

E.S. Pipelines Limited

**Directors' report and financial
statements**

Registered number 3822878

Year ended 31 December 2014

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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

Review of the business

The profit and loss account is set out on page 6 and shows turnover for the period of £11,986,943 (2013: £9,059,229) and profit for the period of £5,083,181 (2013: £4,057,342).

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 168,295 with a growth of 16% in the year, compared to 52% 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 2015 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.

No dividend was paid during the period.

Principal risks and uncertainties

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

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 2015 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 CO₂ emitting) fuel to social housing. Indirectly the Company is partly dependent on government spending, without which the number of infill projects developed could reduce.

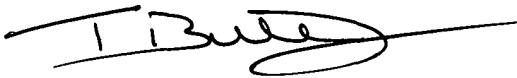
The Independent Gas Transporter (iGT) business market currently has three main competitors including the Company. The ownership and operation of gas pipelines represents approximately 74% of the Company's revenue. The Office of Gas and Electricity Markets (Ofgem) regulates the activities of the Company, 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's, and the operators of the Gas Distribution Networks. RPC allows the Company's 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 26% (2013: 29%) of 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

A handwritten signature in black ink, appearing to read 'T W Butler', with a long horizontal stroke extending to the right.

T W Butler

Director

Date: 28th April 2015

Directors' report

The directors present their annual report and the audited financial statements for the year ended to 31 December 2014.

Principal activities

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

Results and dividend

The profit and loss account is set out on page 6 and shows the company's profit for the year. No dividend was paid during the year (2013: nil).

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

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 £49,782,061 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.

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

The Company does not enter into any hedging arrangements.

Directors and directors' interests

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

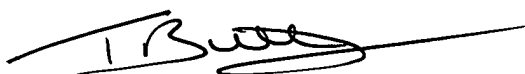
R Wallace
N J Clark
M Carr
J Hector
V Spiers
T W Butler
S Springett

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.

Auditors

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

For and on behalf of the board



T W Butler

Director

Date: 28th April 2015

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 to the Shareholders of E.S. Pipelines Limited

We have audited the financial statements of E.S. Pipelines Limited for the year ended 31 December 2014 which comprise the profit and loss account, the balance sheet 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).

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 2014 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 to the Shareholders of E.S. Pipelines Limited

(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; or

BDO LLP

Anna Draper (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick, West Sussex
United Kingdom
Date: 29th April 2015

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

Profit and loss account
for the year ended 31 December 2014

| | <i>Note</i> | Year ended 31 December 2014 £ | Year ended 31 December 2013 £ |
|--|-------------|--|--|
| Turnover | 1 | 11,986,943 | 9,059,229 |
| Cost of sales | | (2,982,288) | (2,419,016) |
| Gross profit | | 9,004,655 | 6,640,213 |
| Administrative expenses | | (3,178,992) | (2,936,667) |
| Other operating income - management fee | | 5,825,663 1,664,090 | 3,703,546 1,813,177 |
| Operating profit | | 7,489,753 | 5,516,723 |
| Interest payable and similar charges | 3 | (2,434,053) | (1,883,549) |
| Other interest receivable and similar income | 4 | 1,406,910 | 1,227,663 |
| Profit on ordinary activities before taxation | 2 | 6,462,610 | 4,860,837 |
| Tax on profit on ordinary activities | 7 | (1,379,429) | (803,495) |
| Profit on ordinary activities after taxation | 16 | 5,083,181 | 4,057,342 |


The operating profit of the company arose solely from continuing activities. There are no recognised gains or losses other than the profit for the financial period.

The notes on page 9 to 17 form part of these financial statements.

Balance sheet
at 31 December 2014

| | <i>Note</i> | 31 December 2014 £ | 31 December 2013 £ |
|---|-------------|-----------------------------------|-----------------------------------|
| Fixed assets | | | |
| Tangible assets | 8 | 90,249,682 | 77,844,702 |
| Investments | 9 | 22,847,458 | 22,847,458 |
| | | <hr/> | <hr/> |
| | | 113,097,140 | 100,692,160 |
| Current assets | | | |
| Debtors | 10 | 12,827,358 | 11,297,476 |
| Cash at bank and in hand | | 4,667,949 | 1,648,424 |
| | | <hr/> | <hr/> |
| | | 17,495,307 | 12,945,900 |
| Creditors: amounts falling due within one year | 11 | (77,455,217) | (27,394,220) |
| | | <hr/> | <hr/> |
| Net current liabilities | | (59,959,910) | (14,448,320) |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | 53,137,230 | 86,243,840 |
| | | <hr/> | <hr/> |
| Creditors: amounts falling due after one year | 12 | (21,038,494) | (59,539,812) |
| Provision for liabilities and charges | 13 | (672,651) | (361,124) |
| | | <hr/> | <hr/> |
| Net assets | | 31,426,085 | 26,342,904 |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Called up share capital | 14 | 15,070,885 | 15,070,885 |
| Profit and loss account | 16 | 16,355,200 | 11,272,019 |
| | | <hr/> | <hr/> |
| Shareholders' funds | 15 | 31,426,085 | 26,342,904 |
| | | <hr/> | <hr/> |

These financial statements were approved by the board of directors and authorised for issue on 28th April 2015 and were signed on its behalf by:



T W Butler
 Director

The notes on page 9 to 17 form part of these financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

The Company is exempt under section 401 of the Companies Act 2006 from the obligation to prepare group accounts and to deliver them to the Registrar of Companies. The financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within a group headed by ESP Utilities Group Limited and the Company is included in consolidated financial statements.

As 100% of the Company's voting rights are controlled within the group headed by ESP Utilities Group Limited the company has taken advantage of the exemptions contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of ESP Utilities Group Limited, within which this Company is included, are publicly available as described in note 19.

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £59,959,910 (2013: net current liabilities of £14,448,320). The Company is dependent for its working capital on funds provided to it by a fellow group undertaking. The relevant group undertaking has confirmed it will not seek repayment of the loan until there are sufficient funds available for the company to be able to make such a repayment.

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

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

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 group'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.

Fixed assets and depreciation

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

| | |
|---------------------------------------|----------------|
| Fixtures, fittings, tools & equipment | - 4 to 8 years |
| Networks | - 60 years |
| Motor vehicles | - 4 years |
| Meters | - 20 years |
| Prepayment meters | - 10 years |

Notes (continued)

Investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Third party contributions

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

Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Pension schemes

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

2 Profit on ordinary activities before taxation

| | Year ended 31 December 2014 £ | Year ended 31 December 2013 £ |
|---|--|--|
| <i>Profit on ordinary activities before taxation is stated after charging /(crediting):</i> | | |
| Auditors' remuneration – audit | 30,900 | 29,800 |
| Depreciation | 2,347,686 | 1,871,662 |
| Third party contributions release | (322,522) | (276,682) |
| Loss / (profit) on disposal of fixed assets | 9,589 | (2,614) |
| Rent of premises | 95,000 | 95,000 |
| | <u> </u> | <u> </u> |

3 Interest payable and similar charges

| | Year ended 31 December 2014 £ | Year ended 31 December 2013 £ |
|--------------------------------------|--|--|
| Interest on loans to Group companies | 2,401,803 | 1,851,299 |
| Preference share interest payable | 32,250 | 32,250 |
| | <u> </u> | <u> </u> |
| | 2,434,053 | 1,883,549 |
| | <u> </u> | <u> </u> |

4 Other interest receivable and similar income

| | Year ended 31 December 2014 £ | Year ended 31 December 2013 £ |
|-------------------------------|--|--|
| Loan note interest receivable | 1,406,897 | 1,227,663 |
| Bank Interest receivable | 13 | - |
| | <u> </u> | <u> </u> |
| | 1,406,910 | 1,227,663 |
| | <u> </u> | <u> </u> |

Notes (continued)

5 Remuneration of directors

| | Year ended 31 December 2014 £ | Year ended 31 December 2013 £ |
|---|--|--|
| Directors' emoluments | 538,486 | 422,102 |
| Company contributions to money purchase pension schemes | 197,460 | 167,737 |
| | <u>735,946</u> | <u>589,839</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 2014 £ | Year ended 31 December 2013 £ |
|---|--|--|
| Directors' emoluments | 115,367 | 99,705 |
| Company contributions to money purchase pension schemes | 56,805 | 61,188 |
| | <u>172,172</u> | <u>160,893</u> |

6 Staff numbers and costs

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

| | Year ended 31 December 2014 Number | Year ended 31 December 2013 Number |
|----------------|---|---|
| Administration | 41 | 37 |
| | <u>41</u> | <u>37</u> |

The aggregate payroll costs of these persons were as follows:

| | Year ended 31 December 2014 £ | Year ended 31 December 2013 £ |
|-----------------------|--|--|
| Wages and salaries | 1,643,137 | 1,453,929 |
| Social security costs | 192,348 | 170,470 |
| Pensions costs | 290,205 | 281,283 |
| | <u>2,125,690</u> | <u>1,905,682</u> |

Notes (continued)

7 Taxation

Analysis of charge in period

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|-----------------------------------|-----------------------------------|
| | £ | £ |
| <i>UK corporation tax</i> | | |
| Current tax on income in the period | 1,067,902 | 1,071,848 |
| Prior year adjustment | - | (341,028) |
| | <hr/> | <hr/> |
| Total current tax | 1,067,902 | 730,820 |
| | <hr/> | <hr/> |
| Deferred tax (see note 13) | | |
| - Current | 311,575 | 71,488 |
| - Effect of reduction in tax rate to 20% (2012:23%) | - | (54,938) |
| - Prior periods | (48) | 56,125 |
| | <hr/> | <hr/> |
| Total deferred tax charge / (credit) | 311,527 | 72,675 |
| | <hr/> | <hr/> |
| Tax on profit on ordinary activities | 1,379,429 | 803,495 |
| | <hr/> | <hr/> |

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2013: lower) than the standard rate of corporation tax in the UK of 21.5%. (2013: 23.25%) The differences are explained below.

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|-----------------------------------|-----------------------------------|
| | £ | £ |
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 6,462,610 | 4,860,837 |
| | <hr/> | <hr/> |
| Current tax at 21.5% (2013: 23.25%) | 1,389,461 | 1,130,145 |
| | <hr/> | <hr/> |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | 13,384 | 13,191 |
| Capital allowances in excess of depreciation for the period | (334,943) | (71,488) |
| Prior year adjustment | - | (341,028) |
| | <hr/> | <hr/> |
| Total current tax (see above) | 1,067,902 | 730,820 |
| | <hr/> | <hr/> |

Notes (continued)

8 Tangible assets

| | Meters £ | Networks £ | Motor Vehicles £ | Fixtures, fittings, tools & equipment £ | Total £ |
|-----------------------|-------------------|-------------------|------------------------|--|-------------------|
| Cost | | | | | |
| At 1 January 2014 | 9,809,209 | 73,680,164 | 195,718 | 1,581,083 | 85,266,174 |
| Additions | 3,027,521 | 11,572,149 | 60,282 | 123,529 | 14,783,481 |
| Disposals | (243,814) | - | (65,555) | (157,229) | (466,598) |
| At 31 December 2014 | 12,592,916 | 85,252,313 | 190,445 | 1,547,383 | 99,583,057 |
| Depreciation | | | | | |
| At 1 January 2014 | 1,561,738 | 4,738,325 | 73,057 | 1,048,352 | 7,421,472 |
| Charge for period | 843,214 | 1,256,679 | 49,813 | 197,980 | 2,347,686 |
| Disposals | (243,814) | - | (37,254) | (148,715) | (429,783) |
| At 31 December 2014 | 2,161,138 | 5,995,004 | 85,616 | 1,097,617 | 9,339,375 |
| Net book value | | | | | |
| At 31 December 2014 | 10,431,778 | 79,257,309 | 104,829 | 449,766 | 90,243,682 |
| At 31 December 2013 | 8,247,471 | 68,941,839 | 122,661 | 532,731 | 77,844,702 |

Notes (continued)

9 Fixed asset investments

| | £ |
|---|-------------------|
| Cost at 1 January 2014 and 31 December 2014 | <u>22,847,458</u> |

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

| | Country of incorporation | Principal activity | Class and percentage of shares held |
|---------------------------|-----------------------------|---------------------------|--|
| <i>Subsidiary</i> | | | |
| ESP Pipelines Limited | England & Wales | Independent gas transport | Ordinary shares 100% |
| ESP Networks Limited | England & Wales | Independent gas transport | Ordinary shares 100% |
| Kellen Venture Limited | England & Wales | Holding company | Ordinary shares 100% |
| ESP Connections Limited * | England & Wales | Independent gas transport | Ordinary shares 100% |

* indirectly held

10 Debtors

| | 31 December 2014 £ | 31 December 2013 £ |
|------------------------------------|--------------------------|--------------------------|
| Trade debtors | 1,332,082 | 1,315,590 |
| Amounts owed by group undertakings | 11,163,325 | 9,687,137 |
| Other debtors | 20,159 | 35,811 |
| Prepayments and accrued income | 311,792 | 258,938 |
| | <u>12,827,358</u> | <u>11,297,476</u> |

11 Creditors: amounts falling due within one year

| | 31 December 2014 £ | 31 December 2013 £ |
|---|--------------------------|--------------------------|
| Trade creditors | 3,107,205 | 2,783,346 |
| Other creditors | 265,748 | 251,097 |
| Loans due to group undertakings | 49,782,061 | - |
| Amounts owed to group undertakings | 16,192,777 | 17,845,644 |
| Accruals and deferred income | 3,099,281 | 2,570,540 |
| Group relief payable to fellow subsidiaries | 4,956,170 | 3,888,269 |
| Tax and Social Security | 51,975 | 55,324 |
| | <u>77,455,217</u> | <u>27,394,220</u> |

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.

Notes (continued)

12 Creditors: amounts falling due after more than one year

| | 31 December 2014 £ | 31 December 2013 £ |
|---------------------------------|--------------------------|--------------------------|
| Loans due to group undertakings | - | 39,952,212 |
| Deferred income | 17,915,160 | 16,496,515 |
| Preference shares | 3,123,334 | 3,091,085 |
| | <u>21,038,494</u> | <u>59,539,812</u> |

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

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 profit and loss account, as a reduction in the depreciation charge, over the useful life of the related assets.

| | 31 December 2014 £ | 31 December 2013 £ |
|--|--------------------------|--------------------------|
| Analysis of loans due to group undertakings: | | |
| Loan due to group undertakings can be analysed as falling due: | | |
| In one year or less, or on demand | 49,782,061 | - |
| Between one and two years | - | 39,952,212 |
| Between two and five years | - | - |
| Over five years | - | - |
| | <u>49,782,061</u> | <u>39,952,212</u> |

Interest is payable on the above amounts at the following rates:

| | £ | £ |
|--|-------------------|-------------------|
| Interest charged at 5.5% above Libor | 41,234,475 | 31,404,686 |
| Interest charged at 3.5% above Libor from 01 November 2011 | 8,547,586 | 8,547,526 |
| | <u>49,782,061</u> | <u>39,952,212</u> |

Notes (continued)

13 Provisions for liabilities and charges

| | Deferred taxation £ |
|--|------------------------|
| Liability at the beginning of the period | 361,124 |
| Credit to the profit and loss for the period | 311,527 |
| | <hr/> |
| Liability at the end of the period | 672,651 |
| | <hr/> |

The elements of deferred taxation are as follows:

| | 31 December 2014 £ | 31 December 2013 £ |
|---|--------------------------|--------------------------|
| Difference between accumulated depreciation and amortisation of capital allowance | 688,651 | 377,124 |
| Provisions | (16,000) | (16,000) |
| | <hr/> | <hr/> |
| | 672,651 | 361,124 |
| | <hr/> | <hr/> |

14 Called up share capital

| | 31 December 2014 £ | 31 December 2013 £ |
|---|--------------------------|--------------------------|
| <i>Allotted, called up and fully paid</i> | | |
| 15,070,885 Ordinary shares of £1 each | 15,070,885 | 15,070,885 |
| 2,150,000 Cumulative redeemable preference shares of £1 each | 2,150,000 | 2,150,000 |
| | <hr/> | <hr/> |
| | 17,220,885 | 17,220,885 |
| | <hr/> | <hr/> |
| <i>Authorised</i> | | |
| 20,000,000 Ordinary shares of £1 each | 20,000,000 | 20,000,000 |
| 10,000,000 Cumulative redeemable preference shares of £1 each | 10,000,000 | 10,000,000 |
| | <hr/> | <hr/> |
| | 30,000,000 | 30,000,000 |
| | <hr/> | <hr/> |
| Shares classified in liabilities | 2,150,000 | 2,150,000 |
| Shares classified in Shareholders' funds | 15,070,885 | 15,070,885 |
| | <hr/> | <hr/> |
| | 17,220,885 | 17,220,885 |
| | <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)

15 Reconciliation of movements in shareholders' funds

| | Year ended 31 December 2014 £ | Year ended 31 December 2013 £ |
|--|--|--|
| Profit for the financial period | 5,083,181 | 4,057,342 |
| Net addition to shareholders' funds | 5,083,181 | 4,057,342 |
| Opening shareholders' funds | 26,342,904 | 22,285,562 |
| Closing shareholders' funds | 31,426,085 | 26,342,904 |

16 Profit and loss account

| | Year ended 31 December 2014 £ | Year ended 31 December 2013 £ |
|---|--|--|
| Profit for the financial period | 5,083,181 | 4,057,342 |
| Profit and loss account at the beginning of the period | 11,272,019 | 7,214,677 |
| Profit and loss account at the end of period | 16,355,200 | 11,272,019 |

17 Capital commitments

| | 31 December 2014 £ | 31 December 2013 £ |
|--|--------------------------|--------------------------|
| Capital commitments authorised by the directors are: | | |
| Contracted | 43,654,180 | 34,959,833 |

18 Commitments under operating leases

At the year-end E.S. Pipelines Limited had annual commitments under non-cancellable operating leases, in respect of land and buildings, expiring between two and five years, of £95,000 (2013: £95,000).

19 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.