

ESP Gas Group Limited

**Directors' report and consolidated
financial statements**

Registered number 2612105

Year ended 31 December 2011



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Directors

R Wallace
N J Clark
M Carr
J Hector
T W Butler
W Elkhoully

Secretary and registered office

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

Company number

2612105

Auditors

BDO LLP
Emerald House
East Street
Epsom
KT17 1HS

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

Principal activities and future developments

The principal activity of the Company is a holding Company. The Group has five trading subsidiaries, one electrical distribution company engaged in the development of electrical distribution as an independent operator together with four gas transporters engaged in the development of gas pipelines, the transportation of gas and metering services throughout mainland UK.

Review of the business

The profit and loss account, set out on page 6, shows turnover for the period of £17,733,000 (2010: £16,136,000) and profit for the period of £3,523,000 (2010: £3,070,000).

The number of installed connections as at the end of the year was 261,301 (including 5,507 electricity connections) with a growth of 8.7% in the year, compared to 8.0% in the previous year. The increase in growth is directly related to the build out of the group's 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 the turnover will continue to grow in 2012 albeit at a slower rate than previously anticipated.

The Group continues to expand its portfolio of assets through three main areas of activity. Firstly, through the adoption of gas and electricity networks for newly built housing installed by Utility Infrastructure Providers (UIPs) (also known as Independent Connection Providers (ICPs) within electricity market), secondly, through developing gas network extensions installed to connect existing properties previously not served by the national gas system (known as infill) and thirdly through adopting gas and electricity industrial and commercial (I&C) connections for commercial parks.

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.

The Group's bank loan facilities were renegotiated during the year and were renewed for a period of four years from 12th October 2011. Further details are provided in note 1.

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 2012 accordingly to reflect these conditions.

A large proportion of the infill market the Group targets is driven in part by government programs to bring more affordable (and lower CO₂ emitting) fuel to social housing. Indirectly the Group is partly dependent on government spending, without which the number of infill projects developed could reduce.

The Independent Gas Transporter (IGT) business is dominated by three major competitors including the Group. The ownership and operation of gas pipelines represents approximately 75% of the Group's revenue. The Office of Gas and Electricity Markets (Ofgem) regulates the activities of the Group, including the transportation tariffs that the Group 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 Group's, and the operators of the Gas Distribution Networks. RPC allows the Group to increase prices partly in line with the Retail Price Index (RPI). Therefore the Group's income will vary in accordance with RPI. The Group also has a number of gas connections built prior to the introduction of RPC and the transportation tariffs allowed for these connections are set according to methodologies in place at the time of installation.

Directors' Report (continued)

The Group also operates and maintains meters connected to its gas pipelines. Metering income represents approximately 22% of Group'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 however are seeking to put in place measures to mitigate this risk.

The Independent Distribution Network (electricity) Operator (iDNO) business is a relatively young market dominated by four major competitors including the Group. The ownership and operations of electricity market represents 3% of the Group's revenue. Historically, electricity connections installed have been adopted by the incumbent DNOs until 2001 when the market was opened to competition allowing iDNOs to adopt electricity connections. However the recent regulatory changes (April 2010) to standardise the iDNOs' tariffs has opened up most of the market to competition, providing great opportunities to iDNOs. It is thus expected that iDNOs will achieve a similar presence in the electricity market as iGTs have achieved in the gas market.

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

Details of the Groups financial risk management procedures are included within note 19.

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 Group has £100m of debt outstanding with its parent company. 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. In addition there are two 'payment in kind' loan notes.

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

The Company does not enter into any hedging arrangements.

Directors

The directors in office during the period were as follows:

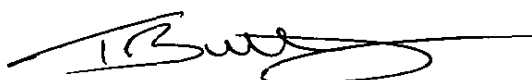
R Wallace
N Clark
M Carr
J Hector
T W Butler
W Elkhoully

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 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 Group's auditors are aware of that information.

Auditors

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

For and on behalf of the board



T W Butler
Director
Date 17th April 2012

Directors' responsibilities

The directors are responsible for preparing 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 and company for that period.

In preparing these financial statements, the directors are required to

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

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

Independent auditor's report to the shareholders of ESP Gas Group Limited

We have audited the financial statements of ESP Gas Group Limited for the year ended 31 December 2011 which comprise the consolidated profit and loss account, the reconciliation of movements in shareholders' funds, the consolidated and company balance sheets, the consolidated cash flow statement 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 Auditing Practices Board's (APB'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 APBs website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's 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 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 ESP Gas Group 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 by the parent company, 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



Andrew Stickland (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Epsom, Surrey
United Kingdom
Date 19th April 2012

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

Consolidated profit and loss account
for the year ended 31 December 2011

	<i>Note</i>	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Turnover	<i>1</i>	17,733	16,136
Cost of sales		(4,108)	(3,642)
Gross profit		13,625	12,494
Administrative expenses		(4,142)	(4,254)
Operating profit		9,483	8,240
Interest received	<i>3</i>	-	-
Interest paid	<i>4</i>	(6,692)	(5,756)
Profit on ordinary activities before taxation	<i>2</i>	2,791	2,484
Tax on profit on ordinary activities	<i>7</i>	732	586
Profit for the financial period after taxation	<i>17</i>	3,523	3,070

All amounts relate to continuing activities. There were no other gains or losses recognised in the period.

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2011

	Group Year ended 31 December 2011 £'000	Company Year ended 31 December 2011 £'000	Group Year ended 31 December 2010 £'000	Company Year ended 31 December 2010 £'000
Opening shareholders' funds	16,542	14,973	13,472	15,029
Profit/(loss) for the financial period	3,523	(38)	3,070	(56)
Closing shareholders' funds	20,065	14,935	16,542	14,973

The notes on pages 11 to 21 form part of the financial statements

Consolidated balance sheet
as at 31 December 2011

	<i>Note</i>	31 December 2011 £'000	31 December 2010 £'000
Fixed assets			
Tangible assets	9	148,081	142,102
Current assets			
Debtors	10	2,423	1,929
Cash at bank and in hand		4,107	4,583
Creditors: amounts falling due within one year	11	6,530 (4,788)	6,512 (89,477)
Net current assets / (liabilities)		1,742	(82,965)
Total assets less current liabilities		149,823	59,137
Creditors: amounts falling due after more than one year	12	(127,153)	(39,258)
Provisions for liabilities and charges	13	(2,605)	(3,337)
Net assets		20,065	16,542
Capital and reserves			
Called up share capital	16	14,721	14,721
Profit and loss account	17	5,344	1,821
Shareholders' funds		20,065	16,542

These financial statements were approved by the board of directors and authorised for issue on the 17th April 2012 and were signed on its behalf by



T W Butler
Director

The notes on pages 11 to 21 form part of the financial statements

Company balance sheet
as at 31 December 2011

	<i>Note</i>	31 December 2011 £'000	31 December 2010 £'000
Fixed assets			
Investments	8	17,870	18,149
Current assets			
Debtors	10	3,398	2,737
Cash at bank and in hand		50	41
Creditors: amounts falling due within one year	11	3,448 (5,442)	2,778 (5,954)
Net current liabilities		(1,994)	(3,176)
Total assets less current liabilities		15,876	14,973
Creditors: amounts falling due after more than one year	12	(941)	-
Net assets		14,935	14,973
Capital and reserves			
Called up share capital	16	14,721	14,721
Profit and loss account	17	214	252
Shareholders' funds		14,935	14,973

These financial statements were approved by the board of directors and authorised for issue on the 17th April 2012 and were signed on its behalf by



T W Butler
Director

The notes on pages 11 to 21 form part of the financial statements

Consolidated cash flow statement
for the year ended 31 December 2011

	<i>Note</i>	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Net cash inflow from operating activities		14,982	16,157
Returns on investments and servicing of finance			
Interest paid		(5,953)	(7,369)
Net cash outflow from returns on investments and servicing of finance		(5,953)	(7,369)
Taxation		-	-
Capital expenditure and financial investments			
Payments to acquire fixed assets		(10,208)	(10,304)
Receipt from sale of tangible fixed assets		32	5
Net cash outflow from capital expenditure		(10,176)	(10,299)
Net cash outflow before financing		(1,147)	(1,511)
Financing			
Intercompany borrowings		671	2,236
Net cash inflow from financing		671	2,236
(Decrease)/ increase in cash		(476)	725
Reconciliation of net cash flow to movement in net debt			
(Decrease)/ increase in cash		(476)	725
Cash inflow from increase in debt		(671)	(2,236)
Changes in net debt resulting from cash flows		(1,147)	(1,511)
Other non-cash items		(738)	1,612
Movement in net debt in the period		(1,885)	101
Opening net debt		(93,641)	(93,742)
Closing net debt		(95,526)	(93,641)

The notes on pages 11 to 21 form part of the financial statements

Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities For the year ended 31 December 2011

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Operating profit	9,483	8,240
Depreciation charge	3,929	3,658
(Increase)/ decrease in debtors	(494)	2,522
Increase in creditors	2,075	1,739
Profit on disposal of fixed assets	(11)	(2)
Net cash inflow from operating activities	<u>14,982</u>	<u>16,157</u>

Analysis of changes in net debt year ended 31 December 2011

	31 December 2010 £'000	Cash flow £'000	Non-cash items £'000	31 December 2011 £'000
Cash at bank and in hand	4,583	(476)	-	4,107
Loan notes	(11,927)	-	-	(11,927)
Loans from group undertakings	(86,297)	(671)	(738)	(87,706)
Net debt	<u>(93,641)</u>	<u>(1,147)</u>	<u>(738)</u>	<u>(95,526)</u>

The notes on pages 11 to 21 form part of the 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 Group's financial statements

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2011. The acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. The Company has made a loss for the financial period of £37,926 (2010: £56,312).

The financial statements have been prepared on a going concern basis, notwithstanding that at 31 December 2011 the Company had net current liabilities of only £1,994,000 (2010: £3,176,000) and incurred a loss after tax of £38,000 (2010: £56,000). The Company is dependent for its working capital on funds provided to it by fellow group companies. A fellow group company ESP Connections limited, has confirmed it will not seek repayment of its loan of £3,487,067 until the company has sufficient funds available in order to continue trading and meet its liabilities as they fall due in the reasonable foreseeable future.

As with any group 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.

As 100% of the Group's voting rights are controlled within the group headed by Zoom Holding Limited the Group 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 headed by Zoom Holding Limited. The consolidated financial statements of Zoom Holding Limited, within which this Group is included, are publicly available as described in note 19.

Investments

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

Finance costs

Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

Notes (continued)

Taxation

The charge for taxation is based on the profit for the period. 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 FRS 19.

Turnover

Turnover represents the amount (excluding value added tax) derived from the provision of independent gas transport to customers and independent electrical distribution during the period.

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
Electricity networks	- 20 years

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.

Pension scheme

The Group 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.

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 had 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 profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period 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.

Notes (continued)

2 Profit on ordinary activities before taxation

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration - audit	6	6
- other services (audits of subsidiaries accounts)	59	57
- other services	1	2
Depreciation	3,929	3,658
Operating lease charges - land and buildings	95	95
Release of deferred income on third party contributions	(521)	(498)
Profit on disposal of fixed assets	(11)	(2)
	<hr/>	<hr/>

3 Interest receivable and similar changes

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Bank and loan note interest receivable	-	-
	<hr/>	<hr/>

4 Interest payable and similar changes

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Group loan note interest	1,630	1,638
Group loan interest	5,062	4,118
	<hr/>	<hr/>
	6,692	5,756
	<hr/>	<hr/>

5 Remuneration of directors

Group	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Directors' emoluments	459	433
Group contributions to money purchase pension schemes	159	148
	<hr/>	<hr/>
	618	581
	<hr/>	<hr/>

Notes (continued)

5 Remuneration of Directors (continued)

There were five paid directors during the period (2010 five) The remuneration of the highest paid director who served during the period was as follows

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Directors' emoluments	105	101
Group contributions to money purchase pension schemes	42	36
	<hr/>	<hr/>

Company

The directors received no remuneration or fees in respect of their services to the company for the year ended 31 December 2011 (2010 £nil)

6 Staff

Group	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Wages and salaries	1,597	1,504
Social security costs	177	159
Pensions costs	268	251
	<hr/>	<hr/>
	2,042	1,914
	<hr/>	<hr/>

The Group employed an average of 43 staff during the period (2010 41)

Company

The company does not directly employ any individuals The company is however charged a management fee from other Group companies in respect of services provided to this company

Notes (continued)

7 Taxation

	Note	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
<i>UK Corporation tax</i>			
Current tax on income in the year		-	-
Adjustments in respect of prior periods		-	-
		<hr/>	<hr/>
Total current tax		-	-
		<hr/>	<hr/>
Deferred tax – current period		(629)	(613)
Deferred tax – effect of reduction in tax rate to 25%		(221)	(124)
Deferred tax – prior period		118	151
		<hr/>	<hr/>
Total deferred tax credit	13	(732)	(586)
		<hr/>	<hr/>
Total tax credit		(732)	(586)
		<hr/>	<hr/>

Factors affecting the tax credit for the current period

The current tax charge for the period differs from the standard rate of corporation tax in the UK for the period of 26.5% (2010: 28%)

<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,791	2,484
	<hr/>	<hr/>
Current tax at 26.5% (2010: 28%)	740	696
Effects of		
Expenses not tax deductible	265	283
Differences between capital allowances and depreciation	629	613
Group relief surrendered for nil consideration	(1,634)	(1,592)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

Notes (continued)

8 Fixed asset investments

Company	Shares in subsidiary undertakings
	£'000
<i>Cost</i>	
At 1 January 2011	18,149
Adjustment to deferred consideration	(279)
	<hr/>
At 31 December 2011	17,870
	<hr/>
<i>Net book value</i>	
At 31 December 2011	17,870
	<hr/>
At 31 December 2010	18,149
	<hr/>

At 31 December 2011 the subsidiary companies which operate and are registered in England and Wales together with their principal activities are as follows

Company name	Nature of business	Class of shares held	Holding (%)
E S P Electricity Limited*	Independent district network operator	Ordinary	100
E S Pipelines Limited*	Independent gas transport	Ordinary/Preference	100
ESP Connections Limited	Independent gas transport	Ordinary	100
ESP Networks Limited	Independent gas transport	Ordinary	100
ESP Pipelines Limited	Independent gas transport	Ordinary	100
Kellen Venture Limited	Holding company	Ordinary	100

* Directly owned

Notes (continued)

9 Fixed assets - Group

	Electricity networks	Gas networks	Meters	Fixtures, fittings, tools and equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost</i>						
At 1 January 2011	928	137,248	18,749	1,498	198	158,621
Reclassification	229	(229)	-	-	-	-
Additions	722	7,742	1,597	45	102	10,208
Adjustment to deferred consideration	(279)	-	-	-	-	(279)
Disposals	-	-	(207)	-	(80)	(287)
At 31 December 2011	1,600	144,761	20,139	1,543	220	168,263
<i>Depreciation</i>						
At 1 January 2011	135	11,535	4,015	741	93	16,519
Reclassification	3	(3)	-	-	-	-
Charge for the year	58	2,545	1,113	166	47	3,929
Disposals	-	-	(207)	-	(59)	(266)
At 31 December 2011	196	14,077	4,921	907	81	20,182
<i>Net book value</i>						
At 31 December 2011	1,404	130,684	15,218	636	139	148,081
At 31 December 2010	793	125,713	14,734	757	105	142,102

Notes (continued)

10 Debtors

	Group 31 December 2011 £'000	Company 31 December 2011 £'000	Group 31 December 2010 £'000	Company 31 December 2010 £'000
Trade debtors	2,084	-	1,665	-
Amounts owed by Group undertakings	-	2,221	-	1,618
Other debtors	76	881	25	848
Prepayments and accrued income	263	15	239	15
Group relief recoverable from fellow subsidiaries	-	281	-	256
	<u>2,423</u>	<u>3,398</u>	<u>1,929</u>	<u>2,737</u>

All debtors are due within one year

11 Creditors: amounts falling due within one year

	Group 31 December 2011 £'000	Company 31 December 2011 £'000	Group 31 December 2010 £'000	Company 31 December 2010 £'000
Trade creditors	1,305	18	612	17
Loans due to Group undertakings	-	-	85,435	1,644
Other amounts owed to Group undertakings	-	5,412	-	3,995
Deferred consideration	-	-	284	284
Other creditors	622	-	613	-
Accruals and deferred income	2,815	12	2,489	14
Other taxation and social security	46	-	44	-
	<u>4,788</u>	<u>5,442</u>	<u>89,477</u>	<u>5,954</u>

The deferred consideration relates to the purchase, on 5th February 2008 by ESP Gas Group limited, of the entire issued share capital of Laing O'Rourke Energy Limited, together with related operating assets and renamed ESP Electricity Limited. The deferred consideration was finally settled at £5,081 and paid in October 2011 based on the achievement of improvements in profitability.

Notes (continued)

12 Creditors amounts falling due after more than one year

	Group 31 December 2011 £'000	Company 31 December 2011 £'000	Group 31 December 2010 £'000	Company 31 December 2010 £'000
Loans due to Group undertakings	87,706	941	862	-
Loan notes due to Group undertakings	11,927	-	11,927	-
Deferred income	27,520	-	26,469	-
	<u>127,153</u>	<u>941</u>	<u>39,258</u>	<u>-</u>

Loans due to Group undertakings shown as due after more than one year and is currently attracting interest at a weighted average rate of 7.04% above LIBOR

The loan notes due are repayable in 2015 and attract an interest rate of 13.58% per annum. Interest to date has been rolled into the principal amount.

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 2011 £'000	31 December 2010 £'000
Analysis of loans due to Group undertakings		
Intercompany loans can be analysed as falling due		
In one year or less, or on demand	-	85,435
Between one and two years	867	627
Between two and five years	98,766	235
Over five years	-	-
	<u>99,633</u>	<u>86,297</u>

13 Provisions for liabilities and charges - Group

	Deferred taxation £'000
At 1 January 2011	3,337
Credit to the profit and loss account in year (Note 7)	(732)
	<u>2,605</u>
At 31 December 2011	<u>2,605</u>

Notes (continued)

14 Deferred taxation - Group

The elements of deferred taxation are as follows

	31 December 2011 £'000	31 December 2010 £'000
Difference between accumulated depreciation and amortisation and capital allowances	2,624	3,357
Other timing differences	(19)	(20)
	<u>2,605</u>	<u>3,337</u>

15 Commitments

Capital commitments authorised by the directors at 31 December 2011 were £30,606,259 (2010 £21,340,710)

The company has provided security in the form of a first fixed floating charge over all its assets in respect of indebtedness of its parent undertaking to Barclays Bank PLC

16 Share capital

	31 December 2011 £'000	31 December 2010 £'000
<i>Authorised</i>		
20,000,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
<i>Allotted, called up and fully paid</i>		
14,720,985 ordinary shares £1 each	<u>14,721</u>	<u>14,721</u>

17 Profit and loss account

	Group Year ended 31 December 2011 £'000	Company Year ended 31 December 2011 £'000	Group Year ended 31 December 2010 £'000	Company Year ended 31 December 2010 £'000
Profit/(loss) for the period	3,523	(38)	3,070	(56)
Retained profit/(loss)	3,523	(38)	3,070	(56)
Profit/(loss) at beginning of period	1,821	252	(1,249)	308
	<u>5,344</u>	<u>214</u>	<u>1,821</u>	<u>252</u>

Notes *(continued)*

18 Commitments under operating leases

At the year end the group had annual commitments under non-cancellable operating leases, in respect of land and buildings, expiring after five years, of £95,000 (2010 £95,000)

19 Immediate and ultimate holding company and parent undertaking of larger group

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

The largest group in which the results of the Group are consolidated is that headed by Zoom Holding Limited. A copy of these consolidated financial statements is available from Companies House.