ESPUG Finance Limited

Report and Financial Statements

Year Ended

31 December 2019

Registered number 10933801

ESPUG Finance Limited

Report and financial statements
for the year ended 31 December 2019

Contents

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Directors
N J Clark
A Dellis
P Miles
A Miller
K O'Connor
S Schwengber
B Sottomayor
V Spiers

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

Company number
10933801

Auditor

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA

Principal activities

The principal activity of the Company is that of a holding company. The Company has five trading subsidiaries (together "the Group"): 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.

Review of the business

A statement of comprehensive income is set out on page 10 and shows turnover for the period of £nil (2018: £nil) and profit for the period of £3,175,000 (2018: £2,932,000), due to net interest received on intercompany balances.

The Directors considered loan interest to be the main key performance indicator as this is a holding company with no other transactions. Interest paid for the period was £8,818,000 (2018: £8,714,000). Interest received for the period was £12,046,000 (2018: £11,699,000).

A dividend of £3,000,000 was paid during the year (2018: nil). No dividends were received during the year.

Principal risks and uncertainties

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

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

A large proportion of the infill market the Group targets is driven in part by government programmes to bring more affordable (and lower CO2 emitting) fuel to social housing. This market is forecast to be challenging for the foreseeable future due to continued austerity restricting public spending.

The ownership and operation of gas pipelines represents approximately 41% (2018: 41%) of the Group's revenue. The Office of Gas and Electricity Markets ("Ofgem") regulates the activities of the Group, including the transportation tariffs that the Group charges. In 2004 Ofgem introduced the Relative Price Control ("RPC") mechanism. The purpose of RPC is to keep parity between the charges levied by iGTs, including the Group's, and the operators of the Gas Distribution Networks. RPC allows the Group to increase prices partly in line with the Retail Price Index ("RPI"). Therefore, the Group's income will vary in accordance with RPI.

The Group also operates and maintains the meters connected to its gas pipelines. Meter income represents approximately 16% (2018: 20%) of the Group's revenue. The meter market in the UK has been open to competition since 2004 and over the next 5 years it is forecast that dumb meter revenue will materially decline as a consequence of the Government mandated smart meter roll out. However the Group business model predicts an increase in the smart meter portfolio as new meters are installed with new connections going forward.

Principal risks and uncertainties (continued)

The ownership and operations of electricity connections represents 43% (2018: 39%) of the Group's revenue; the importance of this market is increasing each year as the market matures and more connections are installed on iDNO networks. Historically, electricity connections installed were adopted by the incumbent DNOs until 2001 when the market was opened to competition allowing iDNOs to adopt electricity connections. The regulatory changes in April 2010 to standardise the iDNOs' tariffs has opened up most of the market to competition, providing greater opportunities to iDNOs. As the market continues to mature it is expected that the iDNOs will obtain a similar market presence as the iGTs in the gas market.

Directors duties

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

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

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

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

Risk Management

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

Our People

As a relatively small Group with less than 100 employees operating in one location, we recognise that our employees are fundamental to the success of the business and every single person's contribution counts. The health, safety and well-being of our employees is one of our primary considerations in the way we do business.

Business Relationships

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

Community and Environment

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

Shareholders

As a Board of Directors, our intention is to behave responsibly towards our shareholders, working closely with them to deliver growth and add value. Key decisions, such as the acquisition of domestic customer gas connection assets from Fulcrum Utility Services Limited are made in conjunction with shareholders, whose interests are represented by their three Board appointees.

Key decisions made in the year

Decision	Effect
Approval of purchase of assets from Fulcrum Utility Services Limited	
Shareholders	Add to the value of the business through secure long-term increase in revenues.
Employees	Increased profitability provides secure employment prospects.
Consumers	Benefit from their connection being owned by one of the UK largest and longest established independent network owner and operator.

Covid-19 Update and Going Concern

As a transporter of gas and electricity to predominantly domestic properties the Directors assessment is that Covid-19 will not have a significant impact on either the income or costs of the Group.

- All Group revenues are regulated and have continued to be received without interruption.
- All ongoing business has continued as usual, and the Group was able to switch to 100% remote working without any detriment to the service delivered.
- The ESP Utilities Group Limited Group has adequate cash reserves, increased from £17m at year end to £29m as at 31 March 2020, in addition to a further £49m of undrawn credit facilities.
- The Directors have evaluated the potential financial and operational impact of Covid-19 as a result of any uncertainty surrounding the ability of customers to meet regulated payment terms and a reduction in new connections through detailed scenario analysis as a Group at Zoom Holding Limited level.

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

For and on behalf of the Board

Paul Miles

P Miles
Director

Date: 13 MAY 2020

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

Dividends

No dividends were received during the year. Dividends of £3,000,000 were declared and paid during the year (2018: nil).

Directors

The Directors of the Company throughout the year were:

T W Butler	(resigned 31 May 2019)
N J Clark	
A Dellis	
P Miles	(appointed 21 January 2019)
A Miller	(appointed 17 September 2019)
K O'Connor	
V Spiers	
S Schwengber	
B Sottomayor	
S Williams	(resigned 17 September 2019)

Disclosure of information to Auditor

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 Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Financial instruments

Liquidity risk and cash flow risk
On 6 October 2017 the company entered into new loan note agreements to refinance the Group's' external debt borrowings. The facilities consist of lenders providing up to £339m of private loan placements, working capital, capital expenditure and liquidity facilities. These loans have an investment grade credit rating of Baa2 from Moody's Investor Services.

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

Post Balance sheet event

On 21st December 2019 E.S. Pipelines Limited (ESP) entered into an agreement with Fulcrum Utility Services Limited to purchase it's domestic customer gas connection assets, including order book and associated meters for circa £46m. The first tranche of the deal completed on 31 March 2020, with circa £17m paid on completion. The balance relating to part-complete networks and the internal and external order books will be payable over the next 5 years, as assets are built out and transferred to ESP.

The purchase has been funded by the issue of £30m of 2.116% PP loan notes which mature on 13 February 2035.

Likely future developments in the business of the Company

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

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

For and on behalf of the Board

P Miles
Director

Date: 13. MAY 2020

ESPUG Finance Limited

Statement of Directors' responsibilities
for the year ended 31 December 2019

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

Opinion

We have audited the financial statements of ESPUG Finance Limited ("the Company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

AH Draper

Anna Draper (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick, UK

Date : 13 May 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

ESPUG Finance Limited

Statement of comprehensive income
for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		**(53)**	(53)
Operating loss	3	**(53)**	(53)
Interest payable and similar charges	4	**(8,818)**	(8,714)
Other interest receivable and similar income	5	**12,046**	11,699
Profit on ordinary activities before taxation		**3,175**	2,932
Taxation on profit on ordinary activities	7	-	-
Profit for the financial year and total comprehensive income for the year / period		**3,175**	2,932

The notes on pages 13 to 19 form part of these financial statements.

ESPUG Finance Limited

Balance sheet
at 31 December 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Investments	8		**620,080**		620,042
			620,080		620,042
Current assets					
Debtors	9	**157,205**		147,522	
Cash at bank and in hand		**6,804**		1,022	
		164,009		148,544	
Creditors: amounts falling due within one year	10	**(27,803)**		(33,681)	
Net current assets			**136,206**		114,863
Total assets less current liabilities			**756,286**		734,905
Creditors: amounts falling due after more than one year	11		**(240,656)**		(219,450)
Net assets			**515,630**		515,455
Capital and reserves					
Called up share capital	12		**141,705**		141,705
Share premium account			**369,999**		369,999
Profit and loss account			**3,926**		3,751
			515,630		515,455

The financial statements were approved by the Board of Directors and authorised for issue on 13 MAY 2020 and were signed on its behalf by:

P Miles
Director

The notes on pages 13 to 19 form part of these financial statements.

ESPUG Finance Limited

Statement of changes in equity
for the year ended 31 December 2019

	Share capital 2019 £'000	Share Premium 2019 £'000	Profit and loss account 2019 £'000	Total equity 2019 £'000	Share capital 2018 £'000	Share Premium 2018 £'000	Profit and loss account 2018 £'000	Total equity 2018 £'000
1 January	**141,705**	**369,999**	**3,751**	**515,455**	141,705	369,999	819	512,523
Comprehensive income for the year / period								
Profit for the year	-	-	**3,175**	**3,175**	-	-	2,932	2,932
Total comprehensive income for the year / period	-	-	**3,175**	**3,175**	-	-	2,932	2,932
Contributions by and distributions to owners	-	-	-	-	-	-	-	-
Dividends paid	-	-	**(3,000)**	**(3,000)**	-	-	-	-
Total contributions by and distributions to owners	-	-	**(3,000)**	**(3,000)**	-	-	-	-
31 December	**141,705**	**369,999**	**3,926**	**515,630**	141,705	369,999	3,751	515,455

The notes on pages 13 to 19 form part of these financial statements.

1 Accounting policies

ESPUG Finance Limited is a private company, limited by shares, incorporated in England & Wales under the Companies Act.

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

Basis of preparation

Disclosure exemptions

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

- No cash flow statement has been presented for the Company as this information is included in the consolidated accounts of ESP Utilities Group Limited, which can be obtained from Companies House; and
- Disclosures in respect of the Company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole.

Going concern

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

The Directors have considered and reviewed projections and cash flow forecasts that cover the period to twelve months from the date of approval of these financial statements. In addition, stress cash flows have been prepared to assess the expected impact of Covid-19. The Directors have evaluated the potential financial and operational impact of Covid-19 as a result of any uncertainty surrounding the ability of customers to meet regulated payment terms and a reduction in new connections through detailed scenario analysis. As a transporter of gas and electricity to predominantly domestic properties the Directors assessment is that Covid-19 will not have a significant impact on either the income or costs of the Group.

In addition, the ESP Utilities Limited Group has adequate cash reserves, increased from £17m at year end to £29m as at 31 March 2020, in addition to a further £49m of undrawn credit facilities.

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 5th October 2017 the Group refinanced its external debt borrowings. The Groups facilities consist of a banking syndicate of five banks providing £224m of private loan placements, £5m working capital, £100m capital expenditure and £10m liquidity facilities. The loan notes have maturity dates of ten, fifteen and twenty years at a fixed rate of interest. These loans have an investment grade credit rating of Baa2 from Moody's Investor Services.

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

The following principal accounting policies have been applied:

1 Accounting policies *(continued)*

Consolidated financial statements

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

Investments

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

Impairment of cost of investment

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

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.

Current and deferred taxation

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

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

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

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

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

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

1 Accounting policies *(continued)*

Financial Assets

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

Financial liabilities and equity

Financial liabilities and equity 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.

Reserves

The Company's reserves are as follows:

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

Dividends

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

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

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

- Determine whether there are indicators of impairment of the Company's fixed asset investments. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

3 Operating loss

	2019	2018
This is arrived at after charging	**£'000**	£'000
Auditor's remuneration - audit	**2**	2

4 Interest payable and similar charges

	2019	2018
	£'000	£'000
Interest on loan notes	**8,818**	8,714

5 Other interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable from Group companies	**12,008**	11,664
Preference share interest received	**38**	35
	12,046	11,699

6 Remuneration of Directors

The Directors received no remuneration or fees in respect of their services to the Company for the year ended 31 December 2019 (2018: £nil).

7 Taxation on profit on ordinary activities

The current tax charge for the period is lower (2018: lower) than the standard rate of corporation tax in the year of 19% (2018: 19%). The differences are explained below.

	2019 £'000	2018 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	**3,175**	2,932
Current tax at 19% (2018: 19%)	**603**	558
Effects of:		
Exempt group income	**(7)**	-
Group relief claimed for nil consideration	**(596)**	(558)
Total current tax	**-**	-

No liability to Corporation Tax was incurred in the year (2018: nil)

8 Fixed asset investments

	2019 £'000	2018 £'000
Cost as at 1 January and 31 December	**620,080**	620,042

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

Subsidiary	Country of incorporation	Principal activity	Class and percentage of shares held
ESP Electricity Limited *	England & Wales	Independent distribution network operator	Ordinary shares 100%
E.S. Pipelines Limited *	England & Wales	Independent gas transport	Ordinary shares 100%
ESP Pipelines Limited	England & Wales	Independent gas transport	Ordinary shares 100%
ESP Networks Limited	England & Wales	Independent gas transport	Ordinary shares 100%
ESP Connections Limited	England & Wales	Independent gas transport	Ordinary shares 100%

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

Directly owned *

9 Debtors

	2019 £'000	2018 £'000
Amounts owed by Group undertakings	**157,205**	147,522

All debtors are due within one year.

10 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed to Group undertakings	**26,000**	31,951
PP notes interest	**1,796**	1,723
Accruals and deferred income	**7**	7
	27,803	33,681

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

11 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
PP notes issued	**220,656**	219,450
Capex loan	**20,000**	-
	240,656	219,450

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

£54m 2.69% Senior Secured Tranche A note due 6th October 2027
£85m 3.05% Senior Secured Tranche B note due 6th October 2032
£85m 3.35% Senior Secured Tranche C note due 6th October 2037

The Capex loan is charged at Libor + 1.5% and is repayable on 5th October 2022.

12 Share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
141,705,534 Ordinary shares of £1 each	**141,705**	141,705

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

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

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

The largest group in which the results of the Company are consolidated is that headed by Zoom Holding Limited. The smallest group in which the results of the Company are consolidated is that headed by ESP Utilities Group Limited. Copies of these consolidated financial statements are available from Companies House.

14 Post Balance Sheet events

Purchase of Assets

On 21st December 2019 E.S. Pipelines Limited (ESP) entered into an agreement with Fulcrum Utility Services Limited to purchase it's domestic customer gas connection assets, including order book and associated meters for circa £46m. The first tranche of the deal completed on 31 March 2020, with circa £17m paid on completion. The balance relating to part-complete networks and the internal and external order books will be payable over the next 5 years, as assets are built out and transferred to ESP.

The purchase has been funded by the issue of £30m of 2.116% PP loan notes which mature on 13 February 2035.

Covid-19 outbreak

On 11 March 2020, the World Health Organization raised the public health emergency caused by the coronavirus outbreak (COVID-19) to an international pandemic. The rapid national and international developments represent an unprecedented health crisis, which will impact the macroeconomic environment and business developments.

As a transporter of gas and electricity within the UK the Group's ongoing business has continued without interruption during the lockdown within the UK. The Group has continued to provide uninterrupted energy to homes and businesses, adapting working practises while maintaining our commitment to providing the very best service.

The government has recognised those who work to keep the UKs energy networks connected as key workers. Along with others providing essential services at this time, we are prioritising safety measures along with continuity of supply and looking after those most vulnerable.

The COVID-19 crisis is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2019.

Due to the complexity of the situation and its fast evolution, it is not possible at this time to make a reliable quantified estimate of the potential impact on the Group, which will be recognised prospectively in the 2020 financial statements. The ESP Utilities Group Limited Group has increased its cash balance from £17 million as at 31 December 2019 to £29 million as at 31 March 2020 by drawing down on existing credit facilities.

The Directors continue monitoring the business and taking appropriate steps to address the situation and reduce its operational and financial impact. After reviewing alternative scenarios, the current cash resources, forecasts and budgets, timing of cash flows, borrowing facilities, and considering the associated uncertainties to the Group's operations, the Directors have a reasonable expectation that the Group and Company has adequate resources to continue operating in the foreseeable future. Accordingly, the financial statements continue to be prepared on a going concern basis (see Note 1).

All the above were considered in the assessment of the impact of COVID-19 in the 2020 operations for which an inherent uncertainty exists given the current facts and circumstances at the date of preparation of these financial statements. Although an impact is anticipated on new connections numbers in 2020 due a temporary halt in work by the major housebuilders during lockdown, the overall conclusion is that such an impact given the current facts and circumstances does not cast a material uncertainty about the ability of the Group and Company to continue as a going concern which is the assumption used for the preparation of these financial statements as per Note 1.