

Company Registration No. 09155925 (England and Wales)

ICOSA WATER LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2021

COMPANIES HOUSE
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ICOSA WATER LTD

COMPANY INFORMATION

Directors	R A Bradley S J Bradley R De Lange L Hailey 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 2021

The directors present the strategic report for the year ended 31 March 2021.

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 connection providers for new build residential and commercial developments. The company designs and constructs potable water and wastewater network assets throughout England and Wales. Constructed assets are adopted by the company's regulated and licensed subsidiary, Icosa Water Services Limited.

Ownership

The company was acquired by Last Mile Water Limited on 28th May 2020. Last Mile Water Limited is majority owned by Last Mile Infrastructure UK Limited, 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 Plc. Icosa management shareholders own the remaining shareholding of Last Mile Water Limited.

The group is one of the UK's largest Independent Network Owners, owning and operating more than 400,000 gas and electricity connections servicing residential and commercial customers. The company now operates alongside other multi-utility connections providers, UK Power Solutions and Energetics within the Last Mile group of companies to provide customers with the opportunity for a 'one stop' solution for their multi utility requirements.

Financial review of the business

The company has continued to grow during the year despite a slowdown in housebuilding during periods of Covid lockdown restrictions. The orderbook of new connections has increased substantially during the year and the rate of monthly new connections continues to grow as the number of live construction sites increases. The company has been highly successful during the initial start-up phase and has continued to scale up its staff resource to ensure high levels of service delivery is maintained as the company grows.

The operating loss of £114,000 (2020: £144,000) largely reflects the slow-down in connections during periods of lockdown and an investment in additional staff resources to deliver the orderbook.

Principal risks and uncertainties

Covid-19

Covid-19 had a modest impact on the company during the year ended 31 March 2021. The company entered full lockdown during April and May of the new financial year, however since then the company has seen construction sites re-open with new strict operating procedures in order to adhere to Government guidelines, continuing to adapt to evolving guidelines from the UK Governments. Major efforts have been made to ensure that the company can operate within these guidelines and to minimise any impact. The directors are satisfied that sufficient resources are in place to ensure that the company can maintain operations at a lower operating level should there be further disruption in the industry in the coming year as well. Given the Government's commitment to deliver 300,000 homes a year in England and Wales by 2023, it is not felt to be a significant risk to future periods and the company is well placed to take advantage of new build programmes supported by the UK Governments' strategic housing objectives.

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, group policies and appropriate codes of practice.

ICOSA WATER LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Competition

Competition in the new water connection market is well established in England and Wales with several companies being accredited under the Water Industry Registration Scheme ("WIRS") to install new networks. Historically, all new networks were adopted by the various regional incumbent monopoly water companies. The company is now able to compete on a stand alone basis or as part of the Last Mile 'one stop' multi utility offering.

Market

The appetite for independent water companies is growing within the housing market as more housebuilders and property developers begin to understand the benefits that independent water companies can offer compared to the traditional regional incumbent monopolies. The company was an early mover in the independent water market and management and company staff have extensive experience in the independent multi utility and water company sectors.

Financial risk

The company is exposed to the same financial risks as the rest of the group. The trading activities of the group result in it facing market risk in terms of pricing structures and material cost fluctuations and liquidity risk in terms of the continued capital expenditure requirement to fund network asset construction projects within the group.

In December 2018, the group entered into a long term financing facility provided by a group of banks. This will be used to fund future additions to the group's connections portfolio and is considered sufficient to enable the group to meet its ongoing obligations and growth plan for a period of at least 12 months from the date of signing these financial statements. The company's profitability is driven by the quantity and timing of new connections being built from the orderbook. Financial risk is mitigated by the company's large existing orderbook which will take a minimum of 5 years to build out, however new sales continue to replenish and increase the orderbook as the business continues to grow.

The company prepares monthly rolling cash flow forecasts and continually monitors actual performance against this. The directors believe that the orderbook and availability of group debt ensure that the business will continue to operate as a going concern.

Credit risk

The company's credit risks are kept to a minimum due to the company's payment policy of requiring payments ahead of connections throughout the life of a project. Housebuilders are incentivised to pay for their water and sewerage connections in order that their properties are connected and can be sold. Credit risk is spread across a range of different customers and the company monitors customer credit ratings on an ongoing basis.

Brexit

The decision to leave the EU created a degree of initial uncertainty in markets but the demand for new housing has remained very strong and the business has not identified any material impact on the buildout of its existing orderbook or new sales. The directors will continue to monitor the situation closely.

On behalf of the board



M W Pearce
Director

3 August 2021

ICOSA WATER LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present their annual report and financial statements for the year ended 31 March 2021.

Principal activities

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

Results and dividends

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

Going concern

The company has not seen any material disruption to its business as a result of the COVID-19 pandemic. In the early stages of the pandemic, housing development did experience a slow down in the UK, however this has since recovered and new houses continue to be in demand. The orderbook of new connections continues to be strong and post lock-down sales are positive. Additionally, the company has not seen any notable negative impact on the recovery of its debtor balances.

The directors have considered the impact of COVID-19 on the business going forward and also reflected on the period up until the date of signing of these financial statements. During the year, the external bank debt of the 100% owned subsidiary Icosa Water Services Limited was repaid in full following the acquisition of the business by Last Mile. Future funding requirements of the company and its subsidiary will be met by the group. The group has access to a long term financing facility with sufficient headroom to meet its ongoing obligations and meet its growth plans for a period of at least 12 months. Post-acquisition, the company and its subsidiary has been able to access this facility through an inter-company loan facility with the group.

As at the reporting date the company had net current liabilities of £604,000 (2020: £490,000) and net liabilities of £562,000 (2020: £449,000).

The group's facility can be drawn down as new connections are energised and based on projections, the directors are confident that the group will continue to operate within the limits of the facility and covenants. Recognising the codependency of the multi-disciplinary group, the group has indicated its continued support for its subsidiary companies and will not seek repayment of any intercompany amounts due until such time as the company has sufficient resources to meet its short term liabilities.

The majority owner of the group, of which the company forms a part, 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 Plc. 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 at least twelve 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:

R A Bradley
S J Bradley
R De Lange
L Hainey
M W Pearce

(Appointed 28 May 2020)

(Appointed 28 May 2020)

Auditor

RSM UK Audit LLP were appointed as auditor to the company and in accordance with section 487 of the Companies Act 2006, RSM UK Audit LLP, is deemed to be reappointed.

ICOSA WATER LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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.

On behalf of the board



M W Pearce
Director

3 August 2021

ICOSA WATER LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

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 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 2021 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 2021 and of its loss 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.

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

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in 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 from the requirement to prepare a strategic report or 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.

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

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.

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, inspecting correspondence with local tax authorities and evaluating advice received from tax advisors. There are regulations which, while not having a direct impact on the financial statements, have an impact on the ability of parts of the Group to continue to trade. These include those regulations imposed and monitored by Ofgem and Ofwat.

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

18/08/21

ICOSA WATER LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

		2021	2020
	Notes	£'000	as restated £'000
Turnover	3	5,037	5,173
Cost of sales		(2,969)	(3,315)
Gross profit		2,068	1,858
Administrative expenses		(2,202)	(2,002)
Other operating income		20	-
Operating loss	6	(114)	(144)
Interest receivable and similar income	8	1	2
Loss before taxation		(113)	(142)
Tax on loss	9	-	-
Loss for the financial year		(113)	(142)

ICOSA WATER LTD**STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2021**

		2021		2020 as restated	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	10		42		41
Current assets					
Stocks and Work in Progress	11	1,033		686	
Debtors	12	2,052		2,817	
Cash at bank and in hand		1,566		1,408	
		<u>4,651</u>		<u>4,911</u>	
Creditors: amounts falling due within one year	13	<u>(5,255)</u>		<u>(5,401)</u>	
Net current liabilities			<u>(604)</u>		<u>(490)</u>
Net liabilities			<u>(562)</u>		<u>(449)</u>
Capital and reserves					
Share premium account			1,275		1,275
Profit and loss reserves			<u>(1,837)</u>		<u>(1,724)</u>
Total equity			<u>(562)</u>		<u>(449)</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 3 August 2021 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 2021

	Share premium account £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 April 2019	1,275	(1,582)	(307)
Year ended 31 March 2020:			
Loss and total comprehensive income for the year	-	(142)	(142)
	<u>1,275</u>	<u>(1,724)</u>	<u>(449)</u>
Balance at 31 March 2020	1,275	(1,724)	(449)
Year ended 31 March 2021:			
Loss and total comprehensive income for the year	-	(113)	(113)
	<u>1,275</u>	<u>(1,837)</u>	<u>(562)</u>
Balance at 31 March 2021	<u>1,275</u>	<u>(1,837)</u>	<u>(562)</u>

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

The company has not seen any material disruption to its business as a result of the COVID-19 pandemic. In the early stages of the pandemic, housing development did experience a slow down in the UK, however this has since recovered and new houses continue to be in demand. The orderbook of new connections continues to be strong and post lock-down sales are positive. Additionally, the company has not seen any notable negative impact on the recovery of its debtor balances.

The directors have considered the impact of COVID-19 on the business going forward and also reflected on the period up until the date of signing of these financial statements. During the year, the external bank debt of the 100% owned subsidiary Icosa Water Services Limited was repaid in full following the acquisition of the business by Last Mile. Future funding requirements of the company and its subsidiary will be met by the group. The group has access to a long term financing facility with sufficient headroom to meet its ongoing obligations and meet its growth plans for a period of at least 12 months. Post-acquisition, the company and its subsidiary has been able to access this facility through an inter-company loan facility with the group.

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

As at the reporting date the company had net current liabilities of £604,000 (2020: £490,000) and net liabilities of £562,000 (2020: £449,000).

The group's facility can be drawn down as new connections are energised and based on projections, the directors are confident that the group will continue to operate within the limits of the facility and covenants. Recognising the codependency of the multi-disciplinary group, the group has indicated its continued support for its subsidiary companies and will not seek repayment of any intercompany amounts due until such time as the company has sufficient resources to meet its short term liabilities.

The majority owner of the group, of which the company forms a part, 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 Plc. 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 at least 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

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be readily measured. Turnover includes the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty and represents the net invoiced value of services provided in respect of the design and construction of multi-utility network assets, all of which is undertaken in the UK. Turnover also includes the sales value of work done but not yet invoiced in respect of long term contracts.

Turnover includes pass through costs incurred on behalf of customers and recharged to them.

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.

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.

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

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 payments on accounts 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.

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.

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

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.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Deferred tax assets and liabilities are not discounted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on the tax rates and laws enacted or substantially enacted at the statement of financial position 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.

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

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.

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.

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 Prior period adjustment

During the preparation of these financial statements, and subsequent to the date of signing of the financial statements for the year ended 31 March 2020, it has been identified that the share capital and share premium had not been allocated correctly. Consequently the 2020 amounts have been restated.

The impact of this re-statement is to decrease share capital by £1,274,820, increase share premium by £1,274,920 and increase debtors by £100. The comparative figures in the primary statements and notes have been restated to reflect this prior period adjustment.

Following a review of the accounting treatment for certain pass through costs, and to bring accounting treatment in line with the rest of the group, these amounts are now shown as gross through P&L. The 2020 amounts have been restated to reflect this treatment. The impact of this restatement is to increase revenue and cost of sales by £902,000 with no impact on profit or net assets.

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

3 Turnover and other revenue

	2021 £'000	2020 £'000
Turnover analysed by class of business		
Construction revenue	5,037	5,173

All turnover is generated in the United Kingdom.

4 Employees

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

	2021 Number	2020 Number
Management	3	3
Operational	12	11
Other	6	5
Total	21	19

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	1,437	1,257
Social security costs	174	120
Pension costs	66	61
	1,677	1,438

5 Directors' remuneration

	2021 £'000	2020 £'000
Remuneration for qualifying services	532	446
Company pension contributions to defined contribution schemes	30	32
	562	478

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

5 Directors' remuneration (Continued)

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

	2021 £'000	2020 £'000
Remuneration for qualifying services	191	163
Company pension contributions to defined contribution schemes	11	12
	<u> </u>	<u> </u>

For the year ended 31 March 2021, 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.

6 Operating loss

	2021 £'000	2020 £'000
Operating loss for the year is stated after charging/(crediting):		
Government grants	(20)	-
Depreciation of owned tangible fixed assets	24	14
Operating lease charges	91	91
	<u> </u>	<u> </u>

The company received £20,000 in April 20 for a business rates grant in relation to its premises in Cardiff.

7 Auditor's remuneration

	2021 £'000	2020 £'000
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	12	-
	<u> </u>	<u> </u>
For other services		
Taxation compliance services	5	-
All other non-audit services	12	-
	<u> </u>	<u> </u>
	17	-
	<u> </u>	<u> </u>

8 Interest receivable and similar income

	2021 £'000	2020 £'000
Interest income		
Interest on bank deposits	1	2
	<u> </u>	<u> </u>

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

9 Taxation

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

	2021 £'000	2020 £'000
Loss before taxation	(113)	(142)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 0%)	(21)	-
Tax effect of expenses that are not deductible in determining taxable profit	21	-
Taxation charge for the year	-	-

The UK corporation tax rate was set to reduce to 17% from 1 April 2020 but subsequently amended to remain at 19% for the years starting 1 April 2020 and 1 April 2021 in the 2020 Budget.

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

10 Tangible fixed assets

	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 April 2020	19	45	64
Additions	2	24	26
Disposals	-	(1)	(1)
At 31 March 2021	21	68	89
Depreciation and impairment			
At 1 April 2020	7	16	23
Depreciation charged in the year	6	18	24
At 31 March 2021	13	34	47
Carrying amount			
At 31 March 2021	8	34	42
At 31 March 2020	12	29	41

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

11 Stocks		
	2021	2020
	£'000	£'000
Work in progress	1,033	686

12 Debtors		
	2021	2020
		as restated
Amounts falling due within one year:	£'000	£'000
Trade debtors	535	2,043
Amounts owed by group undertakings	1,183	675
Other debtors	12	12
Prepayments and accrued income	322	87
	<u>2,052</u>	<u>2,817</u>

13 Creditors: amounts falling due within one year		
	2021	2020
	£'000	£'000
Trade creditors	91	802
Taxation and social security	64	38
Other creditors	896	917
Accruals and deferred income	4,204	3,644
	<u>5,255</u>	<u>5,401</u>

14 Retirement benefit schemes		
	2021	2020
	£'000	£'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	66	83

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.

15 Share capital				
	2021	2020	2021	2020
		as restated		as restated
Ordinary share capital	Number	Number	£'000	£'000
Ordinary shares of 1p each	226,000	226,000	-	-

ICOSA WATER LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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:

	2021 £'000	2020 £'000
Within one year	91	91
Between one and five years	71	18
	<u>162</u>	<u>109</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.