

Company Registration No. 09155925 (England and Wales)

ICOSA WATER LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2022

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ICOSA WATER LTD

COMPANY INFORMATION

Directors	R A Bradley S J Bradley R De Lange L M Hainey M W Pearce
Secretary	K J Nellany
Company number	09155925
Registered office	Sophia House 28 Cathedral Road Cardiff CF11 9LJ
Auditor	RSM UK Audit LLP Chartered Accountants Third Floor Centenary House 69 Wellington Street Glasgow G2 6HG

ICOSA WATER LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present the strategic report for the year ended 31 March 2022.

The directors, in preparing this strategic report, have complied with section 414C of the Companies Act 2006.

Principal activity

Since formation in 2016, Icosa Water Limited ("the company") has grown to become one of the UK's leading independent water and wastewater connections providers for new build residential and commercial developments. The company designs, constructs and operates potable water and wastewater network assets. Constructed assets are adopted by the company's wholly owned independent regulated and licensed subsidiary, Icosa Water Services Limited.

Ownership

On 28 May 2020, 69% of the company was acquired by Last Mile Infrastructure Limited which is a subsidiary undertaking of Last Mile Infrastructure Group Limited ("the group"). The group's ultimate parent undertaking and controlling party is Infracapital Partners III (Euro) SCSp and Infracapital Partners III (Sterling) SCSp, partnerships established in Luxembourg (together "Infracapital"), the infrastructure equity investment arm of M&G. Management shareholders have retained the remaining 31% of the company.

The group is one of the UK's largest Independent Network Owners, owning and operating more than 480,000 gas electricity, water and wastewater connections servicing residential and commercial customers. The company will operate alongside other multi-utility connections providers, UK Power Solutions Limited and Energetics Design & Build Limited, sister companies within the group to provide customers with the opportunity for a "one stop shop" approach for their multi utility requirements.

Financial review of the business

The company has continued to grow profitably during the year. The orderbook of new connections has increased by 29% during the year and the rate of monthly new connections continues to grow as the number of live construction sites increases. The company has continued to scale up its staff resource to ensure full and effective service delivery is maintained as the company expands. The operating profit for the year reflects year on year growth in construction activity and an element of business restructuring within the wider group.

Principal risks and uncertainties

Covid-19

The Directors implemented enhanced safety and hygiene procedures and remote working arrangements to safeguard employees and customers. A full service was maintained throughout the period of Covid restrictions and no staff were furloughed. There has been no material increase in the level of workforce absence. Normal business levels have now resumed and connections energised have returned to pre-pandemic levels.

Competition

Competition in the new water connection market is well established in England and Wales with many companies being accredited under the Water Industry Registration Scheme ("WIRS") to install new networks. Historically, all new networks would only have been adopted by the various regional incumbent monopoly water companies. In addition to being part of the group's 'one stop shop', the company competes and differentiates by offering a reliable high quality connection service with additional upside benefits from independent network ownership via its licensed and regulated independent water company, Icosa Water Services Limited.

Market

The UK government consistently targets the construction of up to 300,000 new homes per annum to meet the housing needs of the growing population. The appetite for independent water companies within this market continues to grow as more housebuilders and property developers begin to understand the benefits that independent water companies can offer. The company was an early mover in the independent water market and staff have extensive water sector experience.

ICOSA WATER LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

Financial risk

The company funds itself through developer funded construction incomes and the subsequent sale of constructed connections to Icosa Water Services Limited. The sale of connections is primarily funded by the group's debt facility which has ample provision to support the existing orderbook and future sales growth. Profitability is driven by the quantity and timing of new connections being built from the orderbook. In this regard, the company has a large existing orderbook which will take a minimum of 5 years to build out. New sales continue to replenish and grow the orderbook as the business continues to grow.

In addition to the equity investment provided by Infracapital in March 2022, the group entered into a £367m long term financing facility provided by a group of banks and institutional lenders, which has been made available under a multi-creditor common terms platform. Both sources provide sufficient funding capability to meet the growth plans of the group for a period of at least 12 months from the date of signing these financial statements. Further details are provided in note 1. The majority ownership of the group by Infracapital also significantly mitigate these risks and provides a suitable funding platform on which to continue to grow the business.

The company prepares monthly rolling cash flow forecasts and continually monitors actual performance against this. The company is a borrower to the group's long-term financing facility. This facility is provided by a group of banks which provides sufficient funding for the group to meet its ongoing obligations and meet its long-term growth plan.

Credit risk

The company's credit risk is managed through a combination of running credit checks on new customers where appropriate, and monitoring payments against agreed contract terms. The company's credit risks are kept to a minimum due to the company's policy of requiring milestone stage payments throughout the life of a project.

Health and safety

The Directors are committed to high standards of health and safety in the company's activities for employees and customers alike. Policies and procedures are established to maintain the continued provision of safe and healthy working conditions compliant with statutory requirements and appropriate codes of practice.

Key performance indicators

The directors primarily consider financial KPIs in their evaluation of performance of the business. These include:

	Year ended 31 March 2022	Year ended 31 March 2021
	£'000s	£'000s
Revenue	9,541	5,037
Operating profit/(loss) (pre exceptionals)	821	(114)
EBITDA	856	(90)

On behalf of the board



M W Pearce
Director

31 August 2022

ICOSA WATER LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present their annual report and financial statements for the year ended 31 March 2022.

Principal activities

The principal activity of the company continued to be the construction and sale of water and wastewater network infrastructure assets.

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid during the year (2021: £nil). The directors do not recommend payment of a final dividend.

Going concern

As at the reporting date the company had net current assets of £294,000 (2021: net current liabilities of £604,000) and net assets of £348,000 (2021: net liabilities of £562,000). The majority owner of the Last Mile Infrastructure Group Limited group of companies (the "group"), of which the company forms a part, is Infracapital.

In March 2022, the group entered into a £367m long term financing facility, provided by a group of banks and institutional lenders, details of which are provided in note 1 of the financial statements. The facility can be drawn down as new connections are energised and based on projections, the directors consider that the group will continue to operate within the limits of the facility and covenants. After considering the above, the directors believe that the company is well placed, at the time of approving the financial statements, to manage its business risks (as detailed in the strategic report) successfully and has adequate resources to continue in operational existence for a period of 12 months from the signing of the financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

RA Bradley
SJ Bradley
R De Lange
LM Hainey
MW Pearce

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

ICOSA WATER LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

On behalf of the board



M W Pearce
Director

31 August 2022

ICOSA WATER LTD

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

The directors are responsible for preparing the Strategic Report and 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 MEMBERS OF ICOSA WATER LTD

Opinion

We have audited the financial statements of Icosa Water Ltd (the 'company') for the year ended 31 March 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- gaining assurance over the borrowing facilities available at the balance sheet date and in the forecast period;
- evaluating the integrity and accuracy of the cashflow forecasts prepared by management for the Group;
- assessing the appropriateness of assumptions and explanations provided by management to supporting information, where available;
- evaluating the accuracy and consistency of disclosures made in the financial statements in respect of principal risks and going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ICOSA WATER LTD (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters 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 financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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 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 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ICOSA WATER LTD (CONTINUED)

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to Ofgem and Ofwat. We performed audit procedures to inquire of management whether the company is in compliance with these law and regulations.

The audit engagement team identified the risk of management override of controls and the estimation involved within revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates applied in revenue recognition process.

A further description of our responsibilities for the audit of the financial statements is located on 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 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.



Alan Aitchison (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Third Floor

Centenary House

69 Wellington Street

Glasgow

G2 6HG

20/09/22

ICOSA WATER LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £'000	2021 £'000
Turnover	2	9,541	5,037
Cost of sales		(6,673)	(2,969)
Gross profit		2,868	2,068
Administrative expenses		(2,047)	(2,202)
Other operating income		-	20
Operating profit/(loss)	5	821	(114)
Interest receivable and similar income	7	89	1
Profit/(loss) before taxation		910	(113)
Tax on profit/(loss)	8	-	-
Profit/(loss) for the financial year		910	(113)

There are no components of other comprehensive income recognised as part of total comprehensive income outside the income statement. The income statement has been prepared on the basis that all operations are continuing operations.

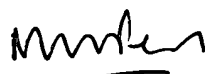
The notes on pages 12 to 21 form part of these financial statements.

ICOSA WATER LTD**STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2022**

	Notes	2022 £'000	£'000	2021 £'000	£'000
Fixed assets					
Tangible assets	9		54		42
Current assets					
Stocks	10	359		1,033	
Debtors	11	5,540		2,052	
Cash at bank and in hand		1,180		1,566	
		<u>7,079</u>		<u>4,651</u>	
Creditors: amounts falling due within one year	12	<u>(6,785)</u>		<u>(5,255)</u>	
Net current assets/(liabilities)			294		(604)
Net assets/(liabilities)			<u>348</u>		<u>(562)</u>
Capital and reserves					
Called up share capital	14		-		-
Share premium account			1,275		1,275
Profit and loss reserves			<u>(927)</u>		<u>(1,837)</u>
Total shareholders funds/(deficit)			<u>348</u>		<u>(562)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 31 August 2022 and are signed on its behalf by:



M W Pearce
Director

ICOSA WATER LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share capital £'000	Share premium account £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 April 2020	-	1,275	(1,724)	(449)
Year ended 31 March 2021:				
Loss and total comprehensive income for the year	-	-	(113)	(113)
Balance at 31 March 2021	-	1,275	(1,837)	(562)
Year ended 31 March 2022:				
Profit and total comprehensive income for the year	-	-	910	910
Balance at 31 March 2022	-	1,275	(927)	348

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

Company information

Icosa Water Ltd is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Sophia House, 28 Cathedral Road, Cardiff, CF11 9LJ.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

In accordance with FRS102, the company has taken advantage of the exemptions from the following disclosure requirements;

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' - Disclosure of financial instruments at amortised cost;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Last Mile Infrastructure (Holdings) Limited. These consolidated financial statements are available from its registered office, Hooper Suite Building 6, Bonds Mill Estate, Stonehouse, Gloucestershire, England, GL10 3RF.

The company has taken advantage of the exemption under section 399 of the Companies Act 2006 not to prepare consolidated accounts, on the basis that the group of which this is the parent qualifies as a small group. The financial statements present information about the company as an individual entity and not about its group.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies (Continued)

As at the reporting date the company had net current assets of £294,000 (2021: net current liabilities of £604,000) and net assets of £348,000 (2021: net liabilities of £562,000). The majority owner of the Last Mile Infrastructure Group Limited group of companies (the "group"), of which the company forms a part, is Infracapital.

In March 2022, the group entered a £367m long term financing facility, provided by a group of banks and institutional lenders, which has been made available under a multi-creditor common terms platform. At the date of approval of these financial statements, the Group has undrawn facilities of £174.8m. The bank facilities (£217m) are due to expire in 2029 and the institutional debt facilities are due to expire in 2037 and 2042 respectively (£150m). Future longer-term debt tranches will be drawn down in line with business requirements. The Group has 15 year and 20 year secured Private Placement notes denominated in GBP (£150m). These notes incur a fixed rate of interest.

The facility can be drawn down as new connections are energised and based on projections, the directors consider that the group will continue to operate within the limits of the facility and covenants. After considering the above, the directors believe that the company is well placed, at the time of approving the financial statements, to manage its business risks (as detailed in the strategic report) successfully and has adequate resources to continue in operational existence for a period of twelve months from the signing of the financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Turnover

The company enters into construction contracts that will take a number of months to complete. Contracts that are expected to span more than one period end are recognised in revenue in accordance with FRS 102.

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date. This is measured by the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable such costs will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	20% - 33% straight line on cost
Fixtures and fittings	33% straight line on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies (Continued)

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Stocks

Work in progress is stated net of amounts taken to cost of sales under long term contracts. The amount by which revenue exceeds a payment on account is included in debtors as accrued income. Payments on account in excess of work in progress are included in creditors as deferred income.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand and deposits held at call with banks.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of tax currently payable and deferred tax.

Current tax

Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies (Continued)

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

Long term contract balances

Long term contracts which are included as 'amounts recoverable on contracts', are stated at cost, plus attributable profits, less provisions for any anticipated future losses, less payments received on account. The profit attributable to the stage of completion of a long term contract is recognised if the outcome of the contract can be determined with reasonable certainty. Provision is made for any anticipated contract losses based on management's best estimate of the contract outcome. When payments on account on a contract exceed the value of the relevant work undertaken the excess is included in creditors as 'payments received on account'.

Significant judgements and estimates

The preparation of figures in these financial statements requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and judgements are continually evaluated and are based on historic information and experience. The most significant areas where judgements and estimates are applied are:

- The calculation of the percentage of completion of long term construction contracts which impact revenues recognised and the resulting long term contract balances recorded within the balance sheet of the group. Management estimates the recorded percentage completed of a number of activities undertaken as part of the contract, taking information from field surveys, work recording reports and the costs recorded against projects.
- Provisions against receivables taking into account the contractual obligations of debtors and their credit worthiness.
- Provisions against loss making contracts by considering the overall projected financial outcome of the project.

2 Turnover and other revenue

	2022	2021
	£'000	£'000
Turnover analysed by class of business		
Construction revenue	9,541	5,037

All turnover is generated in the United Kingdom.

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

3 Employees

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

	2022 Number	2021 Number
Management	3	3
Operational	16	12
Other	8	6
Total	<u>27</u>	<u>21</u>

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	1,318	1,437
Social security costs	136	174
Pension costs	75	66
	<u>1,529</u>	<u>1,677</u>

4 Directors' remuneration

	2022 £'000	2021 £'000
Remuneration for qualifying services	521	532
Company pension contributions to defined contribution schemes	29	30
	<u>550</u>	<u>562</u>

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2022 £'000	2021 £'000
Remuneration for qualifying services	191	191
Company pension contributions to defined contribution schemes	11	11
	<u>202</u>	<u>202</u>

For the duration of the current and prior year, costs of certain company directors were borne by Last Mile Infrastructure Limited and Last Mile Infrastructure Group Limited and are disclosed in the financial statements of those companies.

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

5	Operating profit/(loss)	2022	2021
	Operating profit/(loss) for the year is stated after charging/(crediting):	£'000	£'000
	Government grants	-	(20)
	Depreciation of owned tangible fixed assets	35	24
	Operating lease charges	114	91
		<u> </u>	<u> </u>
6	Auditor's remuneration	2022	2021
	Fees payable to the company's auditor and its associates:	£'000	£'000
	For audit services		
	Audit of the financial statements of the company	13	12
		<u> </u>	<u> </u>
	For other services		
	Taxation compliance services	5	5
	All other non-audit services	4	12
		<u> </u>	<u> </u>
		9	17
		<u> </u>	<u> </u>
7	Interest receivable and similar income	2022	2021
		£'000	£'000
	Interest income		
	Interest on bank deposits	-	1
	Interest receivable from group companies	89	-
		<u> </u>	<u> </u>
	Total income	89	1
		<u> </u>	<u> </u>

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

8 Taxation

The total tax charge for the year included in the income statement can be reconciled to the profit/(loss) before tax multiplied by the standard rate of tax as follows:

	2022 £'000	2021 £'000
Profit/(loss) before taxation	910	(113)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	173	(21)
Tax effect of expenses that are not deductible in determining taxable profit	1	21
Permanent capital allowances in excess of depreciation	(3)	-
Deferred tax not recognised	(171)	-
Taxation charge for the year	-	-

On 24 May 2021, the UK government increased the rate of UK corporation tax from 19% to 25% with effect from 1 April 2023.

9 Tangible fixed assets

	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 April 2021	21	68	89
Additions	6	41	47
At 31 March 2022	27	109	136
Depreciation and impairment			
At 1 April 2021	13	34	47
Depreciation charged in the year	7	28	35
At 31 March 2022	20	62	82
Carrying amount			
At 31 March 2022	7	47	54
At 31 March 2021	8	34	42

10 Stocks

	2022 £'000	2021 £'000
Work in progress	359	1,033

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

11 Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade debtors	769	535
Amounts owed by group undertakings	4,207	1,183
Other debtors	407	12
Prepayments and accrued income	157	322
	<u>5,540</u>	<u>2,052</u>

12 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	488	91
Taxation and social security	181	64
Other creditors	1,237	896
Accruals and deferred income	4,879	4,204
	<u>6,785</u>	<u>5,255</u>

13 Retirement benefit schemes

	2022 £'000	2021 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>75</u>	<u>66</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

14 Share capital

	2022 Number	2021 Number	2022 £'000	2021 £'000
Ordinary share capital				
Ordinary shares of 1p each	<u>226,000</u>	<u>226,000</u>	<u>-</u>	<u>-</u>

15 Financial commitments, guarantees and contingent liabilities

As at 31 March 2022, the company does not have any drawdown facilities ("borrowings") which are not held through the group.

As at 31 March 2022, all external group borrowings from the company's lenders, are secured by a bond and floating charge over all company assets.

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

16 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022 £'000	2021 £'000
Within one year	110	91
Between one and five years	22	71
	<u>132</u>	<u>162</u>

17 Ultimate controlling party

The company's immediate parent undertaking is Last Mile Water Limited. The company's ultimate parent undertaking and controlling party is Infracapital.

Last Mile Infrastructure Limited is the smallest group for which group financial statements are prepared. Copies of the consolidated financial statements of Last Mile Infrastructure Limited can be obtained from Companies House.

Last Mile Infrastructure (Holdings) Limited, a company incorporated in England, is the largest group company for which group financial statements are prepared. Copies of the Consolidated financial statements of Last Mile Infrastructure (Holdings) Limited can be obtained from Companies House.