

Zoom Holding Limited

Report and Financial Statements

Year Ended

31 December 2018

Registered number 05777758

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Zoom Holding Limited

Report and financial statements for the year ended 31 December 2018

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Directors

T Butler
A Dellis
N Horler
P Miles
K O'Connor
S Schwengber
B Sottomayor

Secretary and registered office

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

Company number

05777758

Auditor

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

Zoom Holding Limited

Strategic report for the year ended 31 December 2018

Principal Activities

Zoom Holding Limited ("the Company") is the ultimate holding company for the ESP Utilities Group of companies. The Company has five trading subsidiaries (together "the Group"): one subsidiary is an electrical distribution company engaged in the development of electrical distribution as an independent operator together with four subsidiaries operating as gas transporter companies engaged in the development of gas pipelines, the transportation of gas and metering services throughout mainland UK.

3i MIA LP is the ultimate controlling party.

ESP Utilities Group can trace its roots to 1999 when ES Pipelines was formed to concentrate mainly on gas infill projects to bring supply to areas, both rural and urban, which had previously not been connected to the national network.

In June 2017 the group was sold to 3i MIA Holdings Limited as part of a portfolio of 5 assets by Eiser Infrastructure Limited. 3i MIA Holding Limited is wholly owned by 3i Managed Infrastructure Acquisitions LP (3i MIA LP). 3i MIA LP was a new fund formed to hold these assets in a £700m unlisted fund which was closed in 2017. 3i MIA LP is managed by 3i Investments plc, which is a wholly owned subsidiary of 3i Group plc. The general partner of 3i MIA LP is 3i Managed Infrastructure GP (2017) LLP. 3i Group plc is listed on the London Stock Exchange.

3i MIA LP has Limited partners, with a demonstrated long-term investment horizon.

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

Business Model and future developments

Through its subsidiary brands ES Pipelines, ESP Electricity, ESP Networks, ESP Connections and ESP Pipelines – ESP Utilities Group works with housing developers, social landlords, industry and individuals to extend the gas and electricity networks throughout Great Britain.

The Group is the UK's second largest owner and operator of independent gas and electricity networks with 632,627 connections as of December 2018. The Group continues to expand its portfolio of assets through three main areas of activity. First, through the adoption of gas and electricity networks for newly built housing installed by Utility Infrastructure Providers ("UIPs and ICPs"); 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 and electricity industrial and commercial ("I&C") connections for commercial parks. Revenue is generated from Utility providers who then pay a monthly income per connection for use of the 'last mile' of infrastructure.

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

With housebuilder forecasts remaining positive, and Help to Buy scheme extended until 2023, the Group is forecasting the level of new connections won each year will be sustainable, leading to continued growth in the order book and subsequent connection numbers.

Financial review

Group turnover for the year to 31 December 2018 increased by 17.6% to £62.999m (2017: £53.564m) and operating profit for the year before depreciation, amortisation and interest charges grew by 19.1% to £21.6m (2017: £18.2m).

Zoom Holding Limited

Strategic report (cont.) for the year ended 31 December 2018 (*continued*)

Financial review (continued)

Performance is driven by a clear strategy to grow the business by increasing installed connections across both the gas and electricity divisions by focussing on three key aspects:

- Meeting and exceeding standards in engineering and quality processes.
- Providing excellent service to our customers and the consumers of gas and electricity who are connected through our networks.
- Ensuring the safety of our employees, contractors and the public.

The Directors consider connections installed and turnover to be the main key performance indicators for the Group in monitoring its performance during the year. The number of installed connections owned by its operating subsidiaries as at the end of the year was 632,627 (including 161,667 electricity connections) with a growth of 11.5% in the year, compared to 12.8% in the previous year.

The electricity business grew by 26.6% in the year to 161,667 installed connections (2017: 127,666), producing turnover growth of 29.3% to £24.3m (2017: 18.8m). The total gas business grew by 7.1% in the year to 470,960 installed connections (2017: 439,544) leading to a growth in turnover of 11.5% at £38.7m (2017: £34.7m). This is directly related to the build out of the Group's order book from previous years. Expectations for 2019 are that turnover will continue to grow as the order book for connections is installed.

The Group is funded by Loan notes totalling £224m together with Group PIK notes of £249.1m. In addition there is an undrawn Capex facility of £100m. At the end of the period the group had net debt of £484.9m including amounts owed to Group entities, an increase of £7m during the year due to accrued Group PIK note interest not paid.

Under the financial arrangements the Group has both interest coverage ratio and leverage ratio covenants of 1.25:1 and 9.5:1 respectively.

The overall gearing ratio of the Group (net debt/equity) is 3.6:1 (2017: 3.6:1). Excluding the shareholder loan, the Groups net debt was £219.45m resulting in a gearing ratio of 1.6:1 (2017: 1.6:1).

Further information on the Groups capital structure is included in note 15 to the financial statements, including details of how the Group manages risk in respect of capital, interest rates and liquidity. A debt maturity profile is also included in note 15.

Senior Team

Nick Horler Non-Executive Chairman

Nick has had a 35 year career in the energy industry. He spent 12 years as an executive with Conoco Phillips in the UK and USA. He was a Board member of E.ON UK from 1998 to 2007 and CEO of Scottish Power from 2008 to 2010. Nick served as a Non-Executive on the Boards of the Go-Ahead Group, the Royal Mail and Thames Water. He was Chairman of UK Power Reserve from 2015 to its successful sale in 2018.

Other key appointments: Chairman of Shorterm Group, Alderney Renewable Energy.

Kevin O'Connor, Chief Executive Officer

Kevin joined the Group in 2018 from Arriva, where he was Divisional Managing Director of its UK Bus Business. Prior to joining Arriva in 2015, Kevin spent 14 years working across a diverse range of sectors for G4S, the global security solutions provider, serving latterly as the Regional Managing Director for Cash Solutions across the UK and Ireland. Kevin's career has covered regulated and non-regulated sectors, all with a strong focus on delivering for customers in a range of industries. He holds a Masters in Business Administration and holds no other key appointments.

Zoom Holding Limited

Strategic report (cont.) for the year ended 31 December 2018 (*continued*)

Senior Team (continued)

Paul Miles, Chief Financial Officer

Paul has a wealth of experience as a CFO, most recently as Group CFO for GVC Holdings Plc where he led a merger to create the largest listed company by revenue in the sport betting and gaming sector. Previously he held Group CFO roles at The Wonga Group, Capquest and the Phoenix Group. Paul is a Fellow of the Institute of Chartered Accountants in England and Wales and joined the Zoom Holding Group in 2019. He holds no other key appointments.

Anna Dellis, Shareholder Director

Anna joined 3i in 2006, is a Partner in the Infrastructure team, and leads asset management for the portfolio of economic infrastructure investments. Over the last 12 years, Anna has had a leading role on many of the large infrastructure investments made by 3i, including Elenia and Eversholt Rail. Prior to 3i, Anna advised on infrastructure transactions at PWC. She is a member of the Institute of Chartered Accountants in England and Wales.

Other key appointments: Belfast City Airport, Oystercatcher

Bernardo Sottomayer, Shareholder Director

Bernardo joined 3i in 2015 as a Partner with responsibility for origination and execution of new investments across Europe, principally economic infrastructure businesses. He has 18 years of infrastructure investment experience and was most recently a Partner at Antin Infrastructure. Prior to Antin Bernardo was Managing Director, Head of Acquisitions for Deutsche Bank's European infrastructure fund. Bernardo holds an economics degree from the Nova School of Business & Economics in Lisbon.

Other key appointments: Attero, Infinis, TCR

Sebastian Schwengber, Shareholder Director

Sebastian is an Associate Director in 3i's Infrastructure team and joined in 2017. He brings 10 years' experience in strategy development, most recently from National Grid where he was a member of the Group & UK/WU Strategy team, and prior to that from Roland Berger, where he was a core member of the European Energy & Utilities team. Sebastian holds an MBA from INSEAD. He holds no other key appointments.

Other key appointments: None

Employees

The Group culture is geared towards the success of both the business and the individuals within it. Our people are committed to the organisations goals, motivated by delivering on the base and support the growth ambitions. Staff understand that their efforts will be rewarded and recognised, aspire to do more than the minimum and see a clear link between their efforts and the business results.

The Executive team is committed to regular, honest and effective communication which is key to ensuring employee buy-in to realise our growth ambitions.

The Group is committed to attracting, developing and retaining the best talent in order to achieve its strategic objectives. All staff are encouraged to undertake ongoing training throughout their career, and the business actively encourages a culture of promoting and developing staff from within wherever possible.

Zoom Holding Limited strives to create a work environment free from discrimination, harassment and bullying, where everyone is treated with dignity and respect. All employment decisions are based on merit, qualifications and abilities.

The Group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status.

Zoom Holding Limited

Strategic report (cont.) for the year ended 31 December 2018 (continued)

Employees (continued)

The following table sets out our diversity balance as between men and women at the end of FY 2018 :

	Male	Female
Board of Directors	5	1
Executive Team (excluding Board of Directors)	2	1
Employees	42	32
	==	==

Senior Management Team

In addition to Kevin O'Connor (CEO) and Paul Miles (CFO), the Senior Management Team at year end consisted of;

Nick Clark, Chief Commercial Officer

Nick joined Zoom Holding Group in early 2000, after 17 year at British Gas where he was latterly National Housing Development Manager and he also has a background in the industrial and commercial sector. He is responsible for the continuing growth of the Group through his role as Chief Commercial Officer and with 34 years' experience in the utilities industry has long-standing and well established connections with many contractors involved in the construction of new gas and electricity networks.

Vicki Spiers, Business Operations Director

Vicki joined Zoom in 2001 after 10 years working in the deregulated Gas Shipper market. Her responsibilities include all customer facing activities, IT and ensuring Zoom remains compliant with all Regulatory and Licence obligations. She is also the current Chair of both the AIGT (Association of Independent Gas Transporters) and the CNA (Competitive Networks Association).

Stuart Williams, Operations Director

Stuart joined Zoom in May 2016 and is responsible for directing and overseeing the planning, design, construction, operation and maintenance of Zoom's gas and electricity assets. He is a Chartered Engineer with more than 30 years utilities experience, working at senior levels in the UK and Ireland. He also led projects in risk and asset management, most recently at Atkins, but also for utilities on the Middle East and for the Irish energy regulator.

Corporate and Social Responsibility

The Companies Act 2006 requires us, to the extent necessary for an understanding of the development, performance or position of the Groups business, to include information about human rights issues in this report. The Group has policies and procedures in place to meet this. Given the nature of the business and area of operations, it is deemed to be a very low risk hence we do not believe it necessary to include such information.

It is recognised that ultimate accountability for corporate and social responsibility at Zoom Holding Limited lies with the Board. The sectors in which we operate are highly regulated, and our processes are designed to meet all of the regulatory requirements resulting in a record of strong compliance. The safety of our staff, contractors and customers is the highest priority for our business evidenced by the fact that we

- Place health and safety on of every agenda
- Formally train our staff, including senior management on safety management
- Investigate all Near Misses, Accidents and Incidents
- Pursue continuous improvement in all areas of health, safety and wellbeing

Our full health and safety policy can be located on the ESP Utilities Group website (www.espug.com).

Each year staff nominate and vote for a local charity to be the beneficiary for all fund raising events held by the business during the year. All funds raised by staff then are matched 100% by the business. Going forward the Group will be supporting charities relevant to the Industry.

Zoom Holding Limited

Strategic report (cont.) for the year ended 31 December 2018 (continued)

Principal risks and uncertainties

Description	Mitigation	Change
<i>Competitive environment</i>		
The business strategy relies fundamentally on the ability to increase our connections whilst keeping costs low. However, the markets we operate in are extremely competitive. The actions of the Groups competitors, and/or or own inaction can have a significant and adverse impact on the Group.	The Group continually focuses on providing competitive pricing combined with excellent levels of service to our customers and partners. By maintaining close working relationships with our UIPs and ICPs we are able to manage these risks.	=
<i>Macro-economic factors</i>		
Successful delivery of the Zoom growth strategy is heavily reliant on the UK new housing market remaining buoyant. Any downturn in the economy as the result of Brexit could affect this.	No matter what the outcome, the UK has growing requirement for more new homes than are currently being built.	+
Interest rate risk	All existing loans are at a fixed rate of interest.	
<i>Working capital management and funding</i>		
To retain debt funding we are required to ensure we do not default on our current facilities.	Compliance with our financing facilities is closely monitored on both an actual and forecast basis.	=
In order to grow the business Zoom requires funding to support the growth strategy.	We have facilities in place to fund growth plans for the foreseeable future.	
<i>Health and safety</i>		
The health and safety of our employees, subcontractor, suppliers and customers is of paramount importance to us. Incidents on our networks could lead to reputational damage and financial penalties.	The Group has a comprehensive safety strategy, which includes bringing safety to the forefront of our culture, measuring safety performance and strong risk management procedures.	=
<i>Gas and electricity connections market and regulatory environment</i>		
There are regulatory risks relating to the Groups reliance on a number of different licences needed to operate. All ESP Utilities Group gas companies are licensed by Ofgem, and ESP Electricity maintains an Independent Network Distribution Operator (iDNO) Licence.	We have a dedicated regulatory and compliance team to monitor and ensure compliance with all licence conditions and relevant corporate legislation.	=
<i>Price risk</i>		
A significant proportion of income is regulated by Ofgem. Changes to this framework could have a material impact on our revenues.	The Group takes a lead role in industry bodies to remain informed and influence decisions.	+
<i>Credit Risk</i>		
Arising principally from the Group's trade and other receivables.	Management review all debtors for impairment and are comfortable that all un-provided debts are fully recoverable.	=

Key

= No change + Risk increased - Risk decreased

Zoom Holding Limited

Strategic report (cont.) for the year ended 31 December 2018

Environmental matters

The Groups activities do not give rise to any specific environmental impacts, however the Board believes that it is important that the Group contributes to protect the environment through sound and responsible operating practices. It is our policy that we will endeavour to:

- Conduct our business activities in such a way as to ensure that compliance with all relevant Environmental legislation, standards and Codes of Practice is achieved;
- Ensure that all associated residual waste materials are disposed of in a safe and responsible manner by both the Group and our external service providers as appropriate;
- Minimise the environmental impact of our staff by encouraging them to recycle, reduce printing, and minimise business travel.

Our full environmental policy can be located on the ESP Utilities Group website.

For and on behalf of the Board



P Miles
Director

Date: 22.5.19.

Zoom Holding Limited

Report of the Directors for the year ended 31 December 2018

A review of the business and principal risks and uncertainties has been included with the strategic report on page 2.

The Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

Directors

The Directors of the Company throughout the year were:

T Butler	
A Dellis	(appointed by 3i MIA LP)
N Horler	(appointed 21 December 2018)
P Miles	(appointed 21 January 2019)
K O'Connor	(appointed 21 December 2018)
S Schwengber	(appointed 1 July 2018 by 3i MIA LP)
B Sottomayor	(appointed by 3i MIA LP)
R Wallace	(resigned 13 June 2018)

The Directors appointed by 3i MIA LP have oversight of the Group.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Results and dividend

The consolidated statement of comprehensive income is set out on page 13 and shows the Group's profit for the year. No dividend was paid during the year (2017: nil).

Financial instruments

As shown in note 16, the Group had entered into long term hedging arrangements to fix the interest payments on part of the debt which were repaid in full on the 5 October 2017.

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 2.

Auditor

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

From and on behalf of the Board



P Miles
Director

Date: 22.5.19.

Zoom Holding Limited

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

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company 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 Group and Company and of the profit or loss of the Group 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.

Zoom Holding Limited

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF ZOOM HOLDING LIMITED

Opinion

We have audited the financial statements of Zoom Holding Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheet, the consolidated and company statement of changes in equity, the consolidated statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

Zoom Holding Limited

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF ZOOM HOLDING LIMITED (CONT.)

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Zoom Holding Limited

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF ZOOM HOLDING LIMITED (CONT.)

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

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

Date: 23.05.2019

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

Zoom Holding Limited

Consolidated statement of comprehensive income for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	3	62,999	53,564
Cost of sales		(26,993)	(21,186)
Gross profit		36,006	32,378
Administrative expenses		(14,375)	(14,224)
Group operating profit	4	21,631	18,154
Other interest receivable and similar income		29	36
Interest payable and similar charges	7	(30,106)	(27,970)
Changes in fair value of derivatives	16	-	15,686
Profit/(loss) on ordinary activities before taxation		(8,446)	5,906
Taxation on profit / loss on ordinary activities	8	(3,676)	(3,365)
Profit/(loss) for the financial year and total comprehensive profit/(loss) for the year		(12,122)	2,541

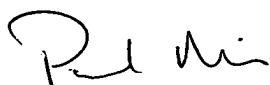
The notes on pages 19 to 35 form part of these financial statements.

Zoom Holding Limited

Consolidated balance sheet at 31 December 2018

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Intangible assets	10		41,634		47,124
Tangible assets	11		286,399		262,650
			<u>328,033</u>		<u>309,774</u>
Current assets					
Deferred tax asset	17	18,338		22,014	
Debtors	13	8,535		10,979	
Cash at bank and in hand		18,822		32,918	
		<u>45,695</u>		<u>65,911</u>	
Creditors: amounts falling due within one year	14	27,289		24,182	
Net current assets			<u>18,406</u>		<u>41,729</u>
Total assets less current liabilities			<u>346,439</u>		<u>351,503</u>
Creditors: amounts falling due after more than one year	15		517,607		510,549
Net liabilities			<u>(171,168)</u>		<u>(159,046)</u>
Capital and reserves					
Called up share capital	16		134,241		134,241
Profit and loss account			(305,409)		(293,287)
Equity attributable to owners of the parent company			<u>(171,168)</u>		<u>(159,046)</u>

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



P Miles
Director

The notes on pages 19 to 35 form part of these financial statements.

Zoom Holding Limited

Consolidated statement of changes in equity for the year ended 31 December 2018

	Share capital 2018 £'000	Profit and loss account 2018 £'000	Total equity 2018 £'000	Share capital 2017 £'000	Profit and loss account 2017 £'000	Total equity 2017 £'000
1 January	134,241	(293,287)	(159,046)	134,241	(295,828)	(161,587)
Comprehensive profit/(loss) for the year						
Profit/(loss) for the year	-	(12,122)	(12,122)	-	2,541	2,541
Total comprehensive profit/(loss) for the year	-	(12,122)	(12,122)	-	2,541	2,541
Contributions by and distributions to owners						
Total contributions by and distributions to owners	-	-	-	-	-	-
31 December	134,241	(305,409)	(171,168)	134,241	(293,287)	(159,046)

The notes on pages 19 to 35 form part of these financial statements.

Zoom Holding Limited

Consolidated statement of cash flows for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Loss/(profit) for the financial year		(12,122)	2,541
Adjustments for:			
Depreciation and amortisation of fixed assets	10/11	15,003	13,353
Change in fair value of derivatives		-	(15,686)
Net interest payable		30,077	27,934
Taxation expense	8	3,676	3,365
(Decrease) / Increase in trade and other debtors		2,443	(659)
Increase in trade creditors		514	377
Gain on disposal of tangible fixed assets		(53)	(77)
Cash from operations		39,538	31,148
Interest paid		(22,816)	(12,817)
Net cash generated from operating activities		16,722	18,331
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets	11	88	29
Purchases of tangible fixed assets	11	(30,829)	(27,900)
Interest received		29	36
Net cash used in investing activities		(30,712)	(27,835)
Cash flows from financing activities			
Loans repaid		-	(203,000)
Group loans received		-	231,100
New loans entered into		-	224,000
Debt issue costs incurred		(106)	(5,927)
Swaps paid down		-	(209,907)
Net cash from financing activities		(106)	36,266
Net increase/(decrease) in cash and cash equivalents		(14,096)	26,762
Cash and cash equivalents at beginning of year		32,918	6,156
Cash and cash equivalents at end of year		18,822	32,918
Cash and cash equivalents comprise:			
Cash at bank and in hand		18,822	32,918
		18,822	32,918

Non cash flow fixed asset additions of £2,486,579 (2017: £2,061,504) have been accrued at the end of the year.

The notes on page 19 to 35 form part of these financial statements.

Zoom Holding Limited

Company balance sheet at 31 December 2018

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Investments	12		113,610		113,610
			<u>113,610</u>		<u>113,610</u>
Current assets					
Debtors	13	280,568		276,780	
Cash at bank and in hand		2,736		908	
		<u>283,304</u>		<u>277,688</u>	
Creditors: amounts falling due within one year	14	2,016		2,032	
Net current assets			<u>281,288</u>		<u>275,656</u>
			<u>394,898</u>		<u>389,266</u>
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	15		265,445		259,449
Net assets			<u>129,453</u>		<u>129,817</u>
Capital and reserves					
Called up share capital	19		134,241		134,241
Profit and loss account			(4,788)		(4,424)
			<u>129,453</u>		<u>129,817</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company has made a loss for the financial year of £364,000 (2017: £159,000).

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

P Miles
Director



The notes on pages 19 to 35 form part of these financial statements.

Zoom Holding Limited

Company statement of changes in equity for the year ended 31 December 2018

	Share capital 2018 £'000	Profit and loss account 2018 £'000	Total equity 2018 £'000	Share capital 2017 £'000	Profit and loss account 2017 £'000	Total equity 2017 £'000
1 January	134,241	(4,424)	129,817	134,241	(4,265)	129,976
Comprehensive loss for the year	-	(364)	(364)	-	(159)	(159)
Total comprehensive loss for the year	-	(364)	(364)	-	(159)	(159)
Contributions by and distributions to owners						
Total contributions by and distributions to owners	-	-	-	-	-	-
31 December	134,241	(4,788)	129,453	134,241	(4,424)	129,817

The notes on pages 19 to 35 form part of these financial statements.

Zoom Holding Limited

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

1 Accounting policies

Zoom Holding Limited is a private limited company, limited by shares, incorporated in England & Wales under the Companies Act.

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 2).

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the year has been presented as the reconciliations for the Group and the parent company would be identical;
- No cash flow statement has been presented for the parent 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
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

The following principal accounting policies have been applied:

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding that at 31 December 2018 the Group had net liabilities of £171,168,000 (2017: £159,046,000). The Group is financed by a mixture of finance provided by shareholders in the form of £22,782,000 12% PIK notes (2017: £22,498,000); £242,663,000 8% PIK notes (2017: £236,950,000) listed on the Channel Islands Stock Exchange, and bank loans which totalled £219,450,000 (£2017: £218,357,000) at the balance sheet date.

Shareholders have confirmed that they have no intention to withdraw any of the instruments provided by them in the foreseeable future.

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 Group and 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.

On 6 October 2017 ESPUG Finance Limited entered into new loan note agreements to refinance the Groups external debt borrowings. The new facilities consist of lenders providing up to £339m of private loan placements, working capital, capital expenditure and liquidity facilities. The private loan placements have maturities of ten, fifteen and twenty years at fixed rates of interest, as shown in note 15. These loans have an investment grade credit rating of Baa2 from Moody's Investor Services.

The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Zoom Holding Limited

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

1 Accounting policies (*continued*)

Basis of consolidation

The consolidated financial statements present the results of Zoom Holding Limited and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Turnover

Turnover represents the amount (excluding value added tax) derived from the provision of gas transportation and measurement for gas suppliers, together with electricity distribution charges from its IDNO business 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. Electricity income is recognised on the basis of actual or estimated consumption in the financial period. Turnover arises solely within the United Kingdom.

Intangible fixed assets - Goodwill

Goodwill arising on the acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the income statement over the Directors' estimate of its useful economic life that is considered to be 20 years. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life.

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

Fixtures, fittings, tools & equipment	4 to 8 years
Gas networks	60 years
Motor vehicles	4 years
Meters	20 years
Prepayment meters	10 years
Electricity networks	40 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 that 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.

Zoom Holding Limited

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

1 Accounting policies (continued)

Impairment of fixed assets and goodwill

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 Group 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.

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.

Zoom Holding Limited

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

1 Accounting policies (continued)

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

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; and
- Where timing differences relate to interests in subsidiaries and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

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

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

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Derivative financial instruments

The Group had entered into inflation and interest rate swaps to manage its exposure to interest rate cash flow risk on part of its external debt. These derivatives were measured at fair value at each reporting date with movements in the fair value been recognised in the statement of comprehensive income.

Reserves

The Group and 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.

Zoom Holding Limited

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

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 Group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Tangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and industry trends are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3 Analysis of Turnover

	2018 £'000	2017 £'000
Analysis by class of business:		
Gas transportation	26,058	24,028
Gas metering	12,660	10,693
Electricity distribution	24,281	18,843
	<u>62,999</u>	<u>53,564</u>

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

4 Operating profit

	2018 £'000	2017 £'000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	9,514	7,863
Amortisation of intangible assets, including goodwill	5,490	5,490
Release of deferred income on third party contributions	(690)	(679)
Fees payable to the Company's auditor for the audit of the Company's annual accounts	9	9
Fees payable to the Company's auditor for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	78	89
Other services	2	2
Operating lease – land and buildings	232	205

Zoom Holding Limited

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

5 Employees

Group

	2018 £'000	2017 £'000
Staff costs (including Directors) consist of:		
Wages and salaries	4,380	4,153
Social security costs	530	502
Cost of defined contribution pension scheme	330	292
	<u>5,240</u>	<u>4,947</u>

The average number of employees for the Group during the year was as follows:

	2018 Number	2017 Number
Administration	55	55
Operations	22	19
	<u>77</u>	<u>74</u>

Company

The Company does not directly employ any individuals.

6 Directors' remuneration

	2018 £'000	2017 £'000
Group		
Directors' emoluments	715	618
Compensation for loss of office	135	-
Group contributions to defined contribution pension schemes	35	60
	<u></u>	<u></u>

There were four paid directors during the year (2017: two). The remuneration of the highest paid director who served during the period was as follows:

	2018 £'000	2017 £'000
Directors' emoluments	342	316
Group contributions to defined contribution pension schemes	19	35
	<u></u>	<u></u>

Company

The directors received no remuneration or fees in respect of their services to the Company for the year ended 31 December 2018 (2017: nil). The Directors are considered to be the only key management personnel.

7 Interest payable and similar charges

	2018 £'000	2017 £'000
Bank loans	8,714	19,859
12% PIK loan note	2,512	2,260
8% PIK loan note	18,880	5,851
	<u>30,106</u>	<u>27,970</u>

Zoom Holding Limited

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

8 Taxation on profit on ordinary activities

	2018 £'000	2018 £'000	2017 £'000	2017 £'000
<i>UK corporation tax</i>				
Current tax on profits of the year		-		-
Adjustment in respect of previous periods		-		-
Total current tax		-		-
<i>Deferred tax</i>				
Deferred tax current period	3,148		3,330	
Effect of change in tax rate	-		-	
Prior year adjustment	528		35	
		3,676		3,365
Total tax (credit) / charge		3,676		3,365
<i>Tax reconciliation</i>				
			2018 £'000	2017 £'000
Profit/(loss) on ordinary activity before tax			(8,446)	5,906
Current tax at 19% (2017: 19.25%)			(1,604)	1,137
<i>Effects of:</i>				
Expenses not tax deductible			5,123	2,634
Prior year adjustment			527	35
Effect of change in deferred tax rate			(370)	(441)
			3,676	3,365

For further information on deferred tax balances see note 16.

9 Parent company profit / (loss) for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company has made a loss for the financial year of £364,000 (2017: £159,000).

Zoom Holding Limited

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

10 Intangible assets

Group	Goodwill on consolidation £'000
<i>Cost or valuation</i>	
At 1 January 2018	109,067
	<hr/>
At 31 December 2018	109,067
	<hr/>
<i>Amortisation</i>	
At 1 January 2018	61,943
Provision for year	5,490
	<hr/>
At 31 December 2018	67,433
	<hr/>
<i>Net book value</i>	
At 31 December 2018	41,634
	<hr/>
At 31 December 2017	47,124
	<hr/>

Zoom Holding Limited

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

11 Tangible fixed assets

Group	Electricity & Gas Networks £'000	Meters £'000	Fixtures, fittings, tools and equipment £'000	Motor vehicles £'000	Total £'000
<i>Cost</i>					
At 1 January 2018	280,798	32,037	2,328	532	315,695
Additions	30,251	2,543	288	234	33,316
Disposals	-	(3,418)	-	(228)	(3,647)
At 31 December 2018	311,049	31,162	2,616	538	345,365
<i>Depreciation</i>					
At 1 January 2018	39,819	11,318	1,686	222	53,045
Provision for year	5,793	3,403	181	137	9,514
Disposals	-	(3,418)	-	(175)	(3,593)
At 31 December 2018	45,612	11,303	1,867	184	58,966
<i>Net book value</i>					
At 31 December 2018	265,437	19,859	749	354	286,399
At 31 December 2017	240,979	20,719	642	310	262,650

Non cash flow fixed asset additions of £2,486,579 (2017: £2,061,504) have been accrued at the end of the year.

12 Fixed asset investments

Company

Cost

At 1 January 2018 and 31 December 2018

Group
undertakings
£'000

113,610

Zoom Holding Limited

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

12 Fixed asset investments (continued)

The undertakings in which the Company has interest at the year end are as follows:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Zoom Infrastructure Limited*	England & Wales	100%	Holding company
Zoom Gas Pipelines Limited	England & Wales	100%	Holding company
ESP Utilities Group Limited	England & Wales	100%	Holding company
ESPUG Finance Limited	England & Wales	100%	Finance & Holding company
E.S. Pipelines Limited	England & Wales	100%	Gas transport
ESP Connections Limited	England & Wales	100%	Gas transport
ESP Networks Limited	England & Wales	100%	Gas transport
ESP Pipelines Limited	England & Wales	100%	Gas transport
ESP Electricity Limited	England & Wales	100%	Independent distribution network operator

* Directly owned

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

13 Debtors

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade debtors	6,029	5,502	-	-
Loans owed by Group undertakings	-	-	280,104	276,330
Other amounts owed by Group undertakings	-	-	450	450
Other debtors	46	207	14	-
Prepayments and accrued income	1,160	928	-	-
Deposits	1,300	4,342	-	-
	8,535	10,979	280,568	276,780

The amount owed by Group undertakings is repayable on demand.

14 Creditors: amounts falling due within one year

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade creditors	19,425	16,176	-	16
Other creditors	650	1,414	-	-
Accruals and deferred income	7,028	6,449	10	10
Other taxation and social security	186	143	-	-
Loan due to Group undertaking	-	-	2,006	2,006
	27,289	24,182	2,016	2,032

Loan due to Group undertaking is interest free and repayable on demand.

Zoom Holding Limited

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

15 Creditors: amounts falling due after more than one year

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Loan notes	219,450	218,357	-	-
12% PIK notes	22,782	22,498	22,782	22,499
8% PIK notes	242,663	236,950	242,663	236,950
Deferred income	32,712	32,744	-	-
	<u>517,607</u>	<u>510,549</u>	<u>265,445</u>	<u>259,449</u>

The loan notes are secured by an All Assets charge over the assets of the Group, and are structured as follows :-

£54m at 2.69% Senior Secured Tranche A note due 6th October 2027

£85m at 3.05% Senior Secured Tranche B note due 6th October 2032

£85m at 3.35% Senior Secured Tranche C note due 6th October 2037

The 12% and 8% PIK loan notes are listed on the Channel Island Stock Exchange and mature in 2036.

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

The maturity of sources of debt finance is as follows:

Group	Loans and overdrafts 2018 £'000	Loans and overdrafts 2017 £'000
In one year or less, or on demand	-	-
In more than one year but not more than five years	-	-
In more than five years	484,895	477,805
	<u>484,895</u>	<u>477,805</u>

Zoom Holding Limited

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

15 Creditors: amounts falling due after more than one year (continued)

Company

	Loans and overdrafts 2018 £'000	Loans and overdrafts 2017 £'000
In one year or less, or on demand	-	-
In more than one year but not more than five years	-	-
In more than five years	265,445	259,449
	<u>265,445</u>	<u>259,449</u>

16 Financial instruments

The Group's financial instruments may be analysed as follows:

	Group 2018 £'000	Group 2017 £'000
Financial assets		
<i>measured at amortised cost:</i>		
Cash at bank	18,822	32,918
Trade debtors	6,029	5,502
Other debtors	46	207
Deposits	1,300	4,342
	<u>19,425</u>	<u>16,176</u>
Financial liabilities		
<i>measured at amortised cost:</i>		
Trade creditors	19,425	16,176
Other creditors	650	1,414
Accrual	5,307	5,894
Loan notes	219,450	218,357
12% PIK notes	22,782	22,498
8% PIK notes	242,663	236,950
	<u>242,663</u>	<u>236,950</u>

Zoom Holding Limited

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

17 Deferred tax

	2018 £'000	2017 £'000
Group		
At 1 January	22,014	25,379
Charged to profit or loss	(3,676)	(3,365)
	<hr/>	<hr/>
At 31 December	18,338	22,014
	<hr/>	<hr/>
Comprising:		
Deferred tax asset	29,697	32,526
Deferred tax liability	(11,359)	(10,512)
	<hr/>	<hr/>
	18,338	22,014
	<hr/>	<hr/>

Deferred tax - Group

	31 December 2018 £'000	31 December 2017 £'000
Difference between accumulated depreciation and amortisation and capital allowances	(11,359)	(10,512)
Other timing differences	23,249	24,700
Deferred tax on revaluation of derivative financial instruments	-	-
Tax losses	6,448	7,826
	<hr/>	<hr/>
	18,338	22,014
	<hr/>	<hr/>

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

The deferred tax asset balance is considered to be classified as greater than one year.

18 Pensions

Defined contribution scheme

The amount recognised in the statement of comprehensive income account as an expense in relation to the group's defined contribution schemes is £329,303 (2017: £292,658). The balance outstanding at year end was £27,000 (2017: £nil).

Zoom Holding Limited

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

19 Share capital

	2018 £'000	2017 £'000
<i>Allotted, called up and fully paid</i>		
134,201,000 ordinary shares of £1 each	134,201	134,201
40,000 'B' shares of £1 each	40	40
	<u>134,241</u>	<u>134,241</u>

The holders of the B shares shall have no rights to any distribution of profits of the Company, secondly they shall have no rights to vote on any question, and thirdly the holders of the B shares shall between them be entitled to the B shareholder proportion of the Capitalisation Value on the occurrence of a Liquidity Event as laid down within the Articles of Association.

20 Commitments under operating leases

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

	2018 £'000	2017 £'000
Not later than 1 year	232	232
Later than 1 year and not later than 5 years	928	928
Later than 5 years	523	739
	<u>1,683</u>	<u>1,883</u>
Total	1,683	1,883

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

21 Capital commitments

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Contracted but not provided for	99,239	80,471	-	-

Capital commitments are in respect of electricity and gas networks capital expenditure contracted but not provided for as at 31 December 2018.

Zoom Holding Limited

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

22 Related party disclosures

The parent undertaking is 3i MIA Holdings Limited, which is wholly owned by 3i Managed Infrastructure Acquisitions LP ("3i MIA LP").

The Company is ultimately controlled by 3i MIA LP, an English limited partnership, which is managed by 3i Investments plc. 3i Investments plc is wholly owned by 3i Group plc. The general partner of 3i MIA LP is 3i Managed Infrastructure GP (2017) LLP.

Debt instruments due to the parent undertaking, the 12% and 8% PIK Notes, are disclosed in note 1 and 15 and interest accrued on these instruments disclosed in note 7.

The Directors consider that all related party transactions have been appropriately disclosed.

23 Segmental information

Description of segments

The Group has five trading subsidiaries licenced by Ofgem: one subsidiary is an electrical distribution company engaged in the development of electrical distribution as an independent operator together with four subsidiaries operating as gas transporter companies engaged in the development of gas pipelines, the transportation of gas and metering services throughout mainland UK.

Factors that management use in identification of segments

The Group's reportable segments are based along the lines of i) Gas Transportation companies of which there are four licenced companies and ii) One Electrical distribution licence company.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the management team and Directors of ESP Utilities Group Limited.

Measurement of operating segment profit, assets and liabilities

The Group evaluates segmental performance on the basis of profit or loss from operations calculated in accordance with FRS102 but excluding non-recurring losses, such as goodwill impairment, financing loans and deferred tax movements relating to financing loans and derivative financial instruments.

Segment assets exclude tax assets and assets used primarily for corporate purposes. Segment liabilities exclude tax liabilities.

Zoom Holding Limited

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

23 Segmental information (continued)

	Electricity 2018 £'000	Gas 2018 £'000	Total 2018 £'000	Electricity 2017 £'000	Gas 2017 £'000	Total 2017 £'000
Group's turnover per consolidated statement of comprehensive income	24,281	38,718	62,999	18,843	34,721	53,564
Depreciation	(1,001)	(8,513)	(9,514)	(752)	(7,111)	(7,863)
Segment profit	6,231	9,506	15,737	5,256	8,250	13,506
Cost of Sales			(229)			(229)
Administrative expenses			(277)			(1,004)
Amortisation			(5,490)			(5,490)
Financial expenses			(18,216)			(16,599)
Financial income			29			36
Change in fair value of derivatives			-			15,686
Group (loss) / profit before tax			(8,446)			5,906

Zoom Holding Limited

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

23 Segmental information (continued)

	Electricity 2018 £'000	Gas 2018 £'000	Total 2018 £'000	Electricity 2017 £'000	Gas 2017 £'000	Total 2017 £'000
Additions to non-current assets	9,962	23,354	33,316	9,813	20,148	29,961
Reportable segment assets	49,386	252,130	301,516	43,873	234,209	278,082
Intangible assets			41,634			47,124
Tangible assets			2,046			1,003
Tax assets			18,338			22,014
Cash at bank and in hand			10,194			27,462
Total Group assets			373,728			375,685
Reportable segment liabilities	14,941	61,657	76,598	11,047	56,996	68,043
Loans and borrowings (excluding leases and overdrafts)			484,895			477,805
Derivative financial liabilities			-			-
Deferred tax			(16,712)			(11,648)
Other liabilities			115			531
Total Group liabilities			544,896			534,731

Analysis of the Group's Revenue has identified that the Group has two Key customers (combined gas and electricity utilities) whose turnover is greater than 10% and their percentages are: 24.9% and 13.3% (2017: three customers 26.6%, 19.0%, 10.9%).