ESP Gas Group Limited

Directors' report and consolidated financial statements

Registered number 2612105

Year ended 31 December 2008

Contents

Directors

R Wallace
N J Clark
M Carr
H Meissner
J Hector

Secretary and registered office

Beach Secretaries Limited, Hazeldean, Station Road, Leatherhead, Surrey, KT22 7AA

Company number

2612105

Auditors

BDO Stoy Hayward LLP
Emerald House
East Street
Epsom
KT17 1HS

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Principal activities and future developments

The principal activity of the Company is a holding Company. The Group has five trading subsidiaries, one electrical distribution company engaged in the development of electrical distribution as an independent operator together with four gas transporters engaged in the development of gas pipelines, the transportation of gas and metering services throughout mainland UK.

On the 5th February 2008 ESP Gas Group acquired Laing O'Rourke Energy which holds an Independent Distribution Network Operator licence running three established networks and renamed it ESP Electricity Ltd in order for the group to be able to start duel fuel offering to the UIP's during the course of 2008.

Review of the business

The profit and loss account is set out on page 6 shows turnover for the period of £14,234,000 (2007 £12,776,000) and profit for the period of £555,000 (2007: loss £582,000).

The number of connections as at the end of the year was 209,607 (including 1,067 electricity connections) with a growth of 8.2% in the year, compared to 6.9% in the previous year.

Turnover has increased during the period and, based on the first three months of 2009 connection orders in the pipeline, the Directors believe turnover will continue to grow in 2009 albeit at a slower rate then previously anticipated, due to the economic downturn in 2008 and competitive market conditions currently experienced in the first quarter of 2009.

The Group continues to grow its portfolio of assets through two main areas of activity. Firstly, through the adoption of gas networks for newly built housing installed by sub-contractors (Utility Infrastructure Providers – UIP's) and secondly, through adopting gas networks installed to connect existing properties previously not served by the existing gas system.

The Directors actively develop relationships with key partners servicing social landlords and also continues to strengthen relationships with UIPs developing new housing networks.

No dividend was paid during the period.

Principal risks and uncertainties

The market for the adoption of new housing networks is competitive and is price sensitive. The Directors believe that by not competing directly with UIP's, as its competitors do, the Group has a competitive advantage.

A large proportion of the infill market the Group targets is driven in part by government programs to bring more affordable (and lower CO_2 emitting) fuel to social housing. Indirectly the Group is partly dependent on government spending, without which the number of infill projects developed could reduce.

New housing connections from UIP's are subject to the strength of the housing market. Given the economic downturn in the UK housing market during 2008 the directors have downgraded future new wins to reflect current economic conditions.

The independent Gas Transporter business is dominated by three major competitors including the Company. The ownership and operation of gas pipelines represents approximately 78% of the Group's income. The Office of Gas and Electricity Markets (Ofgem) regulates the activities of the Group, including the transportation tariffs that the Group charges. In 2004 Ofgem introduced the Relative Price Control (RPC) mechanism. The purpose of RPC is to keep parity between the charges levied by independent Gas Transporters, including the Group's, and the operators of the Gas Distribution Networks. RPC allows the Group to increase prices partly in line with inflation. Therefore the Group's income will vary in accordance with Retail Price Index (RPI). The Group also has a number of gas

Directors Report

(continued)

connections built prior to the introduction of RPC and the transportation tariffs allowed for these connections are set according to methodologies in place at the time of installation.

The Group also operates and maintains meters connected to its gas pipelines. Metering income represents approximately 22% of Group's income. Since 2004 the metering market in the UK has been open to competition and there is a potential risk that meters could be replaced prematurely resulting in lost income. The Directors however are seeking to put in place measures to mitigate this risk.

The Group IT project system was completed and on line mid October 2008 at a cost of £754,640 and under budget although the project came in three months late due to user acceptance testing the project has been successful and is producing both operational efficiencies and control that was set out at the start of the project. This will allow the group to deliver the growth in its plans over the next planning horizon.

Financial instruments

The Company holds financial instruments to finance its operations. Operations are financed by a mixture of retained profits and parent company loans. The Group has £97m of debt outstanding with its parent company. The Directors have controls in place to manage cash flow and maintain interest payments. The majority of loans are based upon LIBOR or bank base rate plus a premium. In addition there are two 'payment in kind' loan notes.

Trade debtors and trade creditors arise directly from the Group's operations.

The Company does not enter into any hedging arrangements.

Directors

The directors in office during the period were as follows:

R Wallace
N Clark
M Carr
H Meissner
J Hector

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 auditors are 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 Group's auditors are aware of that information.

Auditors

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

For and on behalf of the board

R Wallace
Director
Date: 24th April 2009

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the shareholders of ESP Gas Group Limited

We have audited the Group and parent company financial statements ("financial statements") of ESP Gas Group Limited for the year ended 31 December 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditor's report to the shareholders of ESP Gas Group Limited

(continued)

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's affairs as at 31 December 2008 and of the Group's profit for the year then ended;

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors

Epsom, Surrey

Date: 24th April 2009

Consolidated profit and loss account
for the year period ended 31 December 2008

	Note	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Turnover	*1*	**14,234**	**12,776**
Cost of sales		**(2,922)**	**(2,521)**
Gross profit		**11,312**	**10,255**
Administrative expenses		**(4,087)**	**(3,148)**
Operating profit		**7,225**	**7,107**
Interest received	*3*	**117**	**128**
Interest paid	*4*	**(7,892)**	**(7,498)**
Loss on ordinary activities before taxation	*2*	**(550)**	**(263)**
Tax on loss on ordinary activities	*7*	**1,105**	**(319)**
Profit/(loss) for the financial period after taxation	*17*	**555**	**(582)**

All amounts relate to continuing activities.

There were no other gains or losses recognised in the period.

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2008

	Group Year ended 31 December 2008 £'000	Company Year ended 31 December 2008 £'000	Group Year ended 31 December 2007 £'000	Company Year ended 31 December 2007 £'000
Opening shareholders' funds	**11,903**	**15,296**	12,485	15,407
Profit/(loss) for the financial period	**555**	**(156)**	(582)	(111)
Closing shareholders' funds	**12,458**	**15,140**	11,903	15,296

The notes on pages 11 to 21 form part of the financial statements

Consolidated balance sheet
as at 31 December 2008

	Note	31 December 2008 £'000	31 December 2007 £'000
Fixed assets			
Tangible assets	*9*	**130,977**	125,806
Current assets			
Debtors	*10*	**5,644**	6,538
Cash at bank and in hand		**3,276**	3,584
		8,920	10,122
Creditors: amounts falling due within one year	*11*	**(83,964)**	(80,454)
Net current liabilities		**(75,044)**	(70,332)
Total assets less current liabilities		**55,933**	55,474
Creditors: amounts falling due after more than one year	*12*	**(40,290)**	(39,176)
Provisions for liabilities and charges	*13*	**(3,185)**	(4,395)
Net assets		**12,458**	11,903
Capital and reserves			
Called up share capital	*16*	**14,721**	14,721
Profit and loss account	*17*	**(2,263)**	(2,818)
Shareholders' funds		**12,458**	11,903

These financial statements were approved by the board of directors and authorised for issue on the 24th April 2009 and were signed on its behalf by:

R Wallace
Director

The notes on pages 11 to 21 form part of the financial statements

Company balance sheet
as at 31 December 2008

	Note	31 December 2008 £'000	31 December 2007 £'000
Fixed assets			
Investments	8	**18,149**	17,221
Current assets			
Debtors	10	**1,513**	1,145
Cash at bank and in hand		**64**	52
		1,577	1,197
Creditors: amounts falling due within one year	11	**(4,302)**	(3,122)
Net current liabilities		**(2,725)**	(1,925)
Total assets less current liabilities		**15,424**	15,296
Creditors: amounts falling due after more than one year	12	**(284)**	-
Net assets		**15,140**	15,296
Capital and reserves			
Called up share capital	16	**14,721**	14,721
Profit and loss account	17	**419**	575
Shareholders' funds		**15,140**	15,296

These financial statements were approved by the board of directors and authorised for issue on the 24th April 2009 and were signed on its behalf by:

R Wallace
Director

The notes on pages 11 to 21 form part of the financial statements

Consolidated cash flow statement

for the period ended 31 December 2008

	Note	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Net cash inflow from operating activities		**12,992**	13,150
Returns on investments and servicing of finance			
Interest received		**117**	129
Interest paid		**(7,999)**	(7,932)
Net cash outflow from returns on investments and servicing of finance		**(7,882)**	(7,803)
Capital expenditure and financial investments			
Payments to acquire fixed assets		**(7,279)**	(8,264)
Receipt from sale of tangible fixed assets		**8**	13
Net cash outflow from capital expenditure		**(7,271)**	(8,251)
Acquisitions			
Acquisition of subsidiary undertaking	*18*	**(842)**	-
Net cash outflow before financing		**(3,003)**	(2,904)
Financing			
Intercompany borrowings		**2,695**	593
Repayment of bank loans		**-**	-
Net cash inflow from financing		**2,695**	593
Decrease in cash		**(308)**	(2,311)

Reconciliation of net cash flow to movement in net debt		
Decrease in cash	**(308)**	(2,311)
Cash inflow from increase in debt	**(2,695)**	(593)
Changes in net debt resulting from cash flows	**(3,003)**	(2,904)
Other non-cash items	**107**	433
Movement in net debt in the period	**(2,896)**	(2,471)
Opening net debt	**(91,174)**	(88,703)
Closing net debt	**(94,070)**	(91,174)

The notes on pages 11 to 21 form part of the financial statements

Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities
For the year ended 31 December 2008

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Operating profit	**7,225**	7,107
Depreciation charge	**3,145**	2,880
Decrease in debtors	**869**	1,604
Increase in creditors	**1,752**	1,564
Loss/(profit) on disposal of fixed assets	**1**	(5)
Net cash inflow from operating activities	**12,992**	13,150

Analysis of changes in net debt
year ended 31 December 2008

	31 December 2007 £'000	Cash flow £'000	Non-cash items £'000	31 December 2008 £'000
Cash at bank and in hand	3,584	(308)	-	**3,276**
Loan notes	(11,927)	-	-	**(11,927)**
Loans from group undertakings	(82,831)	(2,695)	107	**(85,419)**
Net debt	(91,174)	(3,003)	107	**(94,070)**

The notes on pages 11 to 21 form part of the financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2008. The acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account. The Company has made a loss for the financial period of £155,527 (2007: £108,306)

As 100% of the Group's voting rights are controlled within the group headed by Zoom Holding Limited the Group has taken advantage of the exemptions contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group headed by Zoom Holding Limited. The consolidated financial statements of Zoom Holding Limited, within which this Group is included, are publicly available as described in note 18.

The financial statements have been prepared on a going concern basis, notwithstanding that at 31 December 2008 the Group had net current liabilities of £75,044,000 (2007: £70,332,000) and made a profit for the period after taxation of £555,000 (2007: loss £582,000). The Group is dependent for its working capital on funds provided to it by its parent company. The parent company has confirmed they will not seek repayment of the loan until there are sufficient funds available for the Group to be able to make such a repayment.

As with any group placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Investments

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

Finance costs

Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

Notes *(continued)*

Taxation

The charge for taxation is based on the loss for the period. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents the amount (excluding value added tax) derived from the provision of independent gas transport to customers during the period.

Fixed assets and depreciation

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

Fixtures, fittings, tools & equipment	- 4 years
Plant and machinery	- 60 years
Motor vehicles	- 4 years
Meters	- 20 years
Electricity networks	- 20 years

Third party contributions

Third party contributions received relate specifically to capital expenditure on the pipelines and are treated as deferred income, which is then credited to the profit and loss account over the related assets' useful life.

Pension scheme

The Group now operates a defined contributions pension scheme. Contributions to this scheme are charged to the profit and loss account in the period in which they become payable. The assets of the scheme are held separately in an independently administered fund.

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 had 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 profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period 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 profit and loss account on a straight-line basis over the term of the lease.

Notes *(continued)*

2 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Auditors' remuneration - audit	65	57
- other services (business restructure)	32	-
Depreciation	3,145	2,880
Operating lease charges – land and buildings	95	78
Release of deferred income on third party contributions	(440)	(390)
Loss/(profit) on disposal of fixed assets	1	(5)

3 Interest receivable and similar changes

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Bank and loan note interest receivable	117	128

4 Interest payable and similar changes

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Bank loan interest	-	-
Group loan note interest	1,643	1,646
Group loan interest	6,249	5,852
	7,892	7,498

5 Remuneration of directors

Group	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Directors' emoluments	309	282
Group contributions to money purchase pension schemes	117	112
	426	394

Notes *(continued)*

5 Remuneration of Directors *(continued)*

There were four paid directors during the period (*2007: four*). The remuneration of the highest paid director who served during the period was as follows:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Directors' emoluments	89	85
Group contributions to money purchase pension schemes	35	37

Company

The directors received no remuneration or fees in respect of their services to the company for the year ended 31 December 2008 (*2007: £nil*).

6 Staff

Group

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Wages and salaries	1,311	1,088
Social security costs	140	118
Pensions costs	191	202
	1,642	1,408

The Group employed an average of 38 staff during the period *(2007: 32)*.

Company

The company does not directly employ any individuals. The company is however charged a management fee from other Group companies in respect of services provided to this company.

Notes *(continued)*

7. Taxation

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
UK Corporation tax		
Current tax on income in the year	-	-
Adjustments in respect of prior periods	**105**	3
Total current tax	**105**	3
Deferred tax – current period	**(382)**	630
Deferred tax – prior period	**(828)**	-
Deferred tax – effect of reduction in tax rate to 28%	-	(314)
Total deferred tax credit	**(1,210)**	316
Total tax (credit)/charge	**(1,105)**	319

Factors affecting the tax charge for the current period

The current tax charge for the period differs from the standard rate of corporation tax in the UK for the period of 28.5% *(2007: 30%)*

Current tax reconciliation		
Loss on ordinary activities before tax	**(550)**	(263)
Current tax at 28.5% *(2007: 30%)*	**(157)**	(79)
Effects of:		
Expenses not tax deductible	**294**	329
Differences between capital allowances and depreciation	**491**	(159)
Adjustments to tax charge in respect of previous periods	**105**	3
Utilisation of losses brought forward	**(102)**	(341)
Group Relief surrendered for nil consideration	**(526)**	250
	105	3

Notes *(continued)*

8 Fixed asset investments

Company	**Shares in subsidiary undertakings**
	£'000
Cost	
At 1 January 2008	17,221
Acquisition of subsidiary undertaking	928
At 31 December 2008	**18,149**
Net book value	
At 31 December 2008	**18,149**
At 31 December 2007	17,221

At 31 December 2008 the subsidiary companies which operate and are registered in England and Wales together with their principal activities are as follows:

Company name	Nature of business	Class of shares held	Holding (%)
E S P Electricity Limited*	Independent district network operator	Ordinary	100
E.S. Pipelines Limited*	Independent gas transport	Ordinary/Preference	100
ESP Connections Limited	Independent gas transport	Ordinary	100
ESP Networks Limited	Independent gas transport	Ordinary	100
ESP Pipelines Limited	Independent gas transport	Ordinary	100
Kellen Venture Limited	Holding company	Ordinary	100

* Directly owned

Notes *(continued)*

9 Fixed assets - Group

	Electricity networks	Mains	Meters	Fixtures, fittings, tools and equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2008	-	116,163	15,309	631	132	132,235
Additions	-	5,452	1,195	549	83	7,279
Acquired with subsidiary	928	-	-	118	-	1,046
Disposals	-	-	-	-	(32)	(32)
At 31 December 2008	**928**	**121,615**	**16,504**	**1,298**	**183**	**140,528**
Depreciation						
At 1 January 2008	-	4,600	1,576	221	32	6,429
Charge for the year	42	2,135	800	134	34	3,145
Disposals	-	-	-	-	(23)	(23)
At 31 December 2008	**42**	**6,735**	**2,376**	**355**	**43**	**9,551**
Net book value						
At 31 December 2008	**886**	**114,880**	**14,128**	**943**	**140**	**130,977**
At 31 December 2007	-	111,563	13,733	410	100	125,806

Notes *(continued)*

10 Debtors

	Group 31 December 2008 £'000	Company 31 December 2008 £'000	Group 31 December 2007 £'000	Company 31 December 2007 £'000
Trade debtors	2,045	-	1,521	-
Amounts owed by Group undertakings	-	1,226	-	418
Other debtors	405	117	94	668
Prepayments and accrued income	3,194	6	4,818	6
Group relief available from fellow subsidiaries	-	164	105	53
	5,644	1,513	6,538	1,145

All debtors are due within one year.

11 Creditors: amounts falling due within one year

	Group 31 December 2008 £'000	Company 31 December 2008 £'000	Group 31 December 2007 £'000	Company 31 December 2007 £'000
Trade creditors	394	11	1,141	8
Loans due to Group undertakings	81,814	4,236	77,705	3,102
Other creditors	859	-	721	-
Accruals and deferred income	858	55	887	12
Other taxation and social security	39	-	-	-
	83,964	4,302	80,454	3,122

Notes *(continued)*

12 Creditors: amounts falling due after more than one year

	Group 31 December 2008 £'000	Company 31 December 2008 £'000	Group 31 December 2007 £'000	Company 31 December 2007 £'000
Loans due to Group undertakings	**3,605**	-	5,126	-
Loan notes due to Group undertakings	**11,927**	-	11,927	-
Deferred income	**24,474**	-	22,123	-
Deferred consideration	**284**	**284**	-	-
	40,290	**284**	39,176	-

The loan notes due are repayable in 2015 and attract an interest rate of 13.58% per annum. Interest to date has been rolled into the principal amount.

Loans due to Group undertakings shown as due after more than one year attract interest at the Barclays Bank base rate plus 1.2%.

	31 December 2008 £'000	31 December 2007 £'000
Analysis of loans due to Group undertakings:		
Intercompany loans can be analysed as falling due:		
In one year or less, or on demand	**81,814**	77,705
Between one and two years	**1,514**	1,522
Between two and five years	**2,091**	3,370
Over five years	-	234
	85,419	82,831

13 Provisions for liabilities and charges - Group

	Deferred taxation £'000
At 1 January 2008	4,395
Credit to the profit and loss account in year	(1,210)
At 31 December 2008	**3,185**

Notes *(continued)*

14 Deferred taxation - Group

The elements of deferred taxation are as follows	31 December 2008 £'000	31 December 2007 £'000
Difference between accumulated depreciation and amortisation and capital allowances	**3,206**	4,605
Tax losses	**-**	(189)
Other timing differences	**(21)**	(21)
	3,185	4,395

The Group has an unprovided deferred tax asset of £401,000 (*2007: £401,000*) which the Directors do not consider can be utilised in the foreseeable future. The Company has no provided or unprovided deferred tax.

15 Capital commitments

Capital commitments authorised by the directors at 31 December 2008 were £8,877,975 (*December 2007: £7,421,023*).

16 Share capital

	31 December 2008 £'000	31 December 2007 £'000
Authorised		
20,000,000 ordinary shares of £1 each	**20,000**	20,000
Allotted, called up and fully paid		
14,720,985 ordinary shares £1 each	**14,721**	14,721

17 Profit and loss account

	Group Year ended 31 December 2008 £'000	Company Year ended 31 December 2008 £'000	Group Year ended 31 December 2007 £'000	Company Year ended 31 December 2007 £'000
Profit/(loss) for the period	**555**	**(156)**	(582)	(111)
Retained profit/(loss)	**555**	**(156)**	(582)	(111)
(Loss)/profit at beginning of period	**(2,818)**	**575**	(2,236)	686
	(2,263)	**419**	(2,818)	575

Notes *(continued)*

18 Acquisition of subsidiary

On 5th February 2008 ESP Gas Group limited purchased the entire issued share capital of Laing O'Rourke Energy Limited, together with related operating assets and renamed it ESP Electricity Limited. The goodwill arising on acquisition results from an assessment of the fair value of the assets acquired and adjustments from book value are shown in the following table:

	Book value	Fair value adjustment (goodwill)	Book value and provisional fair value
	£'000	£'000	£'000
Fixed assets	118	928	1,046
Critical spares	80	-	80
Total Consideration	198	928	1,126
Deferred consideration			(284)
Cash consideration			842

The deferred consideration is payable in April 2011 based on the achievement of expected improvements in profitability.

19 Commitments under operating leases

At the year end the group had annual commitments under non-cancellable operating leases, in respect of land and buildings, expiring after five years, of £95,000 *(2007 : £78,375).*

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

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

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