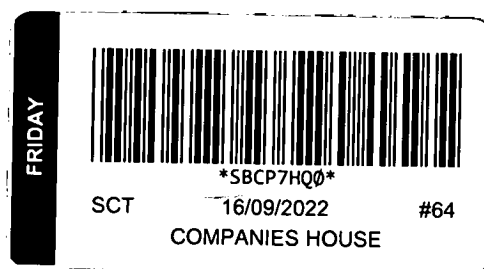


Company Registration No. SC303150 (Scotland)

LAST MILE GAS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2022



LAST MILE GAS LIMITED

COMPANY INFORMATION

Directors	M W Pearce K J Nellany L M Hailey
Secretary	K J Nellany
Company number	SC303150
Registered office	Fenick House Lister Way Hamilton International Technology Park Glasgow Scotland G72 0FT
Auditor	RSM UK Audit LLP Chartered Accountants Third Floor Centenary House 69 Wellington Street Glasgow G2 6HG

LAST MILE GAS LIMITED

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 activities

Last Mile Gas Limited (the "company") is a licensed Independent Gas Transporter ("IGT"), the main activities of which are the ownership and operation of gas distribution networks. Revenue, which is generated from the use of the company's gas distribution networks, is regulated by Ofgem. The company is a wholly owned subsidiary of Last Mile Infrastructure Group Limited (the "group") and the company's ultimate parent undertaking and controlling party is Infracapital Partners III (Euro) SCSp and Infracapital Partner III (Sterling) SCSp, partnerships established in Luxembourg (together 'Infracapital'), the infrastructure equity investment arm of M&G Plc.

Business review

During the year to 31 March 2022, the number of gas connections energised has continued to increase, representative of the company's continued investment in its infrastructure networks supporting the UK housing market and commercial property market together with the company's success in securing connections from third party providers.

The order book of new connections secured through new contract awards remains strong, underpinned by ongoing contract wins by fellow subsidiaries Energetics Design & Build Limited and UK Power Solutions Limited. The company's sales channel via third party independent connection providers also contributes to this orderbook growth.

Turnover for the year ended 31 March 2022 was £13,324,000 (2021: £10,328,000) resulting in a net profit after financing costs of £8,177,000 (2021: £6,187,000). Turnover increased by 29% compared to 2021, and operating profit increased by 29% compared to 2021. As at the reporting date, the company had net assets of £27,524,000 (2021: £22,451,000).

Principal risks and uncertainties

Covid-19

Covid-19 has had an unavoidable impact on new connections energised, most notably in 2021 as construction activity levels were reduced in the early part of the financial year. Conditions in the economy steadily recovered through the remainder of 2021; the recovery continued into 2022 and, at the time of publication of these financial statements, new connection levels have returned to pre-covid levels. The company benefits from the security of revenues from its existing portfolio of connections as transportation revenues are largely predictable and supported by a strong regulatory framework. These revenues are expected to continue to generate positive cash flows, however detailed forecasts have been prepared to ensure the company is well placed to respond as required to the continually changing macro environment.

Regulatory

The company operates in stable and transparent regulated utility markets in the UK. The company is not aware of any imminent changes impacting the existing regulatory frameworks in which it operates. Any such change could have either a positive or negative impact on the future business prospects. The company seeks to mitigate these risks through robust planning and regular engagement with industry groups.

Health, Safety and Environmental

The group is focussed on maintaining a strong health and safety culture. The group operates a comprehensive Health, Safety and Environmental framework to ensure that, as far as possible, it eliminates risk to its employees, customers and the environment.

LAST MILE GAS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

Competition

A principal risk facing the company is the increasing level of competition in the sector. This could make it more difficult to secure new assets with a subsequent slowdown in growth. The company manages this risk through tailoring commercial offerings to its independent connection provider customer base. This in turn reduces the volatility in individual competitive markets. These risks are managed through tailored planning and internal review processes.

Credit risk

Credit risk represents the risk of a counterparty failing to complete its contractual obligations when they fall due. The Group mitigate and manage this risk with regular monitoring of aged trade debtors. The majority of the company's customers are listed entities and payments and the collectability of are determined according to regulatory licence conditions.

Key performance indicators

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

	Year to 31 March 2022	Year to 31 March 2021
	£000	£000
Revenue	13,324	10,328
Revenue % increase	29%	6%
Operating profit	9,422	7,310
Operating profit %	71%	71%
EBITDA	10,850	8,868
Network asset additions	18,252	10,460

EBITDA presented within the analysis of key performance indicators reflects the underlying EBITDA of Last Mile Gas Limited after removing the effects of non-recurring and one-off items.

LAST MILE GAS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

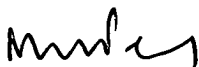
Future developments

The UK Government is committed to reducing reliance on fossil fuels, targeting 'net-zero' by 2050. To achieve this, alternative sources of low-emission energy will be required which will inevitably reduce the reliance on natural gas. Various proposals have been made by the Climate Change Committee including the implementation of heat pumps and hydrogen fuelled households (amongst others). However, the future is uncertain and is dependent on the development and emergence of new technologies. Due to this inherent uncertainty, Last Mile believe its existing gas infrastructure network will be an essential part of heat infrastructure for decades to come.

At the time of publication, inflation in the United Kingdom is rising. Gas transportation revenues are determined under the Relative Price Control (RPC) mechanism in place for Independent Gas Transporters and fluctuations, whether caused by inflation or other factors, are typically low. The Company's exposure to price risk is therefore considered as low.

Despite uncertainty in the macro-economic environment including inherent risks remaining from the Covid-19 pandemic and increased rates of inflation, the directors are confident that the company will continue to grow and trade profitably for the foreseeable future and will continue to increase its volume of adopted connections through the activities of its fellow subsidiaries, Energetics Design & Build Limited and UK Power Solutions Limited and third party independent connection providers.

On behalf of the board



M W Pearce

Director

31 August 2022

LAST MILE GAS LIMITED

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.

Directors

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

M W Pearce	
G K McCall	(Resigned 31 August 2022)
M R Collinson	(Resigned 31 March 2022)
K J Nellany	(Appointed 5 January 2022)
L M Hailey	(Appointed 15 July 2022)

Results and dividends

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

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

Going Concern

The statement of financial position of the company shows net current liabilities of £14,773,000 (2021: £5,431,000) and a net asset position of £27,524,000 (2021: £22,451,000). 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.

Qualifying third party indemnity provisions

The company has made qualifying third-party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

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.

On behalf of the board



M W Pearce
Director

31 August 2022

LAST MILE GAS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAST MILE GAS LIMITED

Opinion

We have audited the financial statements of Last Mile Gas Limited (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 LAST MILE GAS LIMITED (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.

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 LAST MILE GAS LIMITED (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 as the area 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.

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

14/09/22

LAST MILE GAS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £'000	2021 £'000
Turnover	2	13,324	10,328
Cost of sales		(3,357)	(2,525)
Gross profit		9,967	7,803
Administrative expenses		(545)	(493)
Operating profit	4	9,422	7,310
Interest receivable and similar income	6	31	152
Interest payable and similar expenses	7	(1,276)	(1,275)
Profit before taxation		8,177	6,187
Tax on profit	8	(3,104)	(1,176)
Profit for the financial year		5,073	5,011

There are no components of other comprehensive income recognised as part of total comprehensive income outside the income statement.

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

LAST MILE GAS LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2022**

	Note	2022 £'000	2021 £'000
Fixed assets			
Tangible assets	9	76,616	59,600
Current assets			
Debtors	10	7,629	7,120
Cash at bank and in hand		180	1,072
		7,809	8,192
Creditors: amounts falling due within one year	11	(22,582)	(13,623)
Net current liabilities		(14,773)	(5,431)
Total assets less current liabilities		61,843	54,169
Creditors: amounts falling due after more than one year	12	(28,832)	(28,832)
Provisions for liabilities	13	(5,487)	(2,886)
Net assets		27,524	22,451
Capital and reserves			
Called up share capital	15	-	-
Profit and loss reserves	16	27,524	22,451
Total equity		27,524	22,451

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

LAST MILE GAS LIMITED

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

	Share capital	Profit and loss reserves	Total
	£'000	£'000	£'000
Balance at 1 April 2020	-	17,440	17,440
Year ended 31 March 2021:			
Profit and total comprehensive income for the year	-	5,011	5,011
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	-	22,451	22,451
Year ended 31 March 2022:			
Profit and total comprehensive income for the year	-	5,073	5,073
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2022	-	27,524	27,524
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

LAST MILE GAS LIMITED

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

1 Accounting policies

Company information

Last Mile Gas Limited is a private company limited by shares and is registered and incorporated in Scotland. The registered office is Fenick House, Lister Way, Hamilton International Technology Park, Glasgow, Scotland, G72 0FT.

The company's principal activities and nature of its operations are disclosed in the Strategic 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, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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 FRS 102, 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 Companies House.

Going concern

The statement of financial position of the company shows net current liabilities of £14,773,000 (2021: £5,431,000) and a net asset position of £27,524,000 (2021: £22,451,000). 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. Recognising the co-dependency of the multi-disciplinary group, the short-term inter-group creditors to Last Mile Gas Limited will not seek repayment of any intercompany amounts due until such time as the company has sufficient resources to meet its short term liabilities. 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.

LAST MILE GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies (Continued)

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 is measured at the fair value of the consideration receivable, excluding rebates and VAT.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

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

Network assets	on a straight line basis over 60 years
Plant and equipment	on a straight line basis over 15 years (comprising smart meter assets)

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 date and when events or changes in circumstances indicate the carrying value may not be recoverable, 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.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks.

LAST MILE GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies (Continued)

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.

Determination of whether an item is a financial liability or equity is based upon the contractual obligation to repay. A financial liability is a contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. No such contractual obligation exists with equity instruments.

Basic financial assets

Basic financial assets, which include trade and other receivables, inter-company receivables 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 transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. Impairment of financial assets is assessed at each reporting date and when events or changes in circumstances indicate the carrying value may not be recoverable. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Basic financial liabilities

Basic financial liabilities, which include trade and other payables, inter-company creditors and bank loans, are initially recognised 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 debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

LAST MILE GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies (Continued)

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs.

Taxation

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

Current tax

The tax currently payable is based on the taxable profit for the period. 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 taxable 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.

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Significant judgements and estimates

The preparation of figures in these financial statements requires management to make estimates and assumptions that 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 review for impairment of tangible fixed assets and the assessment of useful lives of tangible fixed assets. The carrying value of these assets are reviewed periodically for indicators of impairment.

LAST MILE GAS LIMITED

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

2 Turnover and other revenue

An analysis of the company's turnover, which is generated wholly within the United Kingdom, is as follows:

	2022 £'000	2021 £'000
Turnover analysed by class of business		
Gas distribution	9,665	8,289
Other revenues	3,659	2,039
	<u>13,324</u>	<u>10,328</u>

3 Employees and directors remuneration

There are no employees of the company in the current or preceding year. For current and preceding years, all costs of the directors were borne by Last Mile Infrastructure Group Limited and Last Mile Infrastructure Limited and are disclosed in the financial statements of that company.

4 Operating profit

	2022 £'000	2021 £'000
Operating profit for the year is stated after charging:		
Depreciation of owned tangible fixed assets	1,236	727
	<u>1,236</u>	<u>727</u>

5 Auditor's remuneration

	2022 £'000	2021 £'000
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	10	10
	<u>10</u>	<u>10</u>
For other services		
Taxation compliance services	2	2
All other non-audit services	2	2
	<u>4</u>	<u>4</u>

6 Interest receivable and similar income

	2022 £'000	2021 £'000
Interest income		
Interest receivable from group companies	31	152
	<u>31</u>	<u>152</u>

LAST MILE GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

7 Interest payable and similar expenses

	2022 £'000	2021 £'000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	1,276	1,275

8 Taxation

	2022 £'000	2021 £'000
Current tax		
Adjustments in respect of prior periods	1	-
Group tax relief	-	742
Total current tax	1	742
Deferred tax		
Origination and reversal of timing differences	2,356	434
Changes in tax rates	747	-
Total deferred tax	3,103	434
Total tax charge	3,104	1,176

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

	2022 £'000	2021 £'000
Profit before taxation	8,177	6,187
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	1,554	1,176
Tax effect of expenses that are not deductible in determining taxable profit	236	-
Adjustments in respect of prior years	1	-
Remeasurement of deferred tax for changes in tax rates	1,313	-
Taxation charge for the year	3,104	1,176

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

LAST MILE GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

9 Tangible fixed assets

	Network assets £'000
Cost	
At 1 April 2021	64,743
Additions	18,252
	<u>82,995</u>
At 31 March 2022	<u>82,995</u>
Depreciation and impairment	
At 1 April 2021	5,143
Depreciation charged in the year	1,236
	<u>6,379</u>
At 31 March 2022	<u>6,379</u>
Carrying amount	
At 31 March 2022	76,616
	<u><u>76,616</u></u>
At 31 March 2021	<u><u>59,600</u></u>

The UK Government has set out its emissions target to reach net zero by 2050. Management's belief is that the alternative sources of energy remains uncertain and gas assets owned by the company will continue to be in use beyond 2050 and therefore their useful life remains appropriate.

10 Debtors

		2022 £'000	2021 £'000
Amounts falling due within one year:	Notes		
Trade debtors		911	659
Amounts owed by group undertakings		428	2,931
Other debtors		15	-
Prepayments and accrued income		6,274	3,529
		<u>7,628</u>	<u>7,119</u>
		<u><u>7,628</u></u>	<u><u>7,119</u></u>
Amounts falling due after more than one year:		2022 £'000	2021 £'000
Deferred tax asset	14	1	1
		<u>1</u>	<u>1</u>
Total debtors		<u><u>7,629</u></u>	<u><u>7,120</u></u>

Trade debtors are stated after provisions of £752,000 (2021: £837,000).

Amounts owed by group undertakings are unsecured and repayable on demand.

LAST MILE GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

11 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	240	399
Group relief payable	2,302	2,302
Amounts due to group undertakings	14,509	4,375
Other taxation and social security	-	6
Other creditors	41	39
Accruals and deferred income	5,490	6,502
	<u>22,582</u>	<u>13,623</u>

Amounts due to group undertakings are unsecured, interest bearing and repayable on demand.

12 Creditors: amounts falling due after more than one year

	2022 £'000	2021 £'000
Amounts owed to group undertakings	<u>28,832</u>	<u>28,832</u>

Amounts due to group undertakings of £28,832,000 (2021: £28,832,000) are unsecured, interest bearing and not repayable until October 2026.

13 Provisions for liabilities

	Notes	2022 £'000	2021 £'000
Gas inspection provision		17	519
Deferred tax liabilities	14	<u>5,470</u>	<u>2,367</u>
		<u>5,487</u>	<u>2,886</u>

Movements on provisions apart from deferred tax liabilities:

	Gas inspection provision £'000
At 1 April 2021	519
Utilisation of provision	(502)
At 31 March 2022	<u>17</u>

The assessment of the gas inspection provision was made following the completion of remedial surveys which were undertaken to identify instances of low risk non-compliances. The remaining provision is intended to represent remedial works required to correct such instances of low risk non-compliance identified.

LAST MILE GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

14 Deferred taxation

The major deferred tax liabilities and assets recognised by the company are:

	Liabilities 2022 £'000	Liabilities 2021 £'000	Assets 2022 £'000	Assets 2021 £'000
Balances:				
Financial instrument	-	-	1	1
Fixed assets	5,729	2,367	-	-
Losses and other deductions	(259)	-	-	-
	<u>5,470</u>	<u>2,367</u>	<u>1</u>	<u>1</u>

Movements in the year:				2022 £'000
Liability at 1 April 2021				2,366
Charge to profit or loss				<u>3,104</u>
Liability at 31 March 2022				<u>5,470</u>

15 Share capital

	2022 £'000	2021 £'000
Issued and fully paid		
100 (2021: 100) Ordinary shares of £1 each	<u>-</u>	<u>-</u>

LAST MILE GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

16 Reserves

Share capital

Called-up share capital represents the nominal value of shares which have been issued.

Profit and loss reserves

Includes all current and prior year retained profits and losses.

17 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.

18 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Purchases	
	2022	2021
	£'000	£'000
Entities under common control	4,745	1,823
	<u> </u>	<u> </u>
The following amounts were outstanding at the reporting end date:		
	2022	2021
	£'000	£'000
Amounts due to related parties		
Entities under common control	259	230
	<u> </u>	<u> </u>

19 Ultimate controlling party

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

Last Mile Infrastructure Limited is the smallest group company 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.