

# ESP Connections Limited

Report and Financial Statements

Year Ended

31 December 2018

Registered number 03234745

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# ESP Connections 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, 1<sup>st</sup> Floor, Bluebird House, Mole Business Park, Leatherhead, KT22 7BA

#### Company number

03234745

#### Auditor

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

# ESP Connections Limited

## Strategic report for the year ended 31 December 2018

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### Principal activities

The Company is engaged in the business of independent gas transportation and metering services to gas shippers throughout mainland UK. There have been no changes in the Company's activities in the period under review.

### Review of the business

The statement of comprehensive income is set out on page 7 and shows turnover for the period of £11,907,000 (2017: £12,317,000) and profit for the period of £3,171,000 (2017: £4,044,000).

The number of installed connections as at the end of the year was 168,465 (2017: 168,261). The Company's order book is substantially complete and no new business is envisaged going forward as all new gas connections are installed through E.S. Pipelines Limited, a group company.

### Principal risks and uncertainties

The Independent Gas Transporter business is dominated by three main competitors including the Company. The ownership and operation of gas pipelines represents approximately 72% (2017: 68%) of the Company's income. The Office of Gas and Electricity Markets (Ofgem) regulates the activities of the Company, including the transportation tariffs that the Company 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 Company, and the operators of the Gas Distribution Networks. RPC allows the Company to increase prices partly in line with the Retail Price Index (RPI) therefore the Company's income will vary in accordance with RPI. The Company also has a number of gas 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 Company also operates and maintains meters connected to its gas pipelines. Metering income represents approximately 28% (32% 2017) of the company's income. 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 business model predicts an increase in the smart meter portfolio as new meters are installed with new connections going forward

The Directors believe it appropriate to present the accounts on a going concern basis as set out in note 1.

### For and on behalf of the Board



P Miles  
Director

Date: 22.5.19.

# ESP Connections Limited

## Directors' report for the year ended 31 December 2018

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

### Dividends

Dividends of £nil were declared and paid during the year (2017: £nil).

### 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.

### 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 Company has £42,608,810 of debt outstanding with its Group companies. Interest on this loan is payable at a fixed rate of 8%. The Directors have controls in place to manage cash flow and maintain interest payments.

#### *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.

#### *Price risk*

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

### 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: 22.5.19.

# **ESP Connections Limited**

## **Statement of Directors' responsibilities for the year ended 31 December 2018**

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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; and
- 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 Connections Limited

## INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF ESP CONNECTIONS LIMITED

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### Opinion

We have audited the financial statements of ESP Connections 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 Connections Limited

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

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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.

## ESP Connections Limited

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

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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 Connections Limited

## Statement of comprehensive income for the year ended 31 December 2018

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	Note	2018 £'000	2017 £'000
Turnover	3	11,907	12,317
Cost of sales		(3,344)	(2,910)
		<hr/>	<hr/>
Gross profit		8,563	9,407
Administrative expenses		(1,801)	(1,636)
		<hr/>	<hr/>
Operating profit	4	6,762	7,771
Interest payable and similar charges	5	(3,387)	(3,682)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		3,375	4,089
Taxation on profit on ordinary activities	8	(204)	(45)
		<hr/>	<hr/>
Profit for the financial year after taxation and total comprehensive income for the year		3,171	4,044
		<hr/>	<hr/>

The notes on pages 10 to 17 form part of these financial statements.

# ESP Connections Limited

Balance sheet  
at 31 December 2018

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
<b>Fixed assets</b>					
Tangible assets	9		40,362		41,842
<b>Current assets</b>					
Debtors	10	43,683		39,755	
Cash at bank and in hand		3,236		2,450	
		46,919		42,205	
<b>Creditors: amounts falling due within one year</b>	11	51,533		51,487	
<b>Net current liabilities</b>			(4,614)		(9,282)
<b>Total assets less current liabilities</b>			35,748		32,560
<b>Creditors: amounts falling due after more than one year</b>	12		(12,890)		(13,077)
<b>Provisions for liabilities</b>	13		(1,366)		(1,162)
<b>Net assets</b>			21,492		18,321
<b>Capital and reserves</b>					
Called up share capital	14		-		-
Profit and loss account			21,492		18,321
			21,492		18,321

The financial statements were approved by the Board of Directors and authorised for issue on 22.5.19 and were signed on its behalf by:



P Miles  
Director

The notes on pages 10 to 17 form part of these financial statements.

# ESP Connections Limited

## Statement of changes in equity for the year ended 31 December 2018

	Share capital 2018 £'000	Profit and loss account 2018 £'000	Total equity 2018 £'000	Share capital 2017 £'000	Profit and loss account 2017 £'000	Total equity 2017 £'000
1 January	-	18,321	18,321	-	14,277	14,277
Comprehensive income for the year	-	3,171	3,171	-	4,044	4,044
Profit for the year	-	3,171	3,171	-	4,044	4,044
Total comprehensive income for the year	-	3,171	3,171	-	4,044	4,044
Contributions by and distributions to owners	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-
31 December	-	21,492	21,492	-	18,321	18,321

The notes on pages 10 to 17 form part of these financial statements.

# ESP Connections Limited

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

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### 1 Accounting policies

ESP Connections Limited is a private limited company 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; 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.

#### ***Going concern***

The financial statements have been prepared on a going concern basis, notwithstanding that at 31 December 2018 the Company had net current liabilities of £4,614,000 (2017: £9,282,000). The Company is dependent for its working capital on funds provided to it by a fellow group undertaking. This group undertaking has confirmed it will not seek repayment of amounts outstanding to the extent that to do so would prevent the Company being able to meet its liabilities as they fall due in the twelve month period from the date of these financial statements. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

The Directors have considered and reviewed projections and cash flow forecasts that cover the period to 12 months from the date of approval of these financial statements. Based on this, the 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.

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:

#### ***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.

# ESP Connections Limited

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

### 1 Accounting policies (*continued*)

#### 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:

Fixtures, fittings, tools & equipment	4 to 8 years
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.

### ***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.

### ***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's subsidiaries operate and generate taxable income.

# ESP Connections Limited

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

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### 1 Accounting policies (*continued*)

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

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

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

Deferred income tax is determined using tax rates and laws that have 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.

#### ***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.

# ESP Connections Limited

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

## 3 Analysis of Turnover

	2018 £'000	2017 £'000
Analysis by class of business:		
Gas transportation	8,531	8,437
Gas metering	3,376	3,880
	<u>11,907</u>	<u>12,317</u>

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

## 4 Operating profit

	2018 £'000	2017 £'000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	1,946	1,877
Release of deferred income on third party contributions	(296)	(295)
Auditor's remuneration	12	21
	<u></u>	<u></u>

## 5 Interest payable and similar charges

	2018 £'000	2017 £'000
Interest payable to parent company	<u>3,387</u>	<u>3,682</u>

## 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 2018 (2017: £nil).

## 7 Staff numbers and costs

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.

# ESP Connections Limited

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

## 8 Taxation on profit on ordinary activities

	2018 £'000	2018 £'000	2017 £'000	2017 £'000
<i>UK corporation tax</i>				
Current tax on profits of the year		-		-
Adjustment in respect of previous periods		-		253
Total current tax		-		253
<i>Deferred tax</i>				
Deferred tax current period (see note 13)	204		(269)	
Effect of changes in tax rate	-		-	
Deferred tax prior period	-		61	
		204		(208)
Total tax charge / (credit)		204		45

### 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 £'000	2017 £'000
Profit on ordinary activity before tax	3,375	4,089
Current tax at 19% (2017: 19.25%)	641	787
<i>Effects of:</i>		
Prior year adjustment – deferred tax	-	62
Prior year adjustment – current tax	-	252
Group relief surrendered for nil consideration	(412)	(1,092)
Effect of difference in deferred tax rates	(25)	36
	204	45

# ESP Connections Limited

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

## 9 Tangible fixed assets

	Fixtures, fittings, tools & equipment £'000	Networks £'000	Meters £'000	Total £'000
<i>Cost</i>				
At 1 January 2018	49	55,981	12,431	68,461
Additions	-	450	16	466
Disposals	-	-	(1,128)	(1,128)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	<b>49</b>	<b>56,431</b>	<b>11,319</b>	<b>67,799</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 January 2018	49	18,790	7,780	26,619
Provision for year	-	1,154	792	1,946
Disposals	-	-	(1,128)	(1,128)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	<b>49</b>	<b>19,944</b>	<b>7,444</b>	<b>27,437</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2018	-	<b>36,487</b>	<b>3,875</b>	<b>40,362</b>
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	-	37,191	4,651	41,842
	<hr/>	<hr/>	<hr/>	<hr/>

## 10 Debtors

	2018 £'000	2017 £'000
Trade debtors	1,290	1,366
Amounts owed by Group undertakings	41,438	37,487
Other debtors	10	11
Prepayments and accrued income	289	235
Deposits	656	656
	<hr/>	<hr/>
	<b>43,683</b>	<b>39,755</b>
	<hr/>	<hr/>

All debtors are due within one year.

# ESP Connections Limited

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

## 11 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	232	239
Other creditors	203	205
Group relief payable to fellow subsidiaries	8,004	8,004
Amounts owed to Group undertakings	42,609	42,648
Accruals and deferred income	485	391
Accruals and deferred income	51,533	51,487

Amounts owed to group undertakings bear interest at a fixed rate of 8.0% and are repayable on demand.

## 12 Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Deferred income	12,890	13,077

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.

## 13 Provisions for liabilities

	Deferred taxation 2018 £'000	Deferred taxation 2017 £'000
At 1 January	1,162	1,370
Charged/(credited) to profit or loss	204	(208)
At 31 December	1,366	1,162

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

### Deferred tax liabilities

	2018 £'000	2017 £'000
Difference between accumulated depreciation and amortisation and capital allowances	1,375	1,171
Other timing differences	(9)	(9)
	1,366	1,162

# ESP Connections Limited

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

## 14 Share capital

	2018 £'000	2017 £'000
<i>Authorised</i>		
1,000 Ordinary shares of £1 each	1	1
	<hr/>	<hr/>
	2018 £	2017 £
<i>Allotted, called up and fully paid</i>		
2 Ordinary shares of £1 each	2	2
	<hr/>	<hr/>

## 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.