

ESP Networks Limited

Report and Financial Statements

Year Ended

31 December 2018

Registered number 02865198

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ESP Networks Limited

Report and financial statements for the year ended 31 December 2018

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Directors

N J Clark
T W Butler
S Williams
V Spiers
K O'Connor
P Miles

Secretary and registered office

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

Company number

02865198

Auditor

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

ESP Networks Limited

Directors' report and statement of Directors' responsibilities for the year ended 31 December 2018

Principal activities

The Company is engaged in the business of independent gas transportation and metering services to gas shippers throughout mainland UK.

Directors

The directors of the Company throughout the year were:

R Wallace (resigned 13 June 2018)
N J Clark
T W Butler
V Spiers
S Williams
K O'Connor (appointed 10 December 2018)
P Miles (appointed 21 January 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.

Review of the business

The statement of comprehensive income is set out on page 6 and shows turnover for the period of £855,589 (2017: £880,242) and profit for the period of £540,303 (2017: £756,803).

No dividends were declared or paid during the year (2017: £750,000).

Statement of Directors' responsibilities

The Directors are responsible for preparing the 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;
- 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.

ESP Networks Limited

Directors' report and statement of Directors' responsibilities for the year ended 31 December 2018 (*continued*)

Auditor

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

Small Companies note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

For and on behalf of the Board



P Miles
Director

Date: 22.5.19

ESP Networks Limited

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF ESP NETWORKS LIMITED

Opinion

We have audited the financial statements of ESP Networks Limited ("the Company") for the year ended 31 December 2018 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 2018 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.

ESP Networks Limited

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

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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has 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 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; or
- the Directors were not entitled to take advantage of the small companies exemptions in preparing the Directors report and from the requirements to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Directors' Statement of 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.

ESP Networks Limited

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

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.

BDO LLP

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

Date: 23.05.2019

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

ESP Networks Limited

Statement of comprehensive income for the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	3	855,589	880,242
Operating Costs		(299,771)	(281,646)
		<hr/>	<hr/>
Operating profit	4	555,818	598,596
Profit on ordinary activities before taxation		555,818	598,596
		<hr/>	<hr/>
Taxation on profit on ordinary activities	5	(15,515)	158,207
		<hr/>	<hr/>
Profit for the financial year and total comprehensive income for the year		540,303	756,803
		<hr/>	<hr/>

The notes on pages 9 to 15 form part of these financial statements.

ESP Networks Limited

Balance sheet at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	7		1,546,304		1,606,623
Current assets					
Debtors	8	3,240,807		2,765,518	
Cash at bank and in hand		989,842		856,039	
		4,230,649		3,621,557	
Creditors: amounts falling due within one year	9	(1,579,723)		(1,591,175)	
Net current assets			2,650,926		2,030,382
Total assets less current liabilities			4,197,230		3,637,005
Creditors: amounts falling due after more than one year	10		(74,392)		(69,985)
Provisions for liabilities	11		(43,609)		(28,094)
Net assets			4,079,229		3,538,926
Capital and reserves					
Called up share capital	12		2		2
Profit and loss account			4,079,227		3,538,924
Equity attributable to owners of the parent company			4,079,229		3,538,926

These statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the Board of Directors and authorised for issue on 22.5.19.

P Miles
Director



The notes on pages 9 to 15 form part of these financial statements.

ESP Networks Limited
Statement of changes in equity
for the year ended 31 December 2018

	Share capital 2018 £	Profit and loss account 2018 £	Total equity 2018 £	Share capital 2017 £	Profit and loss account 2017 £	Total equity 2017 £
1 January	2	3,538,924	3,538,926	2	3,532,121	3,532,123
Comprehensive income for the year						
Profit for the year	-	540,303	540,303	-	756,803	756,803
Total comprehensive income for the year	-	540,303	540,303	-	756,803	756,803
Contributions by and distributions to owners						
Dividends	-	-	-	-	(750,000)	(750,000)
Total contributions by and distributions to owners	-	-	-	-	(750,000)	(750,000)
31 December	2	4,079,227	4,079,229	2	3,538,924	3,538,926

The notes on pages 9 to 15 form part of these financial statements.

ESP Networks Limited

Notes forming part of the financial statements for the year ended 31 December 2018

1 Accounting policies

ESP Networks 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;
- 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; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the Company as their remuneration is included within E S Pipelines Limited as a whole.

The following principal accounting policies have been applied:

Turnover

Turnover represents the amount (excluding value added tax) derived from the provision of gas transportation and measurement for gas suppliers during the period. Income from the transport of gas through the Company'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. Turnover arises solely within the United Kingdom.

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 fixed assets to their estimated residual value by equal instalments over their estimated useful lives as follows:

Gas networks	60 years
Meters	20 years
Prepayment meters	10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

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 that reduces the depreciation charge to the statement of comprehensive income over the useful life of the related assets.

ESP Networks Limited

Notes forming part of the financial statements for the year ended 31 December 2018

1 Accounting policies

Impairment of fixed assets

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.

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 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.

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.

ESP Networks Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Reserves

The Company's reserves are as follows:

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

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 tangible assets. 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.
- Tangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. 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 and industry trends are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3 Analysis of Turnover

	2018 £	2017 £
Analysis by class of business:		
Gas transportation	680,013	688,299
Gas metering	175,576	191,943
	<u>855,589</u>	<u>880,242</u>

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

4 Operating profit

	2018 £	2017 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	88,515	89,068
Release of deferred income on third party contributions	(1,410)	(1,320)
Auditor's remuneration	1,232	1,633
	<u>88,337</u>	<u>89,381</u>

ESP Networks Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

5 Taxation on profit on ordinary activities

	2018 £	2018 £	2017 £	2017 £
<i>UK corporation tax</i>				
Current tax on profits of the year		-		-
Adjustment in respect of previous periods		-		(142,847)
Total current tax		-		(142,847)
<i>Deferred tax</i>				
Deferred tax current period	15,515		(15,360)	
Effect of changes in tax rate	-		-	
Deferred tax prior period	-		-	
		15,515		(15,360)
Total tax charge / (credit)		15,515		(158,207)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2017: lower) than the standard rate of corporation tax in the UK of 19%. (2017: 19.25%). The differences are explained below.

Tax reconciliation

	2018 £	2017 £
Profit on ordinary activity before tax	555,818	598,596
Current tax at 19% (2017: 19.25%)	105,605	115,230
<i>Effects of:</i>		
Prior year adjustment – current tax	-	(142,846)
Group relief claimed for nil consideration	(88,266)	(132,623)
Effect of difference in deferred tax rates	(1,824)	2,032
Total tax charge/(credit)	15,515	(158,207)

6 Dividend

	2018 £	2017 £
Ordinary shares		
Paid £nil (2017 £375,000) per share	-	750,000

ESP Networks Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (*continued*)

7 Tangible fixed assets

	Networks £	Meters £	Total £
<i>Cost</i>			
At 1 January 2018	1,818,233	773,287	2,591,520
Additions	27,090	1,106	28,196
Disposals	-	(63,969)	(63,969)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	1,845,323	710,424	2,555,747
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2018	546,807	438,090	984,897
Provision for year	44,685	43,830	88,515
Disposals	-	(63,969)	(63,969)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	591,492	417,951	1,009,443
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2018	1,253,831	292,473	1,546,304
	<hr/>	<hr/>	<hr/>
At 31 December 2017	1,271,426	335,197	1,606,623
	<hr/>	<hr/>	<hr/>

8 Debtors

	2018 £	2017 £
Trade debtors	77,625	104,031
Amounts owed by Group undertakings	3,103,525	2,605,245
Prepayments and accrued income	16,750	13,305
Deposits	42,907	42,937
	<hr/>	<hr/>
	3,240,807	2,765,518
	<hr/>	<hr/>

All debtors are due within one year.

ESP Networks Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

9 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	14,136	14,753
Other creditors	28,343	28,694
Group relief payable to fellow subsidiaries	1,476,841	1,476,841
Accruals and deferred income	60,403	61,780
Amounts owed to Group undertakings	-	9,107
	<u>1,579,723</u>	<u>1,591,175</u>

10 Creditors: amounts falling due after more than one year

	2018 £	2017 £
Deferred income	<u>74,392</u>	<u>69,985</u>

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

11 Provisions for liabilities

	Deferred taxation 2018 £	Deferred taxation 2017 £
At 1 January	28,094	43,454
Charged/(credited) to profit or loss	<u>15,515</u>	<u>(15,360)</u>
At 31 December	<u>43,609</u>	<u>28,094</u>

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

Deferred tax liabilities

	2018 £	2017 £
Difference between accumulated depreciation and amortisation and capital allowances	<u>43,609</u>	<u>28,094</u>

ESP Networks Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (*continued*)

12 Share capital

	2018 £	2017 £
<i>Authorised</i>		
Ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	2	2

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

The Company's immediate holding company is E.S. Pipelines 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.