

**E.S. Pipelines Limited**

**Directors' report and financial  
statements**

**Registered number 3822878**

**Year ended 31 December 2015**

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## Directors

R Wallace  
N J Clark  
M Carr  
J Hector  
V Spiers  
T W Butler  
S Springett

## Secretary and registered office

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

## Company number

3822878

## Auditors

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

## Strategic report

### Principal activities

The principal activity of the Company is that of transportation of gas and metering services to gas shippers throughout mainland UK.

### Review of the business

The statement of comprehensive income is set out on page 7 and shows turnover for the period of £14,781,000 (2014: £11,987,000) and profit for the period of £30,971,000 (2014: £5,083,000).

Dividends received during the year amounted to £26,007,000 from Group undertakings which included a dividend in specie of £16,252,000 from Kellen Ventures Limited following the reorganisation of the Group structure with the solvent liquidation of Kellen Venture Limited.

In addition the sale of 100% of ESP Connections Limited to E S Pipelines limited was completed on the 25<sup>th</sup> August 2015 was settled by Debt assignment and Transfer Deed.

The directors consider connections installed and turnover to be the main key performance indicators for the Company in monitoring its performance during the year.

The number of installed connections as at the end of the year was 198,370 with a growth of 18% in the year, compared to 16% in the previous year. The growth is directly related to the build out of the Company's growing order book from previous years.

Turnover has increased during the period due to the increase in connections mentioned above. Based on the current economic forecasts and given the competitive market conditions, expectations for 2016 are that turnover will continue to grow as the order book for connections are installed.

The Company continues to expand its portfolio of assets through three main areas of activity. First, through the adoption of gas networks for newly built housing installed by Utility Infrastructure Providers (UIPs), second, through developing gas network extensions installed to connect existing properties previously not served by the national gas system (known as infill) and third through adopting gas industrial and commercial (I&C) connections for clients.

The directors actively nurture relationships with key partners by servicing social landlords for infill projects and also continue to strengthen relationships with UIPs developing new housing networks as well as I&C market participants.

### Principal risks and uncertainties

The market for the adoption of new housing networks is competitive and is price sensitive.

New housing connections from UIPs are subject to the strength of the housing market. Given the current economic conditions experienced in the UK housing market the directors have adjusted the forecasted new wins for 2016 accordingly to reflect these conditions.

A large proportion of the infill market the Company targets is driven in part by government programs to bring more affordable (and lower CO<sub>2</sub> emitting) fuel to social housing. Indirectly the Company is partly dependent on government spending, without which the number of infill projects developed could reduce.

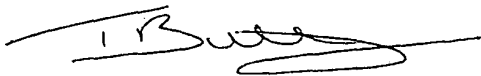
The Independent Gas Transporter (iGT) business market currently has four main competitors including the Company. The ownership and operation of gas pipelines represents approximately 73% (2014: 74%) of the Company's revenue. The Office of Gas and Electricity Markets (Ofgem) regulates the activities of 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 iGTs, 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.

**Strategic report (continued)**

The Company also operates and maintains meters connected to its gas pipelines. Metering income represents approximately 27% (2014: 26%) of the Company's revenue. 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 have put measures in place to help mitigate this risk.

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**



**T W Butler**  
*Director*  
*Date: 28<sup>th</sup> April 2016*

## Directors' report

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

### Dividends

Dividends of £26,007,000 (2014: Nil) were received during the year. No dividend was declared or paid during the year

### Directors

The directors who held office during the period were as follows:

R Wallace  
N J Clark  
M Carr  
J Hector  
V Spiers  
T W Butler  
S Springett

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company'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 Company's auditors are 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 £89,218,000 (2014: £49,782,000) of debt outstanding with its Group companies. 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.

#### *Credit risk*

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

#### *Price risk*

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

### Likely future developments in the business of the Company

Information on likely future developments in the business of the Company has been included in the Strategic Report on page 1.

### Auditors

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

### For and on behalf of the board



**T W Butler**

Director

Date: 28<sup>th</sup> April 2016

## Statement of directors' responsibilities

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent Auditor's Report**

We have audited the financial statements of E.S. Pipelines Limited for the year ended 31 December 2015 which comprise the statement of comprehensive income, the balance sheet, statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland".

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.

### **Respective responsibilities of directors and auditors**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31<sup>st</sup> December 2015 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.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion 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.

## Independent Auditor's Report

(continued)

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

BDO LLP

Anna Draper (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
Gatwick, West Sussex  
United Kingdom  
Date: 29 April 2016

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



**Statement of comprehensive income**  
*for the year ended 31 December 2015*

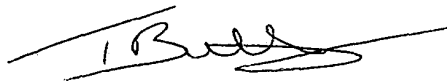
	<i>Note</i>	<b>Year ended 31 December 2015 £'000</b>	<b>Year ended 31 December 2014 £'000</b>
Turnover	3	14,781	11,987
Cost of sales		(3,826)	(2,982)
<b>Gross profit</b>		<b>10,955</b>	<b>9,005</b>
Administrative expenses		(3,579)	(3,179)
Other operating income - management fee		7,376	5,826
Dividends from share in group undertaking		1,461	1,664
		26,007	-
<b>Operating profit</b>	4	<b>34,844</b>	<b>7,490</b>
Interest payable and similar charges	5	(4,201)	(2,434)
Other interest receivable and similar income	6	1,026	1,407
<b>Profit on ordinary activities before taxation</b>		<b>31,669</b>	<b>6,463</b>
Tax on profit on ordinary activities	9	(698)	(1,380)
<b>Profit on ordinary activities after taxation and total comprehensive income for the year</b>		<b>30,971</b>	<b>5,083</b>

The notes on page 10 to 20 form part of these financial statements.

**Balance sheet**  
*at 31 December 2015*

	<i>Note</i>	<b>31 December 2015 £'000</b>	<b>31 December 2014 £'000</b>
<b>Fixed assets</b>			
Tangible assets	<i>10</i>	103,274	90,250
Investments	<i>11</i>	74,868	22,847
		<hr/>	<hr/>
		178,142	113,097
<b>Current assets</b>			
Debtors	<i>12</i>	13,857	12,827
Cash at bank and in hand		795	4,668
		<hr/>	<hr/>
		14,652	17,495
<b>Creditors: amounts falling due within one year</b>	<i>13</i>	(108,325)	(77,455)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(93,673)	(59,960)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		84,469	53,137
		<hr/>	<hr/>
<b>Creditors: amounts falling due after one year</b>	<i>14</i>	(21,400)	(21,038)
<b>Provision for liabilities and charges</b>	<i>15</i>	(672)	(673)
		<hr/>	<hr/>
<b>Net assets</b>		62,397	31,426
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	<i>17</i>	15,071	15,071
Profit and loss account		47,326	16,355
		<hr/>	<hr/>
		62,397	31,426
		<hr/>	<hr/>

These financial statements were approved by the board of directors and authorised for issue on 28<sup>th</sup> April 2016 and were signed on its behalf by:



**T W Butler**  
*Director*

The notes on page 10 to 20 form part of these financial statements

**Statement of changes in equity**  
*for the year to 31 December 2015*

	Share capital 2015 £'000	Profit and loss account 2015 £'000	Total equity 2015 £'000	Share capital 2014 £'000	Profit and loss account 2014 £'000	Total Equity 2014 £'000
1 January	15,071	16,355	31,426	15,071	11,272	26,343
Comprehensive income for the year						
Profit for the year	-	30,971	30,971	-	5,083	5,083
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>30,971</b>	<b>30,971</b>	<b>-</b>	<b>5,083</b>	<b>5,083</b>
Contributions by and distributions to owners						
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>31 December</b>	<b>15,071</b>	<b>47,326</b>	<b>62,397</b>	<b>15,071</b>	<b>16,355</b>	<b>31,426</b>

The notes on page 10 to 20 form part of these financial statements

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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.

This is the first year that FRS102 has been adopted in the preparation of these financial statements. No transitional adjustments were noted converting prior year comparative figures from the previous United Kingdom Generally Accepted Accounting Standards to FRS102.

#### *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 parent Company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and

#### *Going concern*

The financial statements have been prepared on a going concern basis, notwithstanding that at 31 December 2015 the company had net current liabilities of £93,673,000 (2014: £59,960,000). 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 until there are sufficient funds available for the Company to be able to make such a repayment. 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 and based on this, that the Company will have adequate resources to continue in operational existence for the foreseeable future and on this basis the directors believe it is appropriate to present the accounts on the going concern basis.

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.

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.

## Notes (continued)

### *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:

Fixtures, fittings, tools & equipment	4 to 8 years
Motor vehicles	4 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 and cost of investment*

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

### *Investments*

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

### *Pension scheme*

The Company operates a defined contribution pension scheme. Contributions to the scheme are charged to the statement of comprehensive income in the period in which they become payable. The assets of the scheme are held separately in an independently administered fund.

### *Finance costs*

Finance costs are charged to the statement of comprehensive income over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs that are initially recognised as a reduction in the proceeds of the associated capital instrument.

## **Notes (continued)**

### ***Leased assets: Lessee***

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

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

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

### ***Holiday pay accrual***

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

### ***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 been 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.

## Notes (continued)

### 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

	Year ended 31 December 2015	Year ended 31 December 2014
	£'000	£'000
Analysis by class of business:		
Gas transportation	10,785	8,884
Gas metering	3,996	3,103
	<hr/>	<hr/>
	14,781	11,987
	<hr/>	<hr/>

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

## 4 Operating Profit

	Year ended 31 December 2015	Year ended 31 December 2014
	£'000	£'000
<i>This is arrived at after charging/(crediting):</i>		
Auditors' remuneration – audit	36	31
Depreciation	2,776	2,348
Third party contributions release	(345)	(323)
(Profit) / Loss on disposal of fixed assets	(19)	10
Operating lease – land and buildings	95	95
	<hr/>	<hr/>

## Notes (continued)

### 5 Interest payable and similar charges

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Interest on loans to Group companies	4,169	2,402
Preference share interest payable	32	32
	<u>4,201</u>	<u>2,434</u>

### 6 Other interest receivable and similar income

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Loan interest receivable	1,026	1,407
	<u>1,026</u>	<u>1,407</u>

### 7 Staff numbers and costs

The average number of persons employed by the company (including seven of the directors) during the year was as follows:

	Year ended 31 December 2015 Number	Year ended 31 December 2014 Number
Administration	39	41

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Wages and salaries	1,794	1,643
Social security costs	218	193
Pension costs	305	290
	<u>2,317</u>	<u>2,126</u>



## Notes (continued)

### 8 Remuneration of directors

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Directors' emoluments	564	539
Company contributions to money purchase pension schemes	215	197
	<u>779</u>	<u>736</u>

There were five paid directors during the year.

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

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Directors' emoluments	136	115
Company contributions to money purchase pension schemes	41	57
	<u>177</u>	<u>172</u>

### 9 Taxation

#### Analysis of charge in period

	Year ended 31 December 2015	Year ended 31 December 2014
	£ £'000	£ £'000
<i>UK corporation tax</i>		
Current tax on income in the period	699	1,068
Prior year adjustment	-	-
	<u>699</u>	<u>1,068</u>
Total current tax	699	1,068
Deferred tax (see note 15)		
- Current	77	312
- Effect of reduction in tax rate to 18% (2014: 20%)	(75)	-
- Prior periods	(3)	-
	<u>-</u>	<u>312</u>
Total deferred tax charge / (credit)	-	312
Tax on profit on ordinary activities	<u>698</u>	<u>1,380</u>

## Notes (continued)

### Taxation (continued)

#### Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2014: lower) than the standard rate of corporation tax in the UK of 20.25%. (2014: 21.5%) The differences are explained below.

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	31,669	6,463
	<hr/>	<hr/>
Current tax at 20.25% (2014: 21.5%)	6,413	1,389
<i>Effects of:</i>		
Expenses not deductible for tax purposes	13	13
Capital allowances in excess of depreciation for the period	-	-
Loss surrendered as group relief	(382)	-
Prior year adjustment	(3)	-
Reduction in Deferred tax rate from 20% to 18%	(75)	-
Effect of different tax rate between	(1)	(22)
Exempt income : Dividend received	(5,267)	-
	<hr/>	<hr/>
Total current tax (see above)	698	1,380
	<hr/> <hr/>	<hr/> <hr/>

## 10 Tangible assets

	Meters £'000	Networks £'000	Motor Vehicles £'000	Fixtures, fittings, tools & equipment £'000	Total £'000
<i>Cost</i>					
At 1 January 2015	12,593	85,252	196	1,547	99,588
Additions	2,914	12,756	147	36	15,853
Disposals	(329)	-	(89)	-	(418)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	15,178	98,008	254	1,583	115,023
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 January 2015	2,161	5,995	85	1,098	9,339
Charge for period	1,076	1,438	58	203	2,776
Disposals	(291)	-	(74)	-	(365)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	2,946	7,433	69	1,301	11,750
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 December 2015	12,232	90,575	185	282	103,274
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	10,432	79,257	111	450	90,250
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 11 Fixed asset investments

	£'000
Cost at 1 January 2015	22,847
Additions	52,021
	<hr/>
Cost as at 31 December 2015	74,868
	<hr/>

Addition relates to investment in 100% of ESP Connections Limited acquired from liquidation of underlying subsidiary, Kellen Venture Limited.

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

<i>Subsidiary</i>	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Class and percentage of shares held</b>
ESP Pipelines Limited	England & Wales	Independent gas transport	Ordinary shares 100%
ESP Networks Limited	England & Wales	Independent gas transport	Ordinary shares 100%
ESP Connections Limited	England & Wales	Independent gas transport	Ordinary shares 100%

### 12 Debtors

	31 December 2015 £'000	31 December 2014 £'000
Trade debtors	1,817	1,332
Amounts owed by group undertakings	2,233	11,163
Other debtors	5	20
Group relief receivable from fellow subsidiaries	9,044	-
Prepayments and accrued income	362	312
Deposits	396	-
	<hr/>	<hr/>
	13,857	12,827
	<hr/>	<hr/>

### 13 Creditors: amounts falling due within one year

	31 December 2015 £'000	31 December 2013 £'000
Trade creditors	5,142	3,107
Other creditors	357	266
Loans due to group undertakings	89,218	49,782
Amounts owed to group undertakings	11,142	16,193
Accruals and deferred income	2,395	3,099
Group relief payable to fellow subsidiaries	-	4,956
Tax and Social Security	71	52
	<hr/>	<hr/>
	108,325	77,455
	<hr/>	<hr/>

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

Loans due to group undertaking attract interest at rates as per note 14. The loans are repayable on demand.

**Notes (continued)**

**14 Creditors: amounts falling due after more than one year**

	31 December 2015 £'000	31 December 2014 £'000
Deferred income	18,244	17,915
Preference shares	3,156	3,123
	<u>21,400</u>	<u>21,038</u>

The carrying value of the preference shares includes accrued interest in respect of cumulative dividends.

Analysis of loans due to group undertakings:	31 December 2015 £'000	31 December 2014 £'000
Loan due to group undertakings can be analysed as falling due:		
In one year or less, or on demand	89,218	49,782
Between one and two years	-	-
Between two and five years	-	-
Over five years	-	-
	<u>89,218</u>	<u>49,782</u>

Interest is payable on the above amounts at the following rates:	31 December 2015 £'000	31 December 2014 £'000
Interest charged at 5.5% above Libor	41,546	41,234
Interest charged at 3.5% above Libor	8,548	8,548
Interest charged at 9.0% (Junior rate plus 3.5%) from 26 <sup>th</sup> August 2015	26,064	
Interest charged at 13.58% from 26 <sup>th</sup> August 2015	13,060	-
	<u>89,218</u>	<u>49,782</u>

## Notes (continued)

### 15 Provisions for liabilities and charges

	Deferred taxation £'000
Liability at the beginning of the period	673
Charge to the profit and loss for the period	(1)
	<hr/>
Liability at the end of the period	672
	<hr/>

The elements of deferred taxation are as follows:

	31 December 2015 £'000	31 December 2014 £'000
Difference between accumulated depreciation and amortisation of capital allowance	686	689
Timing differences	(14)	(16)
	<hr/>	<hr/>
	672	673
	<hr/>	<hr/>

### 16 Pensions - defined contribution scheme

The amount recognised in the statement of comprehensive income account as an expense in relation to the Company's defined contribution schemes is £305,000 (2014 - £290,000). There were no amounts owing at the year end.

### 17 Called up share capital

	31 December 2015 £'000	31 December 2014 £'000
<i>Allotted, called up and fully paid</i>		
15,070,885 Ordinary shares of £1 each	15,071	15,071
2,150,000 Cumulative redeemable preference shares of £1 each	2,150	2,150
	<hr/>	<hr/>
	17,221	17,221
	<hr/>	<hr/>
<i>Authorised</i>		
20,000,000 Ordinary shares of £1 each	20,000	20,000
10,000,000 Cumulative redeemable preference shares of £1 each	10,000	10,000
	<hr/>	<hr/>
	30,000	30,000
	<hr/>	<hr/>
Shares classified in liabilities	2,150	2,150
Shares classified in Shareholders' funds	15,071	15,071
	<hr/>	<hr/>
	17,221	17,221
	<hr/>	<hr/>

The preference shares are cumulative at a coupon of 1% above bank base rate. The Company may at its option redeem at par the redeemable preference shares in whole or in part at any time giving three months' notice in writing.

**Notes (continued)**

**18 Capital commitments**

	31 December 2015 £'000	31 December 2014 £'000
Capital commitments authorised by the directors are:		
Contracted	48,037	43,654

**18 Immediate and ultimate holding company and parent undertaking of larger group**

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

The 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.