. The Directors have considered the impact of macro-economic factors, including the 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 in the future.

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



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 £329.9 million as at 31 December 2022 (£304.4 million 31 December 2021).



Credit Risk	Controls
<p>Turbulence in UK energy markets has increased the risk of the Group suffering bad debts.</p>	<p>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.</p> <p>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.</p>

Liquidity Risk	Controls
<p>The Group has an ongoing requirement for external loans to fund growth.</p>	<p>Maintenance of an Investment grade credit rating, Baa2, with Moody's Investor Service, which enables the Group to raise funds at competitive rates.</p> <p>The Group ensures it meets all debt monitoring requirements, including covenant targets which are tracked and reported to Lenders</p> <p>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.</p>

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.

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 acquisitions has seen turnover increase by 23% from £88.6m in 2021 to £109.0m in 2022, and operating profit increase by 8.0% over the year, from £26.1m to £28.2m.

Installed connection numbers have increased from 2021 to 2022 by 8.7% from 873,163 to 948,895. Our connections orderbook of 271,940 connections (2021: 267,536 connections) further highlights the stability of our expected growth.

Growth in residential connections finally recovered in 2022 to exceed pre-pandemic numbers, with in excess of 75,000 new gas and electric connections made from the order book.

The Group has generated a loss in the 2022 financial year of £10.5m, a slight increase from the £9.1m loss generated in 2021. The Group incurred annual interest charges of £34.4m in 2022 (£33.2m in 2021). Interest is payable on both the shareholder loans and private placement loan notes which are used to fund the long-term growth of the business. The Group continues to generate sufficient cash from operating activities to pay all its interest liabilities.

Through 2022 the Group drew a further £30.0m on its loan facilities, taking total debt to £651.4m. Excluding shareholder loans, external debt at year end was £373.1m. 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 8.7%. We own and operate gas and electricity networks, with our first water connections anticipated in 2023.

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 mechanisms 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 ESPE Electricity the LRSP levy was recovered through industry wide tariffing, increasing both gross revenues and Duos cost of sale for the business. As it is not possible to separate out the individual charges on invoicing, 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 £6.8m of this year's increase in turnover and Duos cost of sales.

Our electricity network business is showing strong year-on-year growth, with 36,407 new connections in the year, an increase of 13.7% on 2021 connections. This has produced underlying turnover growth* excluding LRSP levy of 20% (2021: 39%). Total turnover including the LRSP levy grew 39.5% to £61.4m (2021: £44.0m). 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.



Turnover

£109.0M

increased by **23%**, from £88.6m in 2021



Operating profit

£28.2M

increased by **8.0%**, from £26.1m in 2021

Our gas networks form the majority of existing connections, reflecting our background as a gas network adopter. During 2022 we have increased gas connections by 39,325, a 6.5% increase on 2021 connections which has driven revenue growth of 6.8% to £47.6m (2021: £44.6m).

* Financial measures or metrics used in this report that are not defined by UK GAAP are alternative performance measures. The Group uses such measures for performance analysis because they provide additional useful information on the performance and position of the Group. 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.

OPERATIONAL AND FINANCIAL PERFORMANCE (CONTINUED)

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 are in-supply 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 2022 year end our orderbook was for 271,940 connections, increased slightly from 267,536 at 2021 due to water wins. Of note is that through our strong I&C proposition, our electricity I&C orderbook has increased 18.5% in future connection numbers from 2021 to 2022.

As a transporter of gas and distributor of electricity to predominantly domestic properties there was no significant impact on the income or costs of the business during 2022 due to Covid-19.

The Group's cost of sales represents the direct costs of owning our networks, and the DuOS charges we pay to DNOs for use of their networks. These have increased by 41% to £57.3m (2021: £40.6m). 40% of this increase is due to the electricity LRSP levy charges being passed through, with the remainder due to the higher number of networks owned and operated. Included in the 2022 increase is a one-off program of substation remedial works.

Operating costs

The Group has invested during the year in its Delivery and Water teams to promote smooth execution of our residential and I&C orderbook, and to help grow our water business. This has seen our operating cost base increase, up 7.6% to £23.5m (2021: £21.9m).

During 2021 the Group recorded a bad debt charge of £1.0m caused by the unprecedented number of utility suppliers becoming insolvent during the year. In June 2022 Ofgem authorised the recovery by Independent Gas Network Operators of these bad debts from their customers in 2023, matching a similar mechanism already sanctioned for Independent Electricity Network Operators to recover their bad debts in 2023 and 2024. The Group has written back £1.1m in 2022 for the recovery of bad debt previously charged.

Capital expenditure

2022 has seen the Group invest £48.2m in its gas and electricity networks, including meters. This is a 4.5% increase on its 2021 investment levels and includes £3.8m paid to Fulcrum Utility Services Limited for the purchase of 4,500 gas connections.

The Group has purchased 6 company cars during the year, all of which are electric or hybrid, and disposed of 3 cars, bringing our fleet of company cars to over 90% fully or partially electrically charged.

Depreciation and impairment

The depreciation charge during the year was £11.0m (2021: £10.3m), and during the year goodwill was amortised by £5.5m (2021: £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.



Tax

The Group's tax charge of £4.3m 2022 (2021: £2.0m) includes a deferred tax charge in the year of £4.0m 2022 (2021: £5.3m). The increased overall tax charge from 2021 to 2022 is due to a prior year reduction in the deferred tax charge caused by changes in tax rates during 2021 which reduced the overall deferred tax charge by £3.4m in 2021 to £1.9m, compared to £4.0m for 2022. The Group has generated losses before tax in the current and prior financial years, thus the Group has incurred a low current tax charge in 2022 of £0.2m (2021: £0.1m).

The Group's deferred tax position is predominantly driven by timing differences and differences between accumulated depreciation and capital allowances, with net deferred tax losses at 2022 year end of £7.5m 2022 (2021: £11.6m).

OPERATIONAL AND FINANCIAL PERFORMANCE (CONTINUED)



Cashflows

During 2022 the Group generated £23.7m from its operating activities, compared to £6.7m in 2021. This includes £25.1m of interest paid to debt holders (2021: £35.0m).

Cash paid to acquire fixed assets was £48.2m (2021: £46.1m) which is in part funded by capex loans and loan notes of £30.0m (2021: £60.0m).

At 2022 year end the Group had a positive cash balance of £43.2m, a £5.6m increase on the prior year balance of £37.6m.

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

During the year the Group made a draw-down of £30.0m against the £100m capital expenditure loan

facility, taking total amount drawn down to £60m. This loan was used to fund the Group's ongoing investment in its electricity and gas networks, and takes total loan facilities net of financing costs to £651.4m, up from £612.0m at 2021 year-end. The Group's net debt* at 2022 year end has increased by £31.7m from £576.5m to £608.2m.

At year end, the facilities had a weighted average repayment period of 11.9 years, with the first facility due for repayment in Q4 2026.

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

The overall gearing ratio of the Group (net debt*/equity) is 4.9:1 (2021: 4.6:1). The Group's net debt, excluding the shareholder loan, was £329.9m. Resulting in a gearing ratio of 2.8:1 (2021: 2.5:1).

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 2022 the Group had outstanding shareholder loans totalling £278.2m (2020: £270.1m), which incur interest at 12% and 8%. During the year, the Group incurred interest on these shareholder loans of £22.4m (2021: £22.5m) and paid interest to the noteholders of £14.3m (2021: £24.6m).

**PAUL MILES,
CHIEF FINANCIAL OFFICER**

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SUSTAINABILITY

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

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



a Safe and Sustainable Operator



a Diverse and Inclusive Employer



a Good Corporate Citizen

The three pillars of our Sustainability Strategy are:



Innovative
a Safe and Sustainable Operator, investing in our environment

The health and safety of our team, our contractors and members of the public is the highest priority for the Group and is discussed in more detail in the Health and safety report on page 25.

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

The Group is at the forefront of rolling out the infrastructure to support the electrification of transport in the UK, including bus garages, retail parking and forecourts, with the number of EV charging points up by 206% in 2022. Our residential networks include an increasing number of Electric Vehicle charge points, reducing emissions and noise pollution for local communities.

We have reviewed our company car policy and increased the number of electric or hybrid cars in the fleet from 30% at the end of 2020 to 90% by the end of



2022. We have also sought to employ staff in regional locations to reduce the need for travel to visit our customers and developments. We are seeking further ways to reduce travel emissions across our team, including introducing a scheme to support colleagues to purchase electric vehicles for their own use.

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

SUSTAINABILITY

(CONTINUED)



Diverse
a Diverse and inclusive Employer,
investing in our people

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

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

To further support our aim to be an excellent employer we provide private medical cover and a range of flexible benefits for all staff. The management training program 'Step Up' has its third cohort of trainees, as detailed further in the Stakeholder engagement section on page 26. In addition to this we have a number of staff undertaking professional qualifications funded and supported by the Group.

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



Responsible
a Good Corporate Citizen, investing
in our community

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

The Group participates in the GRESB global benchmark for ESG initiatives for real estate and infrastructure investments. We are proud to have increased our score in all 4 years of participation, reflecting our commitment to continual improvement in this area.

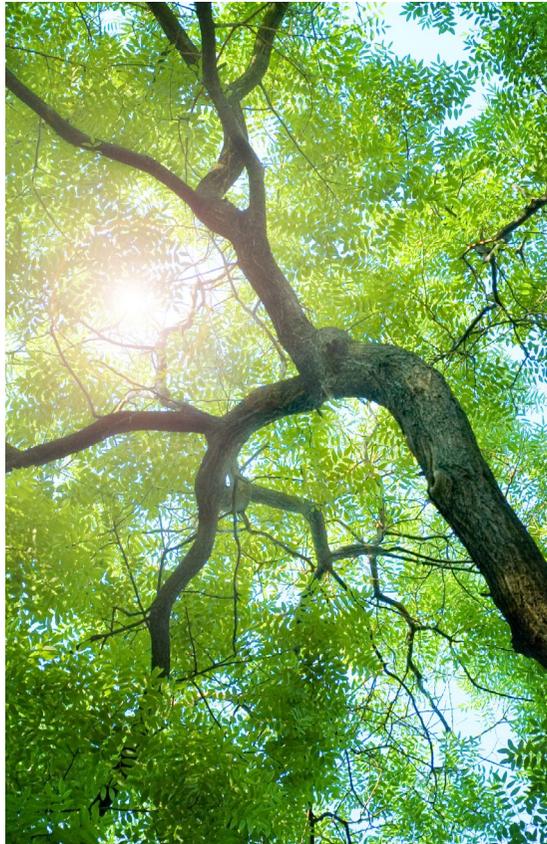
Our 2022 score of 75 compares to our 2021 score of 73 and includes an awarded score for Health and Safety of 100%. The Group's GRESB score compares favourably across the UK market, however we acknowledge there is always room for improvement and strive to improve our ESG credentials. We have reviewed and revised our complaint handling processes to ensure we are listening to concerns and putting measures in place to address them, which has led to a reduction in our standards of service failures.

The Group encourages colleagues to engage in charity fund raising and provides matched funding opportunities.



SUSTAINABILITY

(CONTINUED)



Corporate and Social Responsibility

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

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

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

Energy and carbon disclosures

All entities within the Group, including Zoom Holding Limited, are exempt from reporting on energy and carbon emissions as no individual entity has consumption which exceeds the 40,000kWh reporting threshold. The Group is exempt from reporting Taskforce for Climate-related Financial Disclosures.

Environmental matters

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

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

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

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:

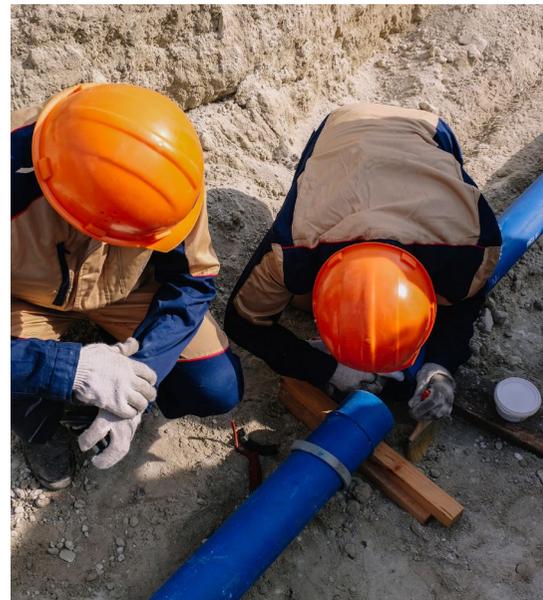
-  **Safety & Environmental Polices**
-  **Risk Management**
-  **Assurance**
-  **Performance**

Employee health and safety

Reporting of safety issues by 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.

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 (lead by our head of networks and including a cross section of operations team members, overseen by our Operations Director) meets regularly to evaluate and monitor risk, track progress and review audit performance. The Group is accredited to ISO55001 which 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 2022:

	2022	2022 Target	2021
Lost time injuries ¹	1	0	1
RIDDOR reportable injuries	0	0	0
Non-reportable injuries	1	0	0
Road traffic collisions	0	0	1
RIDDOR/GSMR gas related incidents ²	1	0	3
HSE enforcement actions	0	0	0
ESQCR reportable issues ²	1	0	0
Reportable environmental incidents	0	0	0
Near miss reports ³	80	50	90

¹ 2022 Lost Time Injury to a sub-contractor working under their own safety management system

² Incident caused by third party damage or interference

³ Team members complete near miss reports to identify and proactively address potential concerns before they become more significant. During 2022 there was increased focus on completing these reports, hence 2022 report numbers were above 2022 target but lower than prior year.

STAKEHOLDER ENGAGEMENT

Employees

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

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

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



Two programs are in place to further this aim;

Step Up programme

aimed at high potential employees from administrative, technical and managerial grade roles, to support them with career progression and development, while equipping them with essential skills for future management roles. It is a structured programme including a 360 review, coaching, mentoring, and a seminar series from an external provider, alongside exposure and networking opportunities with the Executive Team. The programme inducted its third cohort in late 2022 for the current year, and most of the 2022 graduates have been successful in boosting their profile and securing new roles within the business which align to their career goals- there were 14 internal promotions in 2021.

Developing Managers

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

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

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

The following table sets out our diversity balance as between men and women at the end of 2022:

	2022		2021	
	Male	Female	Male	Female
Board of Directors	5	1	5	1
Executive Team (excluding Board of Directors)	3	1	3	1
Employees	61	52	54	52

In 2021 the Group exceeded the performance targets linked to employee performance bonuses, which were fully paid to eligible team members in 2022.

During 2022 the Group, under the direction of the Executive Team, instigated a project to create and implement a set of values and behaviours. These Values and Behaviours were launched in early 2022 – please see Values and Behaviours – page 29.

STAKEHOLDER ENGAGEMENT (CONTINUED)

Consumers

949K+
Connections

The Group serves circa 949,000 connections across England, Wales and Scotland through a robust service provision, ensuring that loss of supply impact is minimised across the entire consumer base and consumer cost is minimised through:



- the provision and maintenance of reliable, efficient and sustainable networks



- quick response times to network faults and communication with consumers in a timely manner



- ensuring additional measures are in place to deal with vulnerable consumers



- promotion of fair and affordable access for those who wish to connect to our networks.



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

A winter preparedness mailshot was sent 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.

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

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

Health and safety of our networks for our consumers is of paramount importance to the Group – our policies are set out in the Health and safety report on page 25.

STAKEHOLDER ENGAGEMENT (CONTINUED)



Business Relationships

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

Community and Environment

The Directors are aware of the impact the Group's operations on the community and environment. This has been discussed in detail in the Sustainability section of this report, on page 22.

Lenders

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

STAKEHOLDER ENGAGEMENT (CONTINUED)

Values and Behaviours

Our strategy outlines what we do, but by creating and implementing a set of values and behaviours, we wanted to demonstrate what makes the Group unique both to work for, and to work with. Through internal 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, and during 2022 we embedded these into our recruitment and the development of our people.

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

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

Paul Miles, Chief Financial Officer

28 April 2023

Our Values and Behaviours



Be Excellent

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



Be Transparent

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



Be 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.



CORPORATE GOVERNANCE

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BOARD OF DIRECTORS

Nick Horler Non-Executive Chairman

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

Committees:
Board, Remuneration Committee, Audit and Risk Committee

Other key appointments:
Horizon Energy Infrastructure



Kevin O'Connor Chief Executive Officer

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

Committees:
Board, Executive Committee



BOARD OF DIRECTORS (CONTINUED)

Paul Miles

Chief Financial Officer

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

Committees:

Board, Executive Committee



Anna Dellis

Shareholder Director

Anna 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 Advorio 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 and Risk Committee

Other key appointments:

Advorio Singapore Limited, European Waste Holdings Limited



BOARD OF DIRECTORS (CONTINUED)

Bernardo Sottomayor

Shareholder Director

Bernardo joined 3i in 2015 as a Partner with responsibility for origination and execution of new investments across Europe, principally economic infrastructure businesses. 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 & Economics in Lisbon.

Committees:

Board, Remuneration Committee

Other key appointments:

Envol Investments Limited,
Atena Investments Limited



Yaad Virdee

Shareholder 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 and Risk Committee

Other key appointments:

Amalthea Holdco Limited



BOARD OF DIRECTORS (CONTINUED)

Executive Team

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



Simon Lees

Operations Director

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

Committees:

Executive Committee



Vicki Spiers

Business Operations Director

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

Committees:

Executive Committee



Adam Miller

Chief Commercial Officer

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

Committees:

Executive Committee

BOARD OF DIRECTORS (CONTINUED)

Executive Team

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



Stephen Morris

Water Managing Director

Stephen joined the Group in 2021 having previously supported the Group as a consultant working on new business sector opportunities. He previously held MD and COO roles in the multi-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:

Executive Committee



Peter Whittaker

I&C Delivery 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

CORPORATE GOVERNANCE STATEMENT



Chairman's introduction to Corporate Governance

“STRONG CORPORATE GOVERNANCE IS ESSENTIAL TO MAINTAIN THE HIGHEST STANDARDS IN BUSINESS CONDUCT, AND IS AN IMPORTANT PRIORITY OF THE BOARD OF DIRECTORS”

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

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

During 2022 the Board made a number of key strategic decisions that are outlined in Directors' Duties and Key Decisions on page 12. 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 in light of the regulatory changes within the utilities sector.

The Group is governed through its Board, and supported by its Executive Committee. Both the

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

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

Details of the Directors' performance of their duty under Section 172 of the Companies Act 2006, are set out on page 12.

Finally, I would like to welcome Peter Whittaker, who was appointed to the Executive Committee in January 2023. Peter has extensive experience in the Electricity supply industry and joins us as Industrial & Commercial Delivery Director.

————— **NICK HORLER, CHAIRMAN**

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

The governance policy is aligned with the Group's strategic objectives and industry best practice and is designed to ensure that 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 comprises two Executive Directors (Kevin O'Connor, CEO; and Paul Miles, CFO), three Shareholder Directors (Bernardo Sottomayor; Anna Dellis; and Yaad Virdee) and an independent Chairman (Nick Horler).

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

Full biographies of the Board and Executive Committee are provided in the Board of Directors on pages 31 to 35.

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 2022 the Board held ten meetings. Five were predominantly focussed 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 2022 the Directors discussed scheduled topics such as health and safety, business risks and mitigation, succession planning, cyber risks, customer satisfaction and annual objectives and remuneration.

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board committees

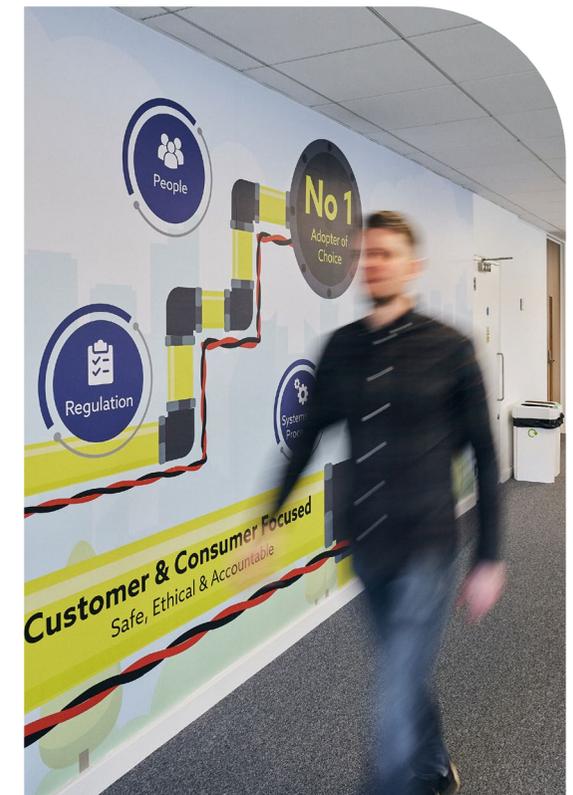
The Board has established the Executive Committee, the Audit and Risk Committee, and the Remuneration Committee, each of which operates with defined terms. No one other than the committee members have a right to attend committee meetings or vote on committee matters, although committees are able to invite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

During 2022 the number of meetings held, and attendance by Committee members, is outlined below:

	Board	Board – Commercial	Executive Committee	Remuneration Committee	Audit and Risk Committee
2022 meetings	5	5	12	1	2
Committee meeting attendance					
Nick Horler	5	5	-	1	2
Bernardo Sottomayor	5	3	-	1	-
Anna Dellis	5	4	-	1	2
Yaad Virdee	4	4	-	-	2
Kevin O'Connor	5	5	12	-	-
Paul Miles	5	5	12	-	-
Adam Miller	-	-	8	-	-
Vicki Spiers	-	-	11	-	-
Simon Lees	-	-	10	-	-
Stephen Morris	-	-	10	-	-

Executive Committee

The Executive Committee, or Executive Management, comprises seven Executive Directors as outlined in the Board of Directors section of this report. In 2022 there were twelve monthly meetings of the Executive Committee. The Executive Committee carries out the day-to-day management of the Group as delegated by the Board.



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Remuneration Committee

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

Membership of the Committee is appointed by the Board in consultation with the Chairman of the Committee. The Board appoint the Chairman of the Committee and determine the period for which he/she will hold office. The Committee comprises of not less than three Directors, including the Chairman of the Committee, and where possible these should be independent non-executive directors and/or the Chairman of the Group. The quorum for any meeting will be two members of the Committee. The members of the Committee through 2022 were Nick Horler, Bernardo Sottomayor and Anna Dellis. Throughout 2022 the Chairman of the Committee was Anna Dellis.

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

The Committee undertakes the following duties and responsibilities:

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

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Audit and Risk Committee

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

Membership of the Committee is appointed by the Board in consultation with the Chairman of the Committee. The Committee comprises of not less than three Directors, including the Chairman of the Committee, and where possible these should be independent non-executive directors and/or the Chairman of the Group. At least one member of the Committee should have recent and relevant financial experience. The quorum for any meeting will be two members of the Committee. The members of the Committee through 2022 were Nick Horler, Anna Dellis and Yaad Virdee. Throughout 2022 the Chairman of the Committee was Anna Dellis.

The Committee meets at least twice a year, with special meetings convened as required. The Committee invites such other persons to its meetings as it deems necessary. During 2022 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 2022 the Committee:

- Oversaw and reviewed the results from the 2021 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 2022 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 2022.

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 2022 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 29.

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)

Nick Horler (Chairman)

Paul Miles

Kevin O'Connor

Bernardo Sottomayor (Appointed by 3i MIA LP)

Yaad Virdee (Appointed by 3i MIA LP)

Further details on the Directors of the Group can be found on pages 31 to 35. The Directors appointed by 3i MIA LP have oversight of the Group.



Corporate governance

A full report on corporate governance of the Group can be found on pages 36 to 40.

Financial risk management

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

Results and dividends

The consolidated statement of comprehensive income is set out on page 54 and shows the Group's loss for the year of £10.5m (2021: loss of £9.1m). No dividend was paid during the year (2021: nil).

DIRECTORS REPORT (CONTINUED)

Future developments

The Directors have drafted plans to restructure the group and transfer the trade and assets of ESP Connections Limited, ESP Networks Limited and ESP Pipelines Limited to E.S. Pipelines Limited, thereby consolidating all gas networks into one reporting company. This plan has not been finalised and is subject to review and approval by Ofgem and the Group's lenders before a final decision can be taken.

Information on other likely future developments in the business of the Group has been included in the Strategic Report on pages 4 to 29.

Post Balance sheet event

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

Employees

Information on the Group's employment policies, training, career development, and a statement on employee stakeholder engagement, is included in the Stakeholder engagement report on pages 26 to 29.

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 26 to 29.

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 12.

Creditor payment policy

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

Charitable and political donations

During the year the Group made no charitable donations (2021: £495). The Group is working to identify a new charitable partner for 2023. No political donations were made during the year (2021: none). Details of the Group's charitable and fundraising relationships can be found in the Sustainability section of this report on page 22.

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 2022 and remain in force, in relation to certain losses and liabilities that the Directors may incur to third parties in the course of acting as directors or employees of the Company. Neither the Company's indemnity nor its insurance provides cover in the event that a Director is proven to have acted dishonestly or fraudulently.

Auditor

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

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

The Directors report of the Group for the year ended 31 December 2022 comprises these pages and the sections of the Annual Report referred to under the Corporate Governance statement on pages 31 to 43 and other information above which is incorporated into this report by reference.

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



Paul Miles, Chief Financial Officer

28 April 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.



The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.



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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 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 23.

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. The non-audit services provided to the group and parent company for the year are disclosed in note 4 to the financial statements.

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	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • Goodwill impairment assessment • Recoverability of parent company's investment in subsidiaries <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> ! Newly identified ⬆ Increased level of risk ↔ Similar level of risk ⬇ Decreased level of risk
Materiality	<p>The materiality that we used for the group financial statements was £10,000k (2021: £6,800k) which was determined on the basis of 2.0% (2021: 1.5%) of total assets of £508,142k.</p>
Scoping	<p>We performed full audit scope procedures for the Group and all components. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.</p>
Significant changes in our approach	<p>We have decreased the risk associated with both Goodwill and Investment recoverability (discussed further below) due to the increased headroom in both areas. Further, our materiality factor has increased from 1.5% to 2.0% of total assets reflecting the group operating within a stable and regulated industry and our increasing understanding of the operations of the group over the period since appointed as auditors.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

4. Conclusions relating to going concern

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

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

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

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

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

5. Key audit matters

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

5.1. Goodwill Impairment assessment

Key audit matter description	<p>The Group has goodwill across five cash generating units (“CGUs”) as at 31 December 2022: £19,674k (2021: £25,164k).</p> <p>The Group’s assessment of goodwill impairment is a judgemental process which requires estimating future cash flows based on management’s view of future business prospects, incorporated in a discounted cash flow model.</p> <p>Our key audit matter focuses on the robustness of the revenue forecasts from the Group’s 2023 approved budget, and new gas connections. We have noted a reduced level of risk associated with goodwill impairment this year due to the significantly greater levels of headroom than in previous periods following the continued amortisation of goodwill and improved forecasts for 2023 onwards.</p> <p>Refer to page 58 for the respective accounting policy and note 10 to the consolidated financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>We performed the following procedures in response to the key audit matter identified:</p> <ul style="list-style-type: none"> • Obtained an understanding of relevant controls related to the management assessment of goodwill impairment and review of the Group’s budget; • Inquired with management and understood their underlying assumptions including revenue forecasts from Group’s 2023 approved budget and new gas connections on the forecasted future cash flows; • Performed a review of impairment indicators of each CGU value as at 31 December 2022; • Performed sensitivity analysis to determine the robustness of the model to changes in the underlying assumptions; • Performed an assessment of any contradictory information; and • Assessed the disclosures in the Financial Statements to determine whether sufficient disclosure has been made, in line with the requirements of FRS 102.
Key observations	<p>Based on the audit procedures performed we concluded that the valuation of goodwill is appropriate.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

5.2. Recoverability of parent company's investments in subsidiaries

<p>Key audit matter description</p>	<p>The parent company has investments in 12 subsidiaries as at 31 December 2022: £113,610k (2021: £113,610k).</p> <p>Under FRS 102, an impairment test is required where indicators of impairment are identified. Each of the investments are noted to have carrying values in excess of their net asset value which could be a potential indicator of impairment. Management have noted no indicators of impairment for the investments in subsidiaries.</p> <p>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. We have noted a reduced level of risk associated with investment impairment this year due to the significantly greater levels of headroom than in previous periods.</p> <p>Refer to page 58 for the respective accounting policy and note 12 to the consolidated financial statements.</p>
<p>How the scope of our audit responded to the key audit matter</p>	<p>We performed the following procedures in response to the key audit matter identified:</p> <ul style="list-style-type: none"> • Performed a review of impairment indicators of each investment value as at 31 December 2022; • Performed sensitivity analysis on EBITDA forecasts and discount rate to determine the robustness of the model; • Performed an assessment of any contradictory information; and • Assessed the disclosures in the Financial Statements to determine whether sufficient disclosure has been made, in line with the requirements of FRS 102.
<p>Key observations</p>	<p>Based on the audit procedures performed we concluded that the investments in subsidiaries are appropriately stated in the financial statement.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

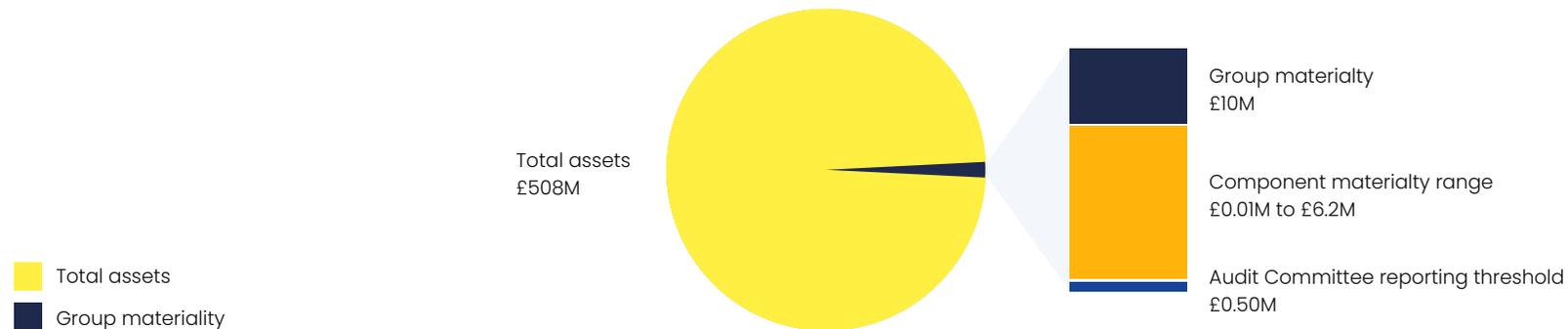
6. Our application of materiality

6.1. Materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	£10,000k (2021: £6,800k)	£6,000k (2021: £4,522k)
Basis for determining materiality	2.0% of total assets of £508,142k	1.5% of total assets
Rationale for the benchmark applied	As the main objective of the entity is growth of its connections, this is linked to the assets value of the entity. Therefore, we determined that the primary line users of the financial statements will base judgements on total assets.	As the parent company of the Group it does not generate significant revenues but instead holds investments such that total assets are an appropriate base to use to determine materiality.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

6.2. Performance materiality

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

	Group financial statements	Parent company financial statements
Performance materiality	70% (2021: 70%) of group materiality	70% (2021: 70%) of parent company materiality
Basis and rationale for determining performance materiality	<p>In determining performance materiality, we considered the following factors:</p> <ul style="list-style-type: none"> 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 £500k (2021: £340k), 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 audit procedures have noted that the control environment is the same across the Group, with the 11 consolidated entities all operating from the same offices. Therefore, we have continued with the scoping approach to include all entities in scope and then determine balances to scope out from a statutory accounts perspective. From a group perspective, this approach has led to 100% of revenue being scoped in, 99% of Profit Before Tax being scoped in, and 99% of Net Assets being scoped by the Group

Engagement team. All work was performed by the Group Engagement team, and component materialities varied from £0.01m for the smallest component to £6.2m for the largest.

8. Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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, 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, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud. In common with all audits under ISAs (UK), we are 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 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 and 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, and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

13.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

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

We have nothing to report in respect of this matter.

14. Use of our report

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



Jacqueline Holden, FCA, Senior statutory auditor
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
28 April 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Turnover	3	109,022	88,648
Cost of sales		(57,267)	(40,644)
Gross profit		51,755	48,004
Administrative expenses (before charge for bad debts)		(24,632)	(20,850)
Net recovery/(Charge) for bad debts		1,095	(1,030)
Total administrative expenses		(23,537)	(21,880)
Group operating profit	4	28,218	26,124
Interest receivable and similar income		4	6
Interest payable and similar charges	7	(34,412)	(33,167)
Loss on ordinary activities before taxation		(6,190)	(7,037)
Taxation on loss on ordinary activities	8	(4,286)	(2,016)
Loss for the financial year and total comprehensive loss for the year		(10,476)	(9,053)

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

The notes on pages 57 to 69 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

for the year ended 31 December 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Fixed assets					
Intangible assets	10		19,674		25,164
Tangible assets	11		420,569		383,836
Deferred tax asset	17		7,547		11,605
Current assets					
Debtors	13	17,168		9,974	
Cash at bank and in hand		43,184		37,558	
			60,352	47,532	
Creditors: amounts falling due within one year	14	(36,923)		(25,372)	
Net current assets			23,429		22,160
Total assets less current liabilities			471,219		442,765
Creditors: amounts falling due after more than one year	15		(683,169)		(644,239)
Net liabilities			(211,950)		(201,474)
Capital and reserves					
Called up share capital	19		134,241		134,241
Profit and loss account			(346,191)		(335,715)
Equity shareholder deficit			(211,950)		(201,474)

The financial statements were approved by the Board of Directors and authorised for issue on 28 April 2023.

PAUL MILES, DIRECTOR

The notes on pages 57 to 69 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Share capital	Profit and loss account	Total equity
	2021 £'000	2021 £'000	2021 £'000
1 January 2021	134,241	(326,662)	(192,421)
Comprehensive expense for the year	-	(9,053)	(9,053)
Total comprehensive expense for the year	-	(9,053)	(9,053)
Contributions by and distributions to owners	-	-	-
Total contributions by and distributions to owners	-	-	-
31 December 2021	134,241	(335,715)	(201,474)

	Share capital	Profit and loss account	Total equity
	2022 £'000	2022 £'000	2022 £'000
1 January 2022	134,241	(335,715)	(201,474)
Comprehensive expense for the year	-	(10,476)	(10,476)
Total comprehensive expense for the year	-	(10,476)	(10,476)
Contributions by and distributions to owners	-	-	-
Total contributions by and distributions to owners	-	-	-
31 December 2022	134,241	(346,191)	(211,950)

The notes on pages 57 to 69 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Loss for the financial year		(10,476)	(9,053)
Adjustments for:			
Depreciation, amortisation and impairment of fixed assets	10/11	16,473	15,767
Net interest payable		34,409	33,161
Taxation expense	8	4,286	2,016
Increase in trade and other debtors		(6,380)	(1,234)
Increase in trade creditors		11,654	1,099
Gain on disposal of tangible fixed assets		(32)	(51)
Cash generated by operations		49,934	41,705
Finance costs paid		(25,083)	(34,967)
Taxation paid		(1,169)	-
Net cash generated from operating activities		23,682	6,738
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets	11	128	127
Purchases of tangible fixed assets	11	(48,188)	(46,102)
Interest received		4	6
Net cash used in investing activities		(48,056)	(45,969)
Cash flows from financing activities			
Capex loan advanced		30,000	-
Loan notes issued		-	60,000
Net cash generated from financing activities		30,000	60,000
Net increase/(decrease) in cash and cash equivalents		5,626	20,769
Cash and cash equivalents at beginning of year		37,558	16,789
Cash and cash equivalents at end of year		43,184	37,558
Cash and cash equivalents comprise:			
Cash at bank and in hand		43,184	37,558
		43,184	37,558

The notes on pages 57 to 69 form part of these financial statements.

COMPANY BALANCE SHEET

for the year ended 31 December 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Fixed assets					
Investments	12		113,610		113,610
			113,610		113,610
Current assets					
Debtors	13	288,609		282,462	
Cash at bank and in hand		250		142	
		288,859		282,604	
Creditors: amounts falling due within one year					
	14	(2,075)		(2,043)	
Net current assets					
			286,784		280,561
Total assets less current liabilities					
			400,394		394,171
Creditors: amounts falling due after more than one year					
	15	(278,235)		(270,075)	
Net assets					
			122,159		124,096
Capital and reserves					
Called up share capital	19	134,241		134,241	
Profit and loss account		(12,082)		(10,145)	
Equity shareholder funds					
			122,159		124,096

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company has made a loss for the financial year of £1,937,000 (2021: £1,998,000).

The financial statements were approved by the Board of Directors and authorised for issue on 28 April 2023.

PAUL MILES, DIRECTOR

The notes on pages 57 to 69 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

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

	Share capital	Profit and loss account	Total equity
	2022 £'000	2022 £'000	2022 £'000
1 January 2022	134,241	(10,145)	124,096
Comprehensive expense for the year	-	(1,937)	(1,937)
Total comprehensive expense for the year	-	(1,937)	(1,937)
Contributions by and distributions to owners	-	-	-
Total contributions by and distributions to owners	-	-	-
31 December 2022	134,241	(12,082)	122,159

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1 Accounting policies

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

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

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 2).

Parent Company disclosure exemptions

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

- Only one reconciliation of the number of shares outstanding at the beginning and end of the year has been presented as the reconciliations for the Group and the Parent Company would be identical;
- No cash flow statement has been presented for the Parent Company;
- Disclosures in respect of the Parent Company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

The following principal accounting policies have been applied:

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding that at 31 December 2022 the Group is loss making and had net liabilities of £211,950,000 (2021: £201,474,000). The Group is financed by a mixture of finance provided by shareholders in the form of £24,773,000 12% PIK notes (2021: £23,072,000); £253,462,000 8% PIK notes (2021: £247,003,000) listed on the Channel Islands Stock Exchange, and bank loans which totalled £373,132,000 (2021: £341,972,000) 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.

On 6 October 2017 ESPUG Finance Limited entered into new loan note agreements to refinance the Group's external debt borrowings. The new facilities consist of lenders providing up to £434m of private loan placements, working capital, capital expenditure and liquidity facilities. The external private loan placements have maturities of ten, fifteen and twenty years at fixed rates of interest, as shown in note 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2022

1 Accounting policies (continued)

Turnover

Turnover represents the amount (excluding value added tax) derived from the provision of gas transportation and measurement for gas suppliers, together with electricity distribution charges from its IDNO business during the period.

Income from the transport of gas through the Group's pipelines is recognised on the basis of actual or estimated volumes delivered in the financial period and rental income of metering equipment is recognised for rental periods covered by the financial statements. For gas the Last Resort Supplier Payment levy (LRSP) was billed separately and could be easily identified on invoicing, as a consequence the Group is acting as an agent and as such, revenues have been presented net in the income statement.

Electricity income is recognised on the basis of actual or estimated consumption in the financial period. For electricity the LRSP levy was recovered through industry wide tariffing, increasing both gross revenues and Duos cost of sale for the business. Turnover arises solely within the United Kingdom.

Intangible fixed assets - Goodwill

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

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

a) Depreciation

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

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

b) Third party contributions

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

Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit ("CGU") to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2022

1 Accounting policies (continued)

Leased assets: Lessee

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

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

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

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, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Derivative financial instruments

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

Reserves

The Group and Company's reserves are as follows:

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2022

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:

- 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.

3 Analysis of Turnover

	2022 £'000	2021 £'000
Analysis by class of business:		
Gas transportation	37,378	34,362
Gas metering	9,546	9,539
Electricity distribution	61,372	44,028
Release of deferred income on third party contributions	726	719
	109,022	88,648

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

4 Operating profit

	2022 £'000	2021 £'000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	10,983	10,277
Amortisation of intangible assets, including goodwill	5,490	5,490
Fees payable to the Company's auditor for the audit of the Company's annual accounts	16	14
Operating lease – land and buildings	232	232
Operating lease – other operating leases	27	27
Fees payable to the Company's auditor for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	214	193
Other services	6	6

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2022

5 Employees

	2022 £'000	2021 £'000
Group		
Staff costs (including Directors) consist of:		
Wages and salaries	6,750	6,140
Social security costs	990	740
Cost of defined contribution pension scheme	587	477
	8,327	7,357
	2022 Number	2021 Number
The average number of employees for the Group during the year was as follows:		
Gas	67	66
Electricity	49	39
Water	5	-
	121	105

Company

The Company does not directly employ any individuals.

6 Directors' remuneration

	2022 £'000	2021 (Restated*) £'000
Group		
Directors' emoluments	1,774	1,403
Group contributions to defined contribution pension schemes	-	-

There were three paid directors during the year (2021: three).

*The Directors' remuneration for 2021 has been restated to remove the remuneration for members of the Executive Committee who are not directors of the company, which were included in error in the prior year.

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

	2022 £'000	2021 £'000
Directors' emoluments	994	777
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 2022 (2021: nil). The Directors are considered to be the only key management personnel.

7 Interest payable and similar charges

	2022 £'000	2021 £'000
Bank loans	12,003	10,621
12% PIK loan note	2,785	2,683
8% PIK loan note	19,624	19,863
	34,412	33,167

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2022

8 Taxation on profit on ordinary activities

	2022 £'000	2022 £'000	2021 £'000	2021 £'000
UK corporation tax				
Current tax on profits of the year		217		128
Adjustment in respect of previous periods		11		-
Total current tax		228		128
Deferred tax				
Deferred tax current period	3,936		5,258	
Effect of change in tax rate	105		(3,381)	
Prior year adjustment	17		11	
		4,058		1,888
Total tax charge		4,286		2,016

Tax reconciliation

The current tax charge for the period is higher (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below.

	2022 £'000	2021 £'000
Loss on ordinary activity before tax	(6,190)	(7,037)
Current tax at 19% (2021: 19%)	(1,176)	(1,335)
Effects of:		
Expenses not tax deductible	5,324	5,434
Other permanent difference	5	27
Payment for Group relief	139	-
Effect of change in tax rate change on opening deferred tax balances	105	(2,119)
Prior year adjustment	(111)	11
Deferred tax not recognised	-	(2)
	4,286	2,016

For further information on deferred tax balances see note 17.

9 Parent company loss for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company has made a loss for the financial year of £1,937,000 (2021: £1,998,000).

10 Intangible assets

Group	Goodwill on consolidation £'000
Cost or valuation	
At 1 January 2022	109,067
At 31 December 2022	109,067
Amortisation	
At 1 January 2022	83,903
Provision for year	5,490
At 31 December 2022	89,393
Net book value	
At 31 December 2022	19,674
At 31 December 2021	25,164

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2022

11 Tangible fixed assets

Group	Electricity & Gas Networks £'000	Meters £'000	Fixtures, fittings, tools and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2022	426,964	32,401	4,229	824	464,418
Additions	43,232	3,651	682	247	47,812
Disposals	(50)	(1,020)	(1)	(99)	(1,170)
At 31 December 2022	470,146	35,032	4,910	972	511,060
Depreciation					
At 1 January 2022	66,708	11,098	2,624	152	80,582
Provision for year	8,387	2,028	338	230	10,983
Disposals	-	(1,020)	(1)	(53)	(1,074)
At 31 December 2022	75,095	12,106	2,961	329	90,491
Net book value					
At 31 December 2022	395,051	22,926	1,949	643	420,569
At 31 December 2021	360,256	21,303	1,605	672	383,836

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 2022 and 31 December 2022	113,610

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

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

* Directly owned

** Non trading

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2022

13 Debtors

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Trade debtors	4,727	8,317	-	-
Loans owed by Group undertakings	-	-	288,609	282,462
Corporation tax	814	-	-	-
Other debtors	9,735	53	-	-
Prepayments and accrued income	1,892	1,604	-	-
	17,168	9,974	288,609	282,462

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 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Trade creditors	13,120	12,889	-	25
Other creditors	2,204	847	-	-
Accruals and deferred income	21,380	11,326	69	12
Other taxation and social security	219	182	-	-
Corporation tax	-	128	-	-
Loan due to Group undertaking	-	-	2,006	2,006
	36,923	25,372	2,075	2,043

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 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Loan notes	313,132	311,972	-	-
Capex loan	60,000	30,000	-	-
12% PIK notes	24,773	23,072	24,773	23,072
8% PIK notes	253,462	247,003	253,462	247,003
Deferred income	31,802	32,192	-	-
	683,169	644,239	278,235	270,075

The loan notes are secured by an All Assets charge over the assets of the Group, and are structured as follows :-

£54m at 2.69% Senior Secured Tranche A note due 6th October 2027

£85m at 3.05% Senior Secured Tranche B note due 6th October 2032

£30m at 2.116% Senior Secured note due 13 February 2035

£30m at 2.53% Senior Secured note due 30th June 2036

£85m at 3.35% Senior Secured Tranche C note due 6th October 2037

£30m at 2.736% Senior Secured note due 13 May 2041

£30m was drawn down against the £100m capital expenditure facility during 2022, total amount drawn down is £60m. Interest is payable at Sonia +1.62%. The balance is repayable on 8th October 2026

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

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2022

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

The maturity of sources of debt finance is as follows:

	Loans and overdrafts 2022 £'000	Loans and overdrafts 2021 £'000
Group		
In one year or less, or on demand	-	-
In more than one year but not more than five years	60,000	30,000
In more than five years	591,367	582,047
	<u>651,367</u>	<u>612,047</u>
Company		
In one year or less, or on demand	-	-
In more than one year but not more than five years	-	-
In more than five years	278,235	270,075
	<u>278,235</u>	<u>270,075</u>

16 Financial instruments

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

	Group 2022 £'000	Group 2021 £'000
Financial assets		
<i>measured at amortised cost:</i>		
Cash at bank	43,184	37,558
Trade debtors	4,727	8,317
Other debtors	9,735	53
Deposits	-	-
Financial liabilities		
<i>measured at amortised cost:</i>		
Trade creditors	13,120	12,889
Other creditors	2,204	847
Accruals	20,668	11,326
Loan notes	313,132	311,972
Capex loan	60,000	30,000
12% PIK notes	24,773	23,072
8% PIK notes	253,462	247,003

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2022

17 Deferred tax

Deferred tax	2022 £'000	2021 £'000
Group		
At 1 January	11,605	13,493
Charged to profit or loss	(4,058)	(1,888)
At 31 December	7,547	11,605
Comprising:		
Deferred tax asset	34,295	34,978
Deferred tax liability	(26,748)	(23,373)
	7,547	11,605

As at 31 December 2022, the Group has losses carried forward of £2,281k on which no deferred tax asset has been recognised on the grounds that suitable profits against which the losses could be offset are not forecast.

	31 December 2022 £'000	31 December 2021 £'000
Deferred tax - Group		
Difference between accumulated depreciation and amortisation and capital allowances	(26,748)	(23,373)
Other timing differences	34,295	34,978
Tax losses	-	-
At 31 December	7,547	11,605

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

Legislation to increase the UK standard rate of corporation tax from 19% to 25% from 1 April 2023 was enacted in the period to December 2022. UK deferred tax balances as 31 December 2022 have been calculated at 19% or 25% depending upon when the balance is expected to unwind.

18 Pensions

Defined contribution scheme

The amount recognised in the statement of comprehensive income as an expense in relation to the Group's defined contribution schemes is £587,000 (2021: £477,000). The balance outstanding at year end was £nil (2021: £nil).

19 Share capital

	2022 £'000	2021 £'000
Allotted, called up and fully paid		
134,201,000 ordinary shares of £1 each	134,201	134,201
40,000 'B' shares of £1 each	40	40
	134,241	134,241

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2022

20 Commitments under operating leases

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

	2022 £'000	2021 £'000
Land & Buildings		
Not later than 1 year	232	232
Later than 1 year and not later than 5 years	523	755
Later than 5 years	-	-
Total	755	987
Other Operating Leases		
	2022 £'000	2021 £'000
Not later than 1 year	25	27
Later than 1 year and not later than 5 years	-	25
Later than 5 years	-	-
Total	25	52

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

21 Capital commitments

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Contracted but not provided for	184,440	177,793	-	-

Capital commitments are in respect of electricity, gas and water networks capital expenditure contracted but not provided for as at 31 December 2022.

22 Related party disclosures

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

The Company is ultimately controlled by 3i MIA LP, an English limited partnership, which is managed by 3i Investments plc. 3i Investments plc is wholly owned by 3i Group plc. The general partner of 3i MIA LP is 3i Managed Infrastructure GP (2017) LLP.

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

Debt instruments due to the parent undertaking, the 12% and 8% PIK Notes, are disclosed in note 1 and 15 and interest accrued on these instruments disclosed in note 7.

The members of the company's executive committee, including statutory directors, and non-executive directors are considered to be the company's key management personnel. The total remuneration of key management personnel are wages & salaries of £2,933k (2021: £2,181k), social security costs of £421k (2021: £221k), and contributions to defined contribution pension schemes of £127k (2021: £115k).

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2022

23 Segmental information

Description of segments

The Group has five trading subsidiaries licenced by Ofgem: one subsidiary is an electrical distribution company engaged in the development of electrical distribution as an independent operator together with four subsidiaries operating as gas transporter companies engaged in the development of gas pipelines, the transportation of gas and metering services throughout mainland UK.

Factors that management use in identification of segments

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

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

Measurement of operating segment profit, assets and liabilities

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

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

	Water 2021 £'000	Electricity 2021 £'000	Gas 2021 £'000	Total 2021 £'000
Group's turnover per consolidated statement of comprehensive income	-	44,033	44,615	88,648
Depreciation	-	(1,768)	(8,509)	(10,277)
Segment profit	-	11,086	4,785	15,871
Cost of Sales				(229)
Administrative expenses				(485)
Amortisation				(5,490)
Financial expenses				(16,710)
Financial income				6
Group loss before tax				(7,037)

	Water 2022 £'000	Electricity 2022 £'000	Gas 2022 £'000	Total 2022 £'000
Group's turnover per consolidated statement of comprehensive income	-	61,372	47,650	109,022
Depreciation	(6)	(2,042)	(8,509)	(10,557)
Segment (loss)/profit	(502)	11,858	4,491	15,847
Cost of Sales				(229)
Administrative expenses				(361)
Amortisation				(5,490)
Financial expenses				(15,960)
Financial income				3
Group loss before tax				(6,190)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2022

23 Segmental information (continued)

	Water 2021 £'000	Electricity 2021 £'000	Gas 2021 £'000	Total 2021 £'000
Additions to non-current assets	-	14,453	31,685	46,138
Reportable segment assets	-	79,904	320,196	400,100
Intangible assets				25,163
Tangible assets				1,143
Tax assets				12,481
Cash at bank and in hand				30,126
Total Group assets				469,013
Reportable segment liabilities	-	5,069	67,439	72,508
Loans and borrowings (excluding leases and overdrafts)				612,047
Deferred tax and group relief				(15,058)
Other liabilities				144
Total Group liabilities				669,641

	Water 2022 £'000	Electricity 2022 £'000	Gas 2022 £'000	Total 2022 £'000
Additions to non-current assets	62	18,904	28,846	47,812
Reportable segment assets	150	107,875	340,092	448,117
Intangible assets				19,674
Tangible assets				21,965
Tax assets				7,614
Cash at bank and in hand				32,156
Total Group assets				529,526
Reportable segment liabilities	15	16,198	74,704	90,917
Loans and borrowings (excluding leases and overdrafts)				651,367
Deferred tax and group relief				(11,036)
Other liabilities				9,944
Total Group liabilities				741,192

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% and their percentages are: 25.76%, 21.89% and 10.03% (2021: two customers 22.6%, 21.45%).

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



2022 ANNUAL REPORT & ACCOUNTS

Zoom Holding Limited
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