E.S. Pipelines Limited

Directors' report and financial statements

Registered number 3822878

Year ended 31 December 2016

Contents

Directors

R Wallace
N J Clark
J Hector
V Spiers
T W Butler
S Williams

Secretary and registered office

Beach Secretaries Limited, Bluebird House, Mole Business Park, Leatherhead, Surrey, KT22 7BA

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 £17,503,000 (2015: £14,781,000) and profit for the period of £3,015,000 (2015: £30,971,000).

Dividends received during the year amounted to £Nil (2015: £26,007,000 from Group undertakings.

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 228,221 with a growth of 15% in the year, (2015: 198,370 18% 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 2017 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 2017 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_2 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% (2015: 73%) 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% (2015: 27%) 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: 11th April 2017

Directors' report

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

Dividends

Dividends of £Nil (2015: £26,007,000) 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	
J Hector	
V Spiers	
T W Butler	
S Williams	(appointed: 16 May 2016)
S Springett	(resigned: 9 November 2016)
M Carr	(resigned: 3 June 2016)

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 £92,284,000 (2015: £89,218,000) 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.

Directors' report *(continued)*

Post balance sheet event

On 22nd of December 2016 EISER Finance Limited announced that it had agreed a sale of a portfolio of assets by the EISER Global Infrastructure Fund to a fund managed by 3i Investments plc. This will include ESP Utilities Group Limited and all its underlying subsidiaries. The sale is subject to certain conditions usual for a transaction of its type and it is anticipated that it would complete in the first half of 2017.

The directors see no change to the group's existing business model or the activities of the group and note that this event does not impact the figures in the accounts as at 31st December 2016.

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: 11th April 2017

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 2016 which comprise the statement of comprehensive income, the balance sheet, the 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.

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 31st December 2016 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, 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.

Independent Auditor's Report

(continued)

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 or the directors' report.

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: 13/4/17

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 2016

	Note	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Turnover	3	**17,503**	14,781
Cost of sales		**(4,335)**	(3,826)
Gross profit		**13,168**	10,955
Administrative expenses		**(3,822)**	(3,579)
		9,346	7,376
Other operating income - management fee		**1,549**	1,461
Dividends from share in group undertaking		-	26,007
Operating profit	*4*	**10,895**	34,844
Interest payable and similar charges	*5*	**(7,213)**	(4,201)
Other interest receivable and similar income	*6*	-	1,026
Profit on ordinary activities before taxation		**3,682**	31,669
Tax on profit on ordinary activities	*9*	**(667)**	(698)
Profit on ordinary activities after taxation and total comprehensive income for the year		**3,015**	30,971

The notes on page 10 to 21 form part of these financial statements.

Balance sheet
at 31 December 2016

	Note	31 December 2016 £'000	31 December 2015 £'000
Fixed assets			
Tangible assets	*10*	**116,148**	103,274
Investments	*11*	**74,868**	74,868
		191,016	178,142
Current assets			
Debtors	*12*	**14,229**	13,857
Cash at bank and in hand		**1,216**	795
		15,445	14,652
Creditors: amounts falling due within one year	*13*	**(117,068)**	(108,325)
Net current liabilities		**(101,623)**	(93,673)
Total assets less current liabilities		**89,393**	84,469
Creditors: amounts falling due after one year	*14*	**(22,747)**	(21,400)
Provision for liabilities and charges	*15*	**(1,234)**	(672)
Net assets		**65,412**	62,397
Capital and reserves			
Called up share capital	*17*	**15,071**	15,071
Profit and loss account		**50,341**	47,326
		65,412	62,397

These financial statements were approved by the board of directors and authorised for issue on 11th April 2017 and were signed on its behalf by:

T W Butler
Director

The notes on page 10 to 21 form part of these financial statements

Statement of changes in equity
for the year to 31 December 2016

	Share capital 2016 £'000	Profit and loss account 2016 £'000	Total equity 2016 £'000	Share capital 2015 £'000	Profit and loss account 2015 £'000	Total Equity 2015 £'000
1 January	15,071	47,326	62,397	15,071	16,355	31,426
Comprehensive income for the year						
Profit for the year	-	*3,015*	*3,015*	-	30,971	30,971
Total comprehensive income for the year	-	3,015	3,015	-	30,971	30,971
Contributions by and distributions to owners						
Total contributions by and distributions to owners	-	-	-	-	-	-
31 December	*15,071*	*50,341*	*65,412*	15,071	47,326	62,397

The notes on page 11 to 21 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.

E.S. Pipelines Limited is a private limited company incorporated in England & Wales under the Companies Act 2006.

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.

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding that at 31 December 2016 the company had net current liabilities of £101,623,000 (2015: £93,673,000). 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. 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.

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

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

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

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 2016	**Year ended 31 December 2015**
	£'000	**£'000**
Analysis by class of business:		
Gas transportation	**12,788**	10,875
Gas metering	**4,715**	3,996
	17,503	14,871

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

4 Operating Profit

This is arrived at after charging /(crediting):	**Year ended 31 December 2016 £'000**	**Year ended 31 December 2015 £'000**
Auditors' remuneration - audit	**42**	36
Depreciation	**3,074**	2,776
Third party contributions release	**(361)**	(345)
(Profit) on disposal of fixed assets	**(2)**	(19)
Operating lease – land and buildings	**138**	95

Notes *(continued)*

5 Interest payable and similar charges

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Interest on loans from Group companies	**7,183**	4,169
Preference share interest payable	**30**	32
	7,213	4,201

6 Other interest receivable and similar income

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Loan interest receivable	-	1,026
	-	1,026

7 Staff numbers and costs

The average number of persons employed by the company (including six of the directors), (2015 : seven) during the year was as follows:

	Year ended 31 December 2016 Number	Year ended 31 December 2015 Number
Administration	**45**	39

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Wages and salaries	**1,941**	1,794
Social security costs	**231**	218
Pension costs	**336**	305
	2,508	2,317

Notes *(continued)*

8 Remuneration of directors

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Directors' emoluments	**584**	564
Company contributions to money purchase pension schemes	**234**	215
	818	779

There were six paid directors during the year (2015: five).

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

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Directors' emoluments	**134**	136
Company contributions to money purchase pension schemes	**52**	41

9 Taxation

Analysis of charge in period

	Year ended 31 December 2016		Year ended 31 December 2015	
	£ £'000	£ £'000	£ £'000	£ £'000
UK corporation tax				
Current tax on income in the period	**105**		699	
Prior year adjustment	-		-	
Total current tax		**105**		699
Deferred tax (see note 15)				
- Current		**586**		77
- Effect of reduction in tax rate		**(73)**		(75)
- Prior periods		**49**		(3)
Total deferred tax charge / (credit)		**562**		(1)
Tax on profit on ordinary activities		**667**		698

Notes *(continued)*

Taxation (continued0

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2015: lower) than the standard rate of corporation tax in the UK of 20.00%. (2015: 20.25%) The differences are explained below.

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	**3,683**	31,669
Current tax at 20.00% (2015: 20.25%)	**737**	6,413
Effects of:		
Expenses not deductible for tax purposes	**20**	13
Loss surrendered as group relief	**-**	(382)
Prior year adjustment	**48**	(3)
Reduction in Deferred tax rate from 18% to 17%	**(73)**	(75)
Effect of different tax rate between	**(65)**	(1)
Exempt income : Dividend received	**-**	(5,267)
Total current tax (see above)	**667**	698

10 Tangible assets

	Meters £'000	Networks £'000	Motor Vehicles £'000	Fixtures, fittings, tools & equipment £'000	Total £'000
Cost					
At 1 January 2016	15,178	98,008	254	1,583	115,023
Additions	2,291	13,114	176	509	16,090
Disposals	(260)	(146)	(41)	(254)	(701)
At 31 December 2016	**17,209**	**110,976**	**389**	**1,838**	**130,412**
Depreciation					
At 1 January 2016	2,946	7,433	69	1,301	11,749
Charge for period	938	1,860	76	200	3,074
Disposals	(260)	(15)	(30)	(254)	(559)
At 31 December 2016	**3,624**	**9,278**	**115**	**1,247**	**14,264**
Net book value					
At 31 December 2016	**13,585**	**101,698**	**274**	**591**	**116,148**
At 31 December 2015	12,232	90,575	185	282	103,274

Notes (continued)

11 Fixed asset investments

	£'000
Cost at 1 January 2016	74,868
Additions	-
Cost as at 31 December 2016	74,868

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

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

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

12 Debtors

	31 December 2016 £'000	31 December 2015 £'000
Trade debtors	2,298	1,817
Amounts owed by group undertakings	2,091	2,233
Other debtors	64	5
Group relief receivable from fellow subsidiaries	8,938	9,044
Prepayments and accrued income	442	362
Deposits	396	396
	14,229	13,857

13 Creditors: amounts falling due within one year

	31 December 2016 £'000	31 December 2015 £'000
Trade creditors	5,183	5,142
Other creditors	545	357
Loans due to group undertakings	92,284	89,218
Amounts owed to group undertakings	15,121	11,142
Accruals and deferred income	3,833	2,395
Tax and Social Security	102	71
	117,068	108,325

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 2016 £'000	31 December 2015 £'000
Deferred income	**19,561**	18,244
Preference shares	**3,186**	3,156
	22,747	21,400

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

Analysis of loans due to group undertakings:	31 December 2016 £'000	31 December 2015 £'000
Loan due to group undertakings can be analysed as falling due:		
In one year or less, or on demand	**92,284**	89,218
Between one and two years	-	-
Between two and five years	-	-
Over five years	-	-
	92,284	89,218

Interest is payable on the above amounts at the following rates:	31 December 2016 £'000	31 December 2015 £'000
Interest charged at 5.5% above Libor	**43,567**	41,546
Interest charged at 3.5% above Libor	**9,605**	8,548
Interest charged at 9.0% (Junior rate plus 3.5%) from 26th August 2015	**26,057**	26,064
Interest charged at 13.58% from 26th August 2015	**13,055**	13,060
	92,284	89,218

Notes *(continued)*

15 Provisions for liabilities and charges

	Deferred taxation £'000
Liability at the beginning of the period	**672**
Charge to the profit and loss for the period	**562**
Liability at the end of the period	**1,234**

The elements of deferred taxation are as follows:

	31 December 2016 £'000	31 December 2015 £'000
Difference between accumulated depreciation and amortisation of capital allowance	**1,248**	686
Timing differences	**(14)**	(14)
	1,234	672

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 £336,000 (*2015 - £305,000*). There were no amounts owing at the year end.

17 Called up share capital

	31 December 2016 £'000	31 December 2015 £'000
Allotted, called up and fully paid		
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
	17,221	17,221
Authorised		
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
	30,000	30,000
Shares classified in liabilities	**2,150**	2,150
Shares classified in Shareholders' funds	**15,071**	15,071
	17,221	17,221

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 2016 £'000	31 December 2015 £'000
Capital commitments authorised by the directors are:		
Contracted	**49,278**	48,037

19 Commitments under operating leases

The Company had minimum lease payments under non-cancellable operating leases as set out below:

	2016 £'000	2015 £'000
Not later than 1 year	**216**	95
Later than 1 year and not later than 5 years	**928**	95
Greater than 5 years	**971**	-
Total	**2,115**	190

The Company had no commitments under non-cancellable operating leases as at the balance sheet date

20 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.

21 Post Balance Sheet event

On 22nd of December 2016 EISER Finance Limited announced that it had agreed a sale of a portfolio of assets by the EISER Global Infrastructure Fund to a fund managed by 3i Investments plc. This will include ESP Utilities Group Limited and all its underlying subsidiaries. The sale is subject to certain conditions usual for a transaction of its type and it is anticipated that it would complete in the first half of 2017.

The directors see no change to the group's existing business model or the activities of the group and note that this event does not impact the figures in the accounts as at 31st December 2016.