
FORTEM SOLUTIONS LIMITED
REPORT AND ACCOUNTS
YEAR ENDED 31 DECEMBER 2021
Registered Number: 04638969



Page Number

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Directors

Mike Hart, FCIOB
Chairman & Managing Director

Graham Dundas, FCMA
Colin Enticknap, FRICS, FCIOB
Judith Hegarty, CIMA
Wendy McWilliams, LLB, ACIS
Geoffrey Parkinson
Rick Willmott, FCIOB

Joint Secretaries

Jonathan Law, LLB GradCG
Wendy McWilliams, LLB, ACIS

Registered Office

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Auditor

BDO LLP
55 Baker Street
London
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Overview

Established in 2003, Fortem provides long term integrated maintenance and investment solutions for Social Housing providers nationally. Delivering services to keep homes and buildings warm, safe and decent, our customers include Local Authorities, Housing Associations and Registered Social Landlords.

We thrive on building and working in long term housing maintenance and investment partnerships, creating solid foundations for branch-based businesses to grow and prosper. Our branch network continues to grow, and we now have 14 local bases spread across England. Our local presence supports our delivery of social value deep into those communities within which we work, and it builds a rich culture amongst our people.

The ethos of our company is 'people who care':

- We care about our customers homes and the communities we work in
- We care about our customers ambitions and the performance of their business
- We care about our people, their careers and their well-being.

What really differentiates Fortem is the uniqueness of our people. Their motivation and commitment to deliver outstanding service levels through what have been very challenging times is inspiring for us all.

Our team of highly skilled trades deliver the majority of our work and in 2021 we provided maintenance and investment services to over 64,918 homes delivering in excess of 245,000 responsive repairs, 5,273 empty property refurbishments, 30,000 statutory inspections and 7,957 capital investments including new Kitchens and Bathrooms.

We provide maintenance services 24/7 and 365 days annually with full support from our centrally based customer contact, planning and scheduling teams based within the Company's 'Smart Hub' in Hitchin, Hertfordshire.

We take great pride in helping our customers to improve both the performance of their assets and the lived experience of their tenants. Recent regulatory change including, the Fire Safety Act; the Building Safety Bill, the Social Housing White Paper and the Governments Net Zero decarbonisation strategy have placed greater demands on our customers, many of whom the Company is now supporting with additional services.

Growing our technical expertise continues to be a priority. New standards in building safety and the energy retrofitting of buildings continue to emerge and our PAS 2030 | 2035 accreditations to provide energy retrofitting services and our Bluesky certification scheme for the installation of passive fire protection will provide good opportunity to grow our services in these important areas.

Financial position, results and future prospects

During 2021, Fortem performed exceptionally well under extremely challenging circumstances. Turnover for the year was £125,117,843 (2020: £112,283,386) and this generated a profit before taxation of £1,054,944 (2020: £568,656).

It is disappointing to record that our budgeted performance was not achieved in 2021. The impacts of the Covid 19 pandemic continued to cause delays in work delivery programmes throughout most of 2021 and this was worsened in the last quarter by uncontrollable building material increases and chronic labour shortages.

Notwithstanding this, the Company remained strong and resilient. The year finished with work backlogs being addressed and many of our clients working with us to mitigate the impacts of work delays and rising costs.

2021 saw our future order book strengthened. Contract award highlights included: 10-year housing maintenance contract with the London Borough of Lambeth | 2-year building safety contract for the improvement of 818 buildings for Kirklees Council | 2-year housing energy efficiency and investment project for 785 non-traditional built homes for Hull City Council.

We are also delighted to announce that we have been awarded a 2-year extension to our integrated housing maintenance and investment contract for 21,000 homes for Birmingham City Council. This 2-year extension will allow us to continue to strengthen our relationship with the City Council and build our strategy for the city-wide procurement of housing services in 2024.

2021 ended with a healthy forward order book of £357m (2020: £436m). Our secured and probable workload currently stands at 89% for 2022.

Our pipeline of future opportunities remains excellent and this will be further strengthened in 2022 by opportunities created by the impact of regulatory change in building safety and the significant funding being made available by the government for the decarbonisation of social housing.

With the country divided into three geographic operating areas, Fortem is ideally placed to continue supporting existing customers whilst having a scalable solution to deliver our sustainable growth projections.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are:

- The long term availability of capital budgets to customers.
- Rising levels of inflation and energy costs.
- Changes in legislation following the Grenfell Tower tragedy.
- The effect of the Ukraine crisis on the economy and supply chains.
- The availability of material and labour resources.
- The increased potential for corporate failures in the supply chain.
- A declining appetite for exposure to the construction sector from lenders, credit providers and insurers.

In addition, the Company is exposed to the 'business as usual' risks associated with its core operations:

- The operational delivery of large, complex projects in an industry characterised by low margins.
- Changes in the outlook for the UK economy and the impact on customer demand and supply chain costs.
- The credit risk associated with completing works ahead of being paid.
- The availability of sufficient skilled people.
- Competition in securing contracts and frameworks.
- The inflation risk associated with delivering fixed price contracts.
- The health and safety of our people in challenging operating environments.
- Unheralded changes in legislation or government policy.
- The impact of a material reduction in workload (in light of relatively high fixed operating costs).

The Board believes that these risks and uncertainties are appropriately managed and mitigated by the Group's strategies, procedures and commercial arrangements, through regular monitoring and by employing and continuously training people with the appropriate skills, qualifications, commitment and passion in their roles.

Companies Act 2006 s172 and stakeholder engagement

Companies Act 2006 s172

The Directors consider, both individually and collectively, that in the decisions taken during the financial year they have satisfied the requirements of s172(1) of the Companies Act 2006 in acting in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members, as a whole, and in doing so having regard to the stakeholders and matters outlined in s172(1).

Long-term strategy and vision

The main focus areas for the board during 2021 were:

- Continuous communication with customers in these challenging times to mitigate risk to our client as well as ourself.
- The on-going challenges presented by the Covid-19 global pandemic
- The availability of materials and labour resources
- The management of inflation risk
- Improving efficiency and productivity

The Board is currently updating the strategic plan covering the period 2023-2027. The report will consider the financial, risk, brand and cultural criteria under which the Company will operate given recent events. The plan is designed to ensure the Company remains a resilient, sustainable, innovative and well respected property solutions provider whilst becoming even more widely recognised for the high quality service it delivers and the positive and lasting impacts it has on the communities it works in.

The headline strategies of the Company are to achieve sector leading results year on year and to be the sector leader service provider, by empowering intrapreneurial executive teams through a portfolio of self delivery and substantial contracting, each committed to achieving:

- High satisfaction levels and customer loyalty
- A solid and visible platform of profitable work with positive cashflows
- Sector leading levels of competitiveness
- Efficient, cost effective and reliable supply chains and self delivery
- Continuous improvement in procurement practices and use of natural resources
- Simple, effective, well understood and consistently applied control systems
- The overriding aspiration to attract, develop, retain and promote the best people

Employees

We believe in creating and cultivating an environment where everyone succeeds on merit. Our people's contribution is maximised when they are free to be themselves and are valued and respected for their different experiences, opinions, and ideas. We embrace equality, diversity, and inclusion to create truly complementary teams.

It is the policy of Fortem to employ the most suitably qualified people regardless of age, religion, gender, sexual orientation, ethnic origin or any other grounds not related to a person's ability to work safely and effectively for the Business.

Fortem's growth will create opportunities for our people to achieve their aspirations and grow their careers, creating loyalty and experience within our business.

Our inclusive values and behaviours run through our policies, procedures, recruitment, development, reward and performance management systems.

We are committed to effective and meaningful communication and engagement with our employees to ensure our strategic plan and business priorities are well communicated and understood enabling our people to understand how they contribute to business success and to ensure there is effective and meaningful feedback from our people as they are best placed to tell us where improvements can be made.

We focus on ensuring our people have a consistent experience of working for Fortem and invest in training our line managers to manage their teams in an open, honest respectful and human way, where building relationships with our people is central to motivating and supporting them.

We ask for feedback in our annual employee survey and our engagement score in 2021 was 86% which was a strong result considering the challenges of the last 2 years.

We keep our people involved and updated on how we are acting on the survey results.

Regular employee engagement comes from a number of different channels including:

- An annual confidential and independently coordinated 'all people' survey
- An annual people review with all managing directors and functional heads
- Regular e-mails and newsletters
- Social media and instant messaging channels
- Company intranet news and blogs
- Regional office and site visits
- Conferences and video messages
- A whistleblowing policy facilitating any concerns to be raised anonymously
- Working groups on strategic topics such as diversity and wellbeing

Employee engagement led to the introduction of the following during 2021:

- An agile and homeworking policy
- A new company car scheme for ultra-low emission vehicles
- A standard motoring expenditure allowance to replace graded car allowances
- Improved technology to support agile working and virtual meetings
- New digital learning platforms
- Unconscious bias training
- A mobile application to support wellbeing
- New benefits providing access to virtual GP appointment

Customers

The Company recognises that engagement through listening, understanding and responding to customers is critical to long-term success.

The Directors engage with customers through regular meetings, dedicated account management, customer satisfaction interviews and through the output of customer workshops.

The Directors regularly meet clients and framework operators to listen to feedback, share strategic updates first-hand and foster strong relationships.

The feedback from customer engagement helps to inform the long-term divisional strategies, budgets and business plans regularly considered and approved by the board. This includes, but is not limited to, the way in which teams communicate, collaborate and drive quality on projects, investment appraisal, research and development, resourcing and the way in which operational, regional and national teams are structured.

During the year, engagement was focused on the availability of resources, responding to high levels of inflation, access to capital budgets, improving the sustainability performance of buildings and investing into the reduction of repairs and voids volumes following the pandemic.

Supply chain partners

The Company's success and reputation are inextricably linked to its relationship with supply chain partners. Accordingly, the Company seeks to maintain and develop strong, open, collaborative and positive relationships with partners across the supply chain. We have a dedicated supply chain team that owns the strategic importance of the relationships help with Key supply chain.

During 2021, we have continued to grow our supply chain and our engagement with supply chain partners including, but not limited to, annual surveys, conferences via virtual means, regular meetings with dedicated relationship managers, project workshops and trade forums. This engagement helps to inform improvements in process and procedures, changes to the way in which the Company communicates, collaborates and interacts with supply chain partners and standard Group contracts, policies and long-term business plans approved by the Board.

Strategic supply chain partners are considered an extension of the Company's internal teams and accordingly are invited to regional staff meetings and conferences and to participate in employee working groups, and we continue to use the dedicated supply chain teams to move forward to create improvements to both our supply chain and our clients.

The Board recognises the significance of cash flow and fair and prompt payment to supply chain partners and sets policies, procedures and contract terms accordingly.

During the year, the board considered and actively engaged with supply chain partners on:

- Evolving Covid-19 safe operating procedures
- Maintaining and improving payment terms and performance
- Implementing changes to the prompt payment code, accelerating payment to smaller businesses
- The role they play in the new sustainable development policy
- How the company can support their digital and technological growth
- The requirements and implications of the new domestic reverse charge VAT and IR35 tax regimes

Shareholders

As a privately owned business with a relatively small group of longstanding, individually known ultimate shareholders, the board has a keen interest in understanding ultimate shareholder views and objectives and in considering and where feasible reflecting those when developing its long-term strategic plans.

Ultimate shareholder engagement is promoted via both the Chairman and The Board as follows:

- Feedback and analysis communicated through annual and interim reports
- Supplementary information provided through discrete correspondence
- Interactive dialogue welcomed through the Annual General Meeting
- Open feedback invited through adhoc surveys and questionnaires.

During the year, shareholders were kept informed of the Companies performance via correspondence from the Chairman.

The Board firmly believes in aligning ultimate shareholder and management interests by offering senior staff 'A' shares in Fortem Solutions Limited, which entitles them to be part of a long-term management incentive arrangement.

Communities and environment

For Fortem, sustainability is about our strategic approach to the delivery of social value, transforming the communities we serve through employment skills, apprenticeships, job opportunities and partnerships whilst minimising our impact on the environment.

We are a business that is recognised and respected for keeping our promise, delivering a personalised service whilst remaining true to our culture by putting people at the heart of everything we do and making a positive impact on the economy, society and the environment.

Our community investment activities go beyond our core service and supports our goal to make a difference to customers who live in and use the homes we refurbish and maintain along with their communities; leaving a positive legacy that has beneficial social impact. Our community investment activities continue to evolve and grow.

In 2021 we donated over 44 smart tablets and laptops to customers, schools and community groups across the country, we connected people in a meaningful way both socially and through learning and education. We provided 4,000 hours of on-site and virtual work experience to local people, supporting diverse groups including ex-armed forces, NEET and care leavers, and with our new Virtual Work Experience and Virtual DIY programmes now in demand, our digital offering means that we will continue to create connections and engagement with people of all ages, including hard-to-reach groups and those furthest from the labour market. We continue to support local charities across the UK.

Our community offering is made up of 3 key ambitions, which are linked to the UN Sustainable Development Goals:

1. **Inspiring Futures:** We will create aspirations and provide opportunities for local people through our 'Future Pathways' initiative
2. **Thriving Communities:** We will challenge inequality and create stronger and more cohesive communities through our training and community & legacy initiatives
3. **Protecting our planet:** We will reduce our impact on the environment and creating pride through **OperationGoGreen**

We continue to trial electric vans for our trades, with an aim to introduce further trials in 2022 and during the second quarter of 2021 we introduced a car benefit scheme for ultra-low emission vehicles. This is to help us achieve our carbon target and differentiate us from our competitors, as it is more important than ever that our people share in our values and make the most sustainable choice of vehicle.

Other stakeholders

Other major stakeholder groups include the company's insurers, bankers, surety providers, advisors, auditors, regulators and HMRC.

With all these stakeholder groups, the directors maintain regular, open and collaborative dialogue which they believe is essential to fostering strong relationships and ensuring that all parties are kept informed and listened to.

Insurers, banks and surety providers are provided with regular company updates and are invited to meetings at least annually to receive updates on current performance, forecasts and objectives.

Regular dialogue is maintained with HMRC through a dedicated Customer Compliance Manager.

Business conduct

The company maintains the highest standards of business conduct through the corporate governance established in each of its operating entities and by setting the key business, brand, financial, risk and sustainability criteria under which each are empowered to operate.

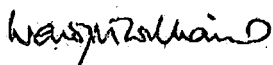
The approval of changes to the strategies and policies considered most significant in maintaining the highest standards of business conduct are matters reserved for the board.

Key performance indicators

The Directors, who are key management, use an extensive range of financial measures such as profitability and turnover to monitor performance. The results of these measures can be seen in the profit and loss account.

In addition, non-financial measures relating to employees, customers and other stakeholders are reviewed. Fortem are passionate about customer service and satisfaction scores averaged over 87% in 2021, as Fortem relentlessly focus on quality of delivery even through the pandemic.

By Order of the Board:



Wendy McWilliams
Secretary

9 May 2022

The Directors present their annual report and the audited financial statements for the year ended 31 December 2021.

Results

The profit for the year before taxation was £1,054,944 (2020: £568,656). The tax charge in respect of this result is £113,681 (2020: £225,207). The 2021 performance and future projections for the Company are covered in the Strategic report.

Dividends

The Directors do not recommend the payment of a dividend for the year (2020: nil).

Directors and their interests

The current Directors are listed on page 1.

The following changes in directors have occurred since 1 January 2021:

| | Appointed | Resigned |
|--------------------|------------------|-----------------|
| Judith Hegarty | 6 May 2021 | |
| William Kay | | 6 May 2021 |
| Michael Williamson | | 4 February 2022 |
| Geoffrey Parkinson | 4 February 2022 | |

Employees

It is the policy of the Company to employ the most suitably qualified persons regardless of age, religion, gender, sexual orientation or ethnic origin or any other grounds not related to a person's ability to work safely and effectively for the Group.

Fortem believe that the most successful companies are those that embrace inclusion, equality and diversity for their people by creating truly complementary teams. We believe in creating and cultivating an environment where people succeed on merit and consistently demonstrate the inclusive values and behaviours of our business. The company encourages the employment and career development of disabled persons and support ongoing employment of employees who may be injured or disabled in the course of their employment.

The Company recognises the importance of ensuring that relevant business information is provided to employees. This is achieved through the regular operation of a communications programme. The Group operates a number of performance related pay schemes for its people.

The Company has put in place third party indemnity provisions for all Directors.

Streamlined Energy & Carbon Reporting

The Company recognises the impact climate change has on the environment and society and is committed to measuring and managing the carbon emissions associated with its business operations. In preparing the financial statements advantage has been taken of the exemption to report the Streamlined Energy and Carbon Reporting disclosures as these are reported in the parent company Hardwicke Investments Limited Group Report and Accounts.

Taxation policy

The Company believes that it has a duty to shareholders to seek to minimise its tax burden, but to do so in a manner which is consistent with its commercial objectives and meets its legal obligations and ethical standards.

While effort is made to maximise the tax efficiency of business transactions, including taking advantage of available tax incentives and exemptions, the Company has regard for the intention of the legislation concerned rather than just the wording itself.

The Company is committed to building open relationships with tax authorities and to follow a policy of full disclosure in order to affect the timely settlement of its tax affairs and to remove uncertainty in its business transactions. Where appropriate, the Company enters collaborative consultation with its Customer Relationship Management team appointed by the tax authorities.

The Company monitors and reviews this policy on a regular basis to ensure that it remains appropriate for the changing environment within which the Company operates.

Financial instruments and risk management

The Company is exposed to a number of financial risks in the normal course of business.

Credit risk arises from trade debtors and amounts recoverable on contracts. Policies are established by the Board to ensure that appropriate due diligence is completed, and approval obtained ahead of entering into new contracts with customers. Systems, procedures, and policies ensure regular monitoring is in place and dedicated credit control teams operate in each trading subsidiary. The Company does not have high levels of exposure concentrated with any one customer and all turnover comes from the United Kingdom. The nature of its contracts means that the price risk to which the Company is subjected is minimal.

Inflation risk comes from entering into long-term, fixed price contracts. This is mitigated through early and regular engagement with supply chain partners and by making cost provisions where necessary. Direct contracts with overseas suppliers are uncommon but, when relevant, Company standards require contracts to be made in the home currency wherever possible and that foreign exchange risk is hedged with forward foreign exchange contracts otherwise.

The Company currently has no debt but has a policy of hedging interest rate risks with forward contracts should any material loans be drawn on a variable rate of interest.

The Directors regularly review cash flows, working capital forecasts and banking covenant headroom, including sensitivities on business performance and the timing of receipts to ensure that it has adequate resources to manage the liquidity risk to which it is exposed. Directors regularly monitor the bonding facilities available to the Company to ensure that significant headroom is maintained against forecast requirements.

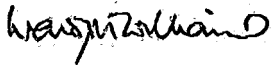
Disclosure of information to the auditor

So far as each of the Directors is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Disclosures included in the Strategic Report

The company has elected to include information on future developments, the Company's business relationships with suppliers, customers and others, as per schedule 7 of the "Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008" in the Strategic Report, as the Directors consider those matters to be of strategic importance to the Company.

By Order of the Board:



Wendy McWilliams
Secretary

9 May 2022

The Directors are responsible for preparing Directors' report, the Strategic 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 year.

In preparing these financial statements the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to 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.

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Fortem Solutions Limited for the year ended 31 December 2021 which comprise the statement of profit and loss and other comprehensive income, the balance sheet and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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.

Based on the work performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast 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 Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.

Other Companies Act 2006 reporting

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

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

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 and Director's report.

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

- adequate accounting records have not been kept by the Company, 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 Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- we identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience through discussion with the directors and other management (as required by auditing standards).
- we had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered that extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- We designed audit procedures at Company level and significant component levels to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and tax legislation.
- with the exception of any known or possible non-compliance, and as required by auditing standards, our work included agreeing the financial statement disclosures to underlying supporting documentation, review of board minutes, enquires with managements, enquires of external advisers, review of correspondence with external advisors and review of press releases.
- we communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.
- we addressed the risk of fraud through management override of controls, by testing the appropriateness of journal entries in particular unusual account combinations or posted by senior management. We evaluated whether there was evidence of bias by the Directors in accounting estimates that represented a risk of material misstatement due to fraud in particular in relation to contract accounting, and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities is available 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.

DocuSigned by:

Kieran Storan

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Kieran Storan (Senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor
55 Baker Street, London, United Kingdom

9 May 2022

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

FORTEM SOLUTIONS LIMITED

Statement of Profit and Loss and Other Comprehensive Income and Retained Earnings

Year Ended 31 December 2021

| | | 2021 | 2020 |
|---|-------|----------------------|---------------|
| | Notes | £ | £ |
| Turnover | | 125,117,843 | 112,283,386 |
| Cost of sales | | (113,022,635) | (101,138,746) |
| Gross profit | | 12,095,208 | 11,144,640 |
| Administrative expenses | | (11,079,919) | (12,172,804) |
| Other operating income | 3 | 39,655 | 1,596,820 |
| Operating profit | | 1,054,944 | 568,656 |
| Profit on ordinary activities before taxation | 4 | 1,054,944 | 568,656 |
| Tax charge on profit on ordinary activities | 7 | (113,681) | (225,207) |
| Profit and total comprehensive income for the financial year | | 941,263 | 343,449 |
| Total movement in capital and reserves | | 941,263 | 343,449 |
| Profit and loss account at 1 January | | (644,099) | (987,548) |
| Profit and loss account at 31 December | | 297,164 | (644,099) |

The above figures relate to continuing operations.

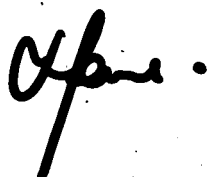
The notes on pages 17 to 29 form part of these financial statements.

As at 31 December 2021

| | | 2021 | 2020 |
|---|-------|---------------------|---------------------|
| | Notes | £ | £ |
| Fixed assets | | | |
| Intangible assets | 8 | 174,168 | 380,096 |
| Tangible assets | 9 | 1,139,196 | 1,748,145 |
| Investments | 10 | 1,500,001 | 1,500,001 |
| | | 2,813,365 | 3,628,242 |
| Current assets | | | |
| Stocks | 11 | 218,336 | 487,543 |
| Debtors | 12 | 21,858,087 | 21,288,505 |
| Cash at bank and in hand | | 5,500,628 | 5,004,026 |
| | | 27,577,051 | 26,780,074 |
| Creditors: amounts falling due within one year | 13 | (19,522,441) | (29,972,311) |
| Net current assets/(liabilities) | | 8,054,610 | (3,192,237) |
| Total assets less current liabilities | | 10,867,975 | 436,005 |
| Creditors: amounts falling due after one year | 14 | (9,568,376) | (77,669) |
| | | 1,299,599 | 358,336 |
| Capital and reserves | | | |
| Called up share capital | 16 | 1,002,435 | 1,002,435 |
| Profit and loss account | | 297,164 | (644,099) |
| | | 1,299,599 | 358,336 |

The notes on pages 17 to 29 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 9 May 2022 and were signed on its behalf by:



Mike Hart
Chairman

1 Accounting policies

The following accounting policies have been consistently applied in dealing with items that are considered material in relation to the financial statements.

a) Accounting convention

The accounts are prepared under the historical cost convention, or fair value where required, and in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and Companies Act 2006.

b) Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

As at 31 December 2021, the Company had net assets of £1,299,599, access to substantial cash balances via Group pooling arrangements, no debt, and a healthy secured order book and pipeline.

The Directors regularly review the working capital requirements of the Company in the normal course of business and, in doing so, consider a range of hypothetical sensitivities concerning workload and cash generation decline. Those sensitivities include stress testing scenarios including the potential impact of workload and cash flow from operating activities being reduced significantly.

After making enquiries and considering the factors and sensitivities outlined above for a range of scenarios, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c) Disclosure exemptions

In preparing the financial statements, advantage has been taken of the following disclosure exemptions under FRS 102 and the Companies Act 2006:

- No cash flow statement has been presented;
- Consolidated accounts have not been prepared for the Company as these are included in the Group accounts of the Ultimate Parent Company;
- Certain disclosures in respect of the Company's financial instruments have not been presented as these are included in the disclosures made in respect of the Group;
- No disclosure has been given in respect of the Company's aggregate remuneration of key management personnel as these are included in the disclosures made in respect of the Group;
- No disclosure of related party transactions entered into between two or more wholly owned members of a Group has been given.

d) Turnover

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is measured at the fair value of consideration received or receivable.

Turnover on construction contracts is measured at the fair value of consideration receivable and ascertained in a manner appropriate to the stage of completion and the anticipated final value of the contract.

Turnover linked to the achievement of performance targets and savings against client's budgets is recognised as turnover when results can be estimated reliably and by reference to the period of measurement.

All turnover is stated net of VAT.

e) Construction contracts

Turnover and profit on construction contracts is ascertained in a manner appropriate to the stage of completion of the contract. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. The assessment of the final outcome of each contract is determined by a regular review of the revenues and costs to complete that contract.

Profit on contracts is only recognised when the Group is satisfied that the associated risks have been mitigated to a suitable level so that the outcome of work under the contract can be assessed with reasonable certainty. When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Variations and claims are recognised once there is sufficient certainty over the probability that they will be received, and the amount can be measured reliably.

Amounts recoverable on contracts represent the excess of the value of surveyed work over amounts invoiced or certified at the balance sheet date. Where amounts invoiced or certified at the balance sheet date exceed the amount of work completed, the excess is included within payments on account.

f) Amounts recoverable on contracts

Amounts recoverable on contracts represent the excess of the value of surveyed work over amounts invoiced or certified at the balance sheet date. Where amounts invoiced at the balance sheet date exceed the amount of work completed, the excess is included within payments on account.

g) Government grants

Government grants are recognised based on the accrual model and are measured at the fair value where there is reasonable assurance that the grant will be received. Amounts received are recognised over the period in which the related costs are recognised. In the current year grant accounting has only been applied to the Job Retention Scheme launched as part of HM Governments response to the COVID-19 pandemic. This is shown within Other operating income.

h) Computer software

Cloud based computer software is capitalised as an intangible asset when the Group has the contractual right to take possession of the software during the hosting period without significant penalty and it is feasible to run the software on our own hardware or contract with another party to host the software. Cloud based computer software that does not meet these criteria is expensed to the profit and loss account as incurred. Other computer software is capitalised as an intangible asset. Cost is measured at the purchase price of the asset.

Computer software is amortised over its useful economic life. The expected useful life of software is assessed as 2-5 years.

i) Tangible assets

Tangible assets are stated at historical cost less depreciation.

Depreciation is provided on all tangible assets at rates estimated to write off the cost of each asset over the term of its expected useful life as follows:

| | |
|--------------------------------|--|
| Short leasehold improvements | - the earlier of 5 years or until the next breakpoint in the lease |
| Computer equipment | - between 20% and 50% per annum |
| Furniture and office equipment | - between 10% and 25% per annum |
| Van plant and equipment | - between 20% and 33% per annum |

j) Debtors and financial instruments

Debtors comprising basic financial instruments are stated at amortised cost, reflecting provisions for impairment when amounts are not considered to be recoverable.

k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

l) Creditors and financial instruments

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations. Financial liabilities excluding derivatives, are initially measured at transaction price and subsequently held at cost, less impairment.

m) Pre-contract costs

Pre-contract costs are expensed to the profit and loss account until such time that the value of any recovery can be assessed reliably and it becomes probable that the related contract will be awarded to the Company.

n) Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to complete and costs to sell.

o) Investments

Investments in subsidiary companies are stated at cost less provision for impairment.

p) Current and deferred taxation

Current tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred. Deferred tax is not discounted.

Deferred tax assets are recognised to the extent that the Directors consider it more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

q) Leased assets

The total payments made under operating leases are expensed to the profit and loss account on a straight line basis over the term of the lease.

r) Research and Development

Research and development expenditure is expensed to the profit and loss account as it is incurred.

s) Retirement benefits

For the duration of its contractual relationships with various local authorities, the Company contributes to appropriate local authority pension schemes in respect of employees working for the Company under TUPE arrangements in accordance with the rates advised by those schemes. These schemes are accounted for as defined contribution schemes as the Company makes contributions only as an admitted body to the scheme, is not liable for any share in the underlying assets and liabilities of the pension scheme and is not commercially exposed to changes in the contribution rates. Contributions are expensed as they fall due and no other liability arises.

Contributions to the Company's defined contribution pension scheme are expensed to the profit and loss account in the year to which they relate.

2 Significant accounting judgements and estimates

The preparation of accounts under FRS 102 requires management to make judgements, estimates and assumptions that affect the value of the turnover and profit reported in the profit and loss account for the financial year and the value of assets and liabilities recorded in the balance sheet.

The following items are those that management considers to have the most significant effect on the financial statements.

a) Valuation of accrued revenue and amounts recoverable on contracts

The key judgements and estimates in determining the recoverable amounts of accrued revenue arising from contracts were:

- An estimation of the value of work completed at year end with regards to amounts yet to be billed
- A judgement over whether the value of unbilled work will be agreed with third parties and therefore recovered

Procedures, internal finance standards and management tools are in place to ensure that estimates are applied and results determined on a consistent basis.

3 Other operating income

| | 2021 | 2020 |
|-------------------|---------------|-----------|
| | £ | £ |
| Government grants | 39,655 | 1,596,820 |

Other operating income comprises government grants received under the Job Retention Scheme launched as part of HM Governments response to the Covid-19 pandemic.

4 Profit on ordinary activities before taxation is stated after charging:

| | 2021 | 2020 |
|--|------------------|-----------|
| | £ | £ |
| Depreciation of tangible assets – owned assets | 949,120 | 707,244 |
| Loss on disposal of tangible assets | 4,769 | 236,311 |
| Amortisation of intangible assets – owned assets | 277,388 | 394,038 |
| Loss on disposal of intangible assets | 627 | - |
| Operating lease rentals | 3,372,891 | 3,332,052 |
| Stock recognised as an expense during the year | 294,622 | 400,019 |

Auditor's remuneration for audit and other services is paid by Willmott Dixon Holdings Limited.

5 Employees

The average number of employees, including Directors, during the year was made up as follows:

| | 2021 | 2020 |
|---------------------------|------------|------|
| | No. | No. |
| Office and administration | 172 | 167 |
| Site and production | 727 | 792 |
| | 899 | 959 |

Staff costs, including Directors, during the year amounted to:

| | £ | £ |
|-----------------------------|-------------------|------------|
| Wages and salaries | 32,565,987 | 32,897,005 |
| Incentive payments to staff | 1,599,513 | 2,137,459 |
| Total wages and salaries | 34,165,500 | 35,034,464 |
| Pension contributions | 1,833,773 | 1,537,278 |
| Social security costs | 3,347,101 | 3,458,921 |
| Apprenticeship Levy | 156,006 | 163,211 |
| | 39,502,380 | 40,193,874 |

6 Directors' remuneration

| | 2021 | 2020 |
|-----------------------|----------------|---------|
| | £ | £ |
| Wages and salaries | 400,960 | 407,688 |
| Profit share payments | - | 163,300 |
| Total remuneration | 400,960 | 570,988 |

The remuneration of the highest paid Director was £255,325 (2020: £436,730). £3,399 has been paid into pension schemes on behalf of Directors (2020: £7,770). For the highest paid Director no pension contributions were made (2020: £Nil).

Five Directors (2020: Five Directors) were remunerated by other Group companies for their services to the Group as a whole.

7 Taxation

| | 2021 | 2020 |
|--|----------|----------|
| | £ | £ |
| a) Analysis of charge: | | |
| Current tax | | |
| Payments made for Group relief | 246,150 | 197,279 |
| | 246,150 | 197,279 |
| Deferred tax | | |
| Origination and reversal of timing differences | (47,818) | (87,607) |
| Adjustments in respect of previous periods (excluding rate change) | (43,700) | 115,535 |
| Effect of change in tax rate | (40,951) | - |
| | 113,681 | 225,207 |

b) Factors affecting tax charge for year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK 19% (2020: 19%). The differences are explained below:

| | | |
|--|-----------|---------|
| Profit on ordinary activities before tax | 1,054,944 | 568,656 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 19% (2020: 19%) | 200,439 | 108,045 |
| Other timing differences | (11,476) | - |
| Expenses not deductible for tax purposes | 9,369 | 1,627 |
| Adjustments in respect of prior years | (43,700) | 115,535 |
| Effect of change in tax rate | (40,951) | - |
| Tax on profit of ordinary activities | 113,681 | 225,207 |

8 Intangible assets

| | Computer software |
|--------------------------|-------------------------|
| | £ |
| Cost | |
| 1 January 2021 | 2,323,353 |
| Additions | 72,087 |
| Disposals | (208,073) |
| 31 December 2021 | <u>2,187,367</u> |
| Amortisation | |
| 1 January 2021 | 1,943,257 |
| Amortisation in the year | 277,388 |
| Disposals | (207,446) |
| 31 December 2021 | <u>2,013,199</u> |
| Net book value | |
| 31 December 2021 | <u>174,168</u> |
| 31 December 2020 | <u>380,096</u> |

9 Tangible assets

| | Short leasehold improvements | Computer equipment | Furniture and office equipment | Van plant and equipment | Total |
|-----------------------------------|---------------------------------|-----------------------|--------------------------------------|-------------------------------|------------------|
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| 1 January 2021 | 437,653 | 1,504,572 | 618,063 | 1,362,346 | 3,922,634 |
| Additions | - | 215,919 | 5,771 | 124,000 | 345,690 |
| Transfers to Group companies | - | (3,353) | - | - | (3,353) |
| Transfers from Group companies | - | 3,529 | - | - | 3,529 |
| Disposals | (19,207) | (300,592) | (45,497) | - | (365,296) |
| 31 December 2021 | 418,446 | 1,420,075 | 578,337 | 1,486,346 | 3,903,204 |
| Depreciation | | | | | |
| 1 January 2021 | 342,749 | 807,835 | 394,726 | 629,179 | 2,174,489 |
| Depreciation in the year | 46,673 | 477,224 | 55,534 | 369,689 | 949,120 |
| Transfers to Group companies | - | (1,875) | - | - | (1,875) |
| Transfers from Group companies | - | 2,801 | - | - | 2,801 |
| Eliminated on disposals | (19,207) | (299,980) | (41,340) | - | (360,527) |
| 31 December 2021 | 370,215 | 986,005 | 408,920 | 998,868 | 2,764,008 |
| Net book value | | | | | |
| 31 December 2021 | 48,231 | 434,070 | 169,417 | 487,478 | 1,139,196 |
| 31 December 2019 | 94,904 | 696,737 | 223,337 | 733,167 | 1,748,145 |

10 Investments

| | Subsidiaries |
|-------------------------------------|------------------|
| Company | £ |
| Shares at Cost | |
| 1 January 2021 and 31 December 2021 | 1,500,001 |

The list of subsidiaries is set out in note 22.

11 Stocks

| | 2021 | 2020 |
|-------------------------------|----------------|---------|
| | £ | £ |
| Raw materials and consumables | 218,336 | 487,543 |

12 Debtors

| | 2021 | 2020 |
|---|-------------------|------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Trade debtors | 2,932,675 | 3,425,865 |
| Amounts recoverable on contracts | 16,985,657 | 15,944,798 |
| Prepayments and accrued income | 811,419 | 1,079,188 |
| Deferred tax (see note 15) | 262,146 | 129,677 |
| Retention held under construction contracts | 438,792 | 433,221 |
| | 21,430,689 | 21,012,749 |
| Amounts falling due after more than one year: | | |
| Retention held under construction contracts | 427,398 | 275,756 |
| | 21,858,087 | 21,288,505 |

13 Creditors: amounts falling due within one year

| | 2021 | 2020 |
|--------------------------------|-------------------|------------|
| | £ | £ |
| Trade creditors | 4,537,306 | 3,387,326 |
| Subcontractor retention held | 2,477,801 | 2,080,652 |
| Amounts due to Group companies | - | 12,362,224 |
| Payments on account | 80,888 | 64,176 |
| Other creditors | 2,312 | 14,168 |
| Accruals and deferred income | 12,424,134 | 12,063,765 |
| | 19,522,441 | 29,972,311 |

14 Creditors: amounts falling due after one year

| | 2021 | 2020 |
|--------------------------------|------------------|---------------|
| | £ | £ |
| Amounts due to Group companies | 9,301,223 | - |
| Subcontractor retention held | 267,153 | 77,669 |
| | 9,568,376 | 77,669 |

Amounts due to Group companies relates to a loan with the parent company, Wimpole Equity Holdings Limited.

On 30 March 2021 the Board of Directors of the parent company, Wimpole Equity Holdings Limited, agreed a loan facility of £10,000,000 with an expiry date of 1 January 2024. This will give Fortem the foundation and support to achieve future growth plans.

15 Deferred tax

| | 2021 | 2020 |
|---------------------------------------|----------------|----------------|
| | £ | £ |
| 1 January 2021 | 129,677 | 157,605 |
| Current year movement | 47,818 | 87,607 |
| Change of rate | 40,951 | - |
| Adjustments in respect of prior years | 43,700 | (115,535) |
| 31 December 2021 | 262,146 | 129,677 |

The deferred tax asset comprises:

| | | |
|--------------------------------|----------------|----------------|
| Decelerated capital allowances | 251,405 | 121,423 |
| Other timing differences | 10,741 | 8,254 |
| | 262,146 | 129,677 |

16 Called up share capital

| | 2021 | 2020 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Ordinary shares of £1 each | 1,000,000 | 1,000,000 |
| Ordinary A shares of £0.01 each | 2,435 | 2,435 |
| Allotted, called up and fully paid | 1,002,435 | 1,002,435 |

17 Capital and reserves

The called up share capital comprises 1,000,000 allotted, called up and fully paid ordinary shares of £1.00 each and 243,500 allotted, called up and fully paid ordinary A shares of £0.01 each. The ordinary A shares were issued and allotted during 2017 and acquired under a long-term management incentive arrangement. The ordinary shares and ordinary A shares carry equal voting rights, except that the voting rights of the ordinary A shares will be capped at 20% of the total shares in issue. The ordinary A shares carry no rights to dividends or distribution of capital.

The profit and loss account comprises all gains and losses not recognised elsewhere in the financial statements net of distributions made to shareholders.

18 Leasing commitments

At the balance sheet date outstanding commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:

| | 2021 | 2020 |
|--------------------------|-------------------------|-------------------------|
| | £ | £ |
| Within one year | 724,138 | 743,815 |
| Within two to five years | 1,108,353 | 899,364 |
| Greater than five years | 215,384 | 251,918 |
| | <u>2,047,875</u> | <u>1,895,097</u> |

19 Company guarantees

The Company has, with other material Group companies entered into a cross-guarantee in favour of Lloyds Bank plc, HSBC UK Bank plc and Santander UK plc to guarantee any Group indebtedness to the banks and granted a fixed and floating charge to HSBC Corporate Trustee Company (UK) Ltd (security trustee) to secure such liabilities. The guarantee includes amounts drawn under a £50,000,000 revolving credit facility available until 31 March 2024, under which zero was drawn at 31 December 2021. No further amounts have been drawn under the facility since year end.

The Company is a party to a multi-party indemnity given to various sureties that have issued performance bonds in favour of clients of fellow subsidiaries in respect of contracts entered into in the normal course of business.

20 Related party transactions

The list of subsidiaries is set out in note 22.

All transactions with related parties are conducted on an arm's length basis.

The Company is entitled to the exemption from disclosing related party transactions with entities within the Group in accordance with FRS 102.

No Director was materially interested during the year in any contract which was significant in relation to the business of the Company and would have been required to be disclosed under the Companies Act 2006 or FRS 102.

21 Ultimate Parent Company

The Company's immediate Parent Company is Wimpole Equity Holdings Limited. This is the smallest Group for which consolidated financial statements are prepared.

The Company's Ultimate Parent and controlling party is Hardwicke Investments Limited. This is the largest Group for which consolidated financial statements are prepared. The consolidated financial statements of Hardwicke Investments Limited can be found at Companies House.

22 Subsidiaries

Subsidiary undertakings of Fortem Solutions Limited are shown below, all of which are directly held.

The percentage holdings shown below represent both the voting rights held and the proportion of issued ordinary share capital held.

| Name | Main activity | Company number | % Holding |
|--------------------------------|--|-----------------------|------------------|
| Fortem 4Life Limited | Training services | 04720691 | 100% |
| Fortem Holdings Limited | Dormant | 01205094 | 100% |
| Fortem Energy Services Limited | Provision of energy efficiency and renewable energy solutions in the built environment | 02589171 | 100% |

On 1 January 2017, Fortem Energy Services Limited transferred all operations, assets and liabilities to its Parent Company, Fortem Solutions Limited.

The Company and its subsidiaries are registered in England, the registered office being Suite 201, The Spirella Building, Bridge Road, Letchworth Garden City, Hertfordshire, SG6 4GET. The Company is a private company limited by shares.