

Company Registration No. 07828647 (England and Wales)

VITAL ENERGI SOLUTIONS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2020



VITAL ENERGI SOLUTIONS LIMITED

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | Mr G J Fielding Mr I M Whitelock Mr S J Beckett Mr A P Malin |
| Secretary | Mr S J Beckett |
| Company number | 07828647 |
| Registered office | Century House Roman Road Blackburn Lancashire BB1 2LD |
| Auditor | RSM UK Audit LLP Chartered Accountants Bluebell House Brian Johnson Way Preston Lancashire PR2 5PE |
| Business address | Century House Roman Road Blackburn Lancashire BB1 2LD |

VITAL ENERGI SOLUTIONS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The directors present the strategic report and financial statements for the year ended 30 June 2020.

Principal activity

During the year the company continued to design, install and operate decentralised energy generation and distribution schemes under energy performance contracts. The company has continued to produce energy efficient heat and power systems with long term cost benefits for clients in a broad range of markets including Healthcare, Education and Councils.

Review of the business

The company's results suffered adverse consequences of the COVID 19 pandemic due to delays in our construction programmes in NHS and Nightingale Hospital sites in the period March to June 2020.

The company's turnover increased by £4.2m to £37.5m (FY19 £33.3m), which was an increase of 12%. The directors are very pleased with the continued growth of the company in very difficult circumstances.

The company achieved an operating profit of £2.2m (FY19 £1.8m) which was an increase of £0.4m on the previous year.

During the year the company continued to deliver projects at Manchester Civic Quarter and Coventry Hospital, and completed a project at St James Hospital. The company maintained its gross profit at 10.0% (FY19 11.9%).

The company ended the year with a cash balance of £2.9m (FY19 £3.4m) and the directors believe that the business will continue to be cash positive and that its liquidity is more than adequate to sustain the business through a period of growth. The net assets of the company increased to £5.3m (FY19 £3.5m).

The company already has sales and secured orders of £49.0m for FY21 and the total order book remains high at £411m which is underpinned by a significant growth in operational revenues lasting anything between 15 and 30 years, and has the benefit of a higher proportion of recurring revenues each year. The Carbon and Energy Fund and Essentia Frameworks continues to deliver good opportunities in the NHS hospital sector and city centre schemes and the company continues to pursue wider opportunities in the education and industrial markets. In addition the Department for Business Energy and Industrial Strategy (BEIS) has launched a £1bn funding scheme called the Public Sector Decarbonisation Scheme (PSDS), which is providing 100% grant funding for public sector organisations to decarbonise their energy systems. This has generated significant interest and orders from existing and new public sector customers in England.

The business has a significant positive environmental impact by providing low carbon energy efficient solutions to its customers.

Key risks and uncertainties

The directors have assessed one of the main risks facing the company as being increased competition from new entrants to the market. The directors believe that its quality of staff, products and services, as well as its strong links with companies in northern European countries where similar products and services have matured will help to mitigate this risk.

There are also always risks associated with delays in the approval to commence any large-scale project.

Future developments

The EScO side of the business is expected to grow further bringing a higher proportion of long-term revenue and profit streams to support the traditional design and build business.

The directors believe that continuing levels of activity in the construction sector and government grants and incentives promoting district heating will provide added impetus to growth in the medium term.

VITAL ENERGI SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

On behalf of the board



.....
Mr G J Fielding
Director

Date: 5th March 2021

VITAL ENERGI SOLUTIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The directors present their annual report and financial statements for the year ended 30 June 2020.

Principal activities

The principal activity of the company is disclosed in the group's strategic report.

Directors

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

Mr G J Fielding
Mr I M Whitelock
Mr S J Beckett
Mr A P Malin

(Appointed 20 December 2020)

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

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, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. This applies to future developments and risk management policy.

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



Mr G J Fielding
Director

Date: 5th March 2021

VITAL ENERGI SOLUTIONS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VITAL ENERGI SOLUTIONS LIMITED

Opinion

We have audited the financial statements of Vital Energi Solutions Limited (the 'company') for the year ended 30 June 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and 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 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 30 June 2020 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 VITAL ENERGY SOLUTIONS 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 and the directors' report.

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

- adequate accounting records have not been kept, 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 4, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.

RSM UK Audit LLP

Ian Taylor (Senior Statutory Auditor)

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

Chartered Accountants

Bluebell House

Brian Johnson Way

Preston

Lancashire, PR2 5PE

9 March 2021

VITAL ENERGI SOLUTIONS LIMITED

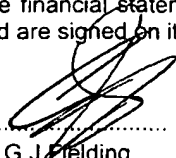
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

| | Notes | 2020 £ | 2019 £ |
|--|-------|------------------|------------------|
| Turnover | 3 | 37,450,217 | 33,320,761 |
| Cost of sales | | (33,691,659) | (29,353,038) |
| Gross profit | | 3,758,558 | 3,967,723 |
| Administrative expenses | | (1,927,965) | (2,146,809) |
| Other operating income | | 382,233 | - |
| Operating profit | 5 | 2,212,826 | 1,820,914 |
| Interest receivable and similar income | 6 | 29,041 | 482 |
| Interest payable and similar expenses | 7 | - | (5,699) |
| Profit before taxation | | 2,241,867 | 1,815,697 |
| Tax on profit | 8 | (428,201) | (358,255) |
| Profit for the financial year | | 1,813,666 | 1,457,442 |

VITAL ENERGI SOLUTIONS LIMITED**BALANCE SHEET****AS AT 30 JUNE 2020**

| | Notes | 2020 £ | £ | 2019 £ | £ |
|---|-------|---------------------|---|---------------------|---|
| Fixed assets | | | | | |
| Intangible assets | 9 | 36,760 | | 41,615 | |
| Tangible assets | 10 | 1,069,114 | | 1,172,478 | |
| Investments | 11 | 100 | | 100 | |
| | | <u>1,105,974</u> | | <u>1,214,193</u> | |
| Current assets | | | | | |
| Stocks | 13 | 767,528 | | 747,670 | |
| Debtors | 14 | 10,752,933 | | 9,826,884 | |
| Cash at bank and in hand | | 2,938,781 | | 3,427,428 | |
| | | <u>14,459,242</u> | | <u>14,001,982</u> | |
| Creditors: amounts falling due within one year | 15 | <u>(10,223,139)</u> | | <u>(11,689,208)</u> | |
| Net current assets | | <u>4,236,103</u> | | <u>2,312,774</u> | |
| Total assets less current liabilities | | <u>5,342,077</u> | | <u>3,526,967</u> | |
| Provisions for liabilities | 16 | <u>(35,486)</u> | | <u>(34,042)</u> | |
| Net assets | | <u>5,306,591</u> | | <u>3,492,925</u> | |
| Capital and reserves | | | | | |
| Called up share capital | 19 | 100 | | 100 | |
| Profit and loss reserves | 20 | 5,306,491 | | 3,492,825 | |
| Total equity | | <u>5,306,591</u> | | <u>3,492,925</u> | |

The financial statements were approved by the board of directors and authorised for issue on 5th March 2021 and are signed on its behalf by:



 Mr G J Fielding
 Director

VITAL ENERGI SOLUTIONS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

| | Share capital £ | Profit and loss reserves £ | Total £ |
|--|-----------------------|-------------------------------------|------------|
| Balance at 1 July 2018 | 100 | 2,035,383 | 2,035,483 |
| Year ended 30 June 2019: | | | |
| Profit and total comprehensive income for the year | - | 1,457,442 | 1,457,442 |
| Balance at 30 June 2019 | 100 | 3,492,825 | 3,492,925 |
| Year ended 30 June 2020: | | | |
| Profit and total comprehensive income for the year | - | 1,813,666 | 1,813,666 |
| Balance at 30 June 2020 | 100 | 5,306,491 | 5,306,591 |

VITAL ENERGI SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

Company information

Vital Energi Solutions Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Century House, Roman Road, Blackburn, Lancashire, BB1 2LD.

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

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups 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 £.

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

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of 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' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Vital Holdings Limited. These consolidated financial statements are available from its registered office Century House, Roman Road, Blackburn, Lancashire, BB1 2LD.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Vital Energi Solutions Limited is a wholly owned subsidiary of Vital Holdings Limited and the results of Vital Energi Solutions Limited are included in the consolidated financial statements of Vital Holdings Limited which are available from Century House, Roman Road, Blackburn, Lancashire, BB1 2LD.

VITAL ENERGI SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies (Continued)

Going concern

In assessing that the entity is a going concern, the directors have taken into account the monthly company financial forecasts for the 6 month period ending June 2021, and the company financial estimates for the year ending June 2022 which have indicated a positive view of sales, profitability and cash for that 18 month period. The forecasts are underpinned by a detailed order book summary and prospect list which have allowed the directors to predict the outturn for the 12 months ending June 2021 with some accuracy, as the majority of that sales forecast derives from secured orders, and by a prospect list which has been used by business unit directors to predict the sales in the following 12 month period ending June 2022.

Although the company's 2020 results suffered from the adverse consequences of the COVID 19 pandemic due to delays in our construction programmes in NHS and Nightingale Hospital sites in the period March to June 2020, since that point our construction sites have returned to relatively normal activity levels.

The company is also benefitting from a high level of orders and prospects as a result of the introduction of the Public Sector Decarbonisation Scheme.

Taking into account potential sensitivities, including a continuation of the current COVID 19 lockdown measures, the directors have satisfied themselves that there is sufficient forecast liquidity to meet foreseeable issues in the forecast period to June 2022.

On this basis the directors consider it appropriate to prepare the financial statements on a going concern basis.

Turnover

The turnover shown in the profit and loss account represents the value of all goods and services provided during the year, at selling price exclusive of Value Added Tax. Turnover is recognised to the extent that the company obtains the right to consideration in exchange for its performance.

Turnover for ongoing maintenance and project management services is recognised as the service is provided.

For construction contracts, turnover represents the value of work done in the year and is determined by reference to the stage of completion of each contract.

Construction contracts

Profit on construction contracts is taken as the work is carried out, if the final outcome can be assessed with reasonable certainty. The profit is calculated on a prudent basis to reflect the proportion of the work carried out by the year end by recording turnover and related costs as contract activity progresses.

Turnover is calculated as that proportion of total contract revenue which costs incurred to date bear to total expected costs for that contract. Revenue derived from the variations on contracts is only recognised when they have been accepted by the customers.

Full provision is made for losses on all contracts in the year in which they are foreseen.

Amounts recoverable on contracts are amounts not yet invoiced for which work has been completed but not yet certified. Payments received on account are payments received in advance of the work being undertaken.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

VITAL ENERGI SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies (Continued)

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost less accumulated amortisation and accumulated impairment losses.

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

| | |
|-------------------|-------------------|
| Development costs | 20% straight line |
|-------------------|-------------------|

Tangible fixed assets

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

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

| | |
|----------------------------------|-------------------|
| Plant and machinery | 33% straight line |
| Fixtures, fittings and equipment | 20% straight line |

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.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Stocks

Work in progress is stated at the lower of cost and realisable value less costs to complete. Cost comprises direct materials and, where applicable, those overheads that have been incurred in bringing the work in progress to its present condition.

VITAL ENERGI SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies (Continued)

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

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

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' 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.

Basic financial assets

Basic financial assets, which include trade and other debtors, gross amounts owed by contract customers, amounts owed by fellow group companies, 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.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

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. 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 profit or loss.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and amounts due to group undertakings, are initially recognised at transaction price.

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

Derecognition of financial liabilities

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

Equity instruments

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

VITAL ENERGI SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by 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 have occurred at that date that will result in an obligation to pay more tax, or a right of pay less tax, or a right to receive repayments of tax.

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

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Employee benefits

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

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

Retirement benefits

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

Leases

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

VITAL ENERGI SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies (Continued)

Government grants

Government grants have been recognised based on the accruals model.

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

The government grant income received during the year ended 30 June 2020 related to the government's Coronavirus Job Retention Scheme. This has been included in other income in the financial statements.

The grant specifies performance conditions and is recognised in income when the performance conditions are met, which is the month in which the employees are paid. A grant received before the recognition criteria are satisfied is recognised as a liability.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Construction contracts

In producing the financial statements, the directors have taken judgements over the profit to be taken on construction contracts. Profit is taken as the work is carried out where the final outcome can be assessed with reasonable certainty. The profit is calculated on a prudent basis based on the stage of completion by the year end which can sometimes differ to the assessments of external Quantity Surveyors. Full provision is made for losses on all contracts in the year in which they are foreseen.

Fixed asset impairment

In producing the financial statements the directors have estimated the value in use of a material item of plant and machinery and have satisfied themselves that no impairment of the asset exists.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

| | 2020 | 2019 |
|---|------------|------------|
| | £ | £ |
| Turnover analysed by class of business | | |
| Provision of goods and services | 37,450,217 | 33,320,761 |

VITAL ENERGI SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

3 Turnover and other revenue (Continued)

| | 2020 £ | 2019 £ |
|---|-------------------|-------------------|
| Other revenue | | |
| Interest income | 29,041 | 482 |
| Grants received | 93,233 | - |
| | <u> </u> | <u> </u> |
| | 2020 £ | 2019 £ |
| Turnover analysed by geographical market | | |
| United Kingdom | 37,450,217 | 33,320,761 |
| | <u> </u> | <u> </u> |

4 Employees

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

| | 2020 Number | 2019 Number |
|--------------------------|-------------------|-------------------|
| Number of direct staff | 3 | 4 |
| Number of indirect staff | 21 | 19 |
| | <u> </u> | <u> </u> |
| | 24 | 23 |
| | <u> </u> | <u> </u> |

Their aggregate remuneration comprised:

| | 2020 £ | 2019 £ |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 1,609,235 | 1,624,316 |
| Social security costs | 194,269 | 190,478 |
| Pension costs | 81,783 | 77,165 |
| | <u> </u> | <u> </u> |
| | 1,885,287 | 1,891,959 |
| | <u> </u> | <u> </u> |

The directors were remunerated by Vital Energi Utilities Limited, a fellow group undertaking.

VITAL ENERGI SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

| | | |
|---|-------------------|-------------------|
| 5 Operating profit | 2020 | 2019 |
| | £ | £ |
| Operating profit for the year is stated after charging/(crediting): | | |
| Government grants | (93,233) | - |
| Fees payable to the company's auditor for the audit of the company's financial statements | 6,600 | 6,300 |
| Depreciation of owned tangible fixed assets | 144,979 | 140,022 |
| Loss on disposal of tangible fixed assets | 1,740 | - |
| Amortisation of intangible assets | 4,855 | - |
| Operating lease charges | 43,233 | 45,250 |
| | <u> </u> | <u> </u> |
| 6 Interest receivable and similar income | 2020 | 2019 |
| | £ | £ |
| Interest income | | |
| Interest on bank deposits | - | 482 |
| Other interest income | 29,041 | - |
| | <u> </u> | <u> </u> |
| Total income | 29,041 | 482 |
| | <u> </u> | <u> </u> |
| Included within other interest income is £13,356 (2019: £Nil) of group loan interest. Interest is charged at 3.25%. | | |
| 7 Interest payable and similar expenses | 2020 | 2019 |
| | £ | £ |
| Other interest | - | 5,699 |
| | <u> </u> | <u> </u> |
| Included in other interest is £Nil (2019: £5,699) of group loan interest. Interest is charged at 3.25%. | | |
| 8 Taxation | 2020 | 2019 |
| | £ | £ |
| Current tax | | |
| UK corporation tax on profits for the current period | 429,387 | 349,832 |
| Adjustments in respect of prior periods | (2,630) | 12,526 |
| | <u> </u> | <u> </u> |
| Total current tax | 426,757 | 362,358 |
| | <u> </u> | <u> </u> |

VITAL ENERGI SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

8 Taxation (Continued)

Deferred tax

| | | |
|--|----------------|----------------|
| Origination and reversal of timing differences | (2,561) | (4,103) |
| Changes in tax rates | 4,005 | - |
| | <u>1,444</u> | <u>(4,103)</u> |
| Total deferred tax | | |
| | <u>428,201</u> | <u>358,255</u> |

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

| | 2020 £ | 2019 £ |
|--|------------------|------------------|
| Profit before taxation | <u>2,241,867</u> | <u>1,815,697</u> |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%) | 425,955 | 344,982 |
| Tax effect of expenses that are not deductible in determining taxable profit | 871 | 264 |
| Adjustments in respect of prior years | (2,630) | 12,526 |
| Adjust deferred tax to average rate | 4,005 | 483 |
| | <u>428,201</u> | <u>358,255</u> |

9 Intangible fixed assets

| | Development costs £ |
|------------------------------------|------------------------|
| Cost | |
| At 1 July 2019 and 30 June 2020 | <u>41,615</u> |
| Amortisation and impairment | |
| Amortisation charged for the year | <u>4,855</u> |
| At 30 June 2020 | <u>4,855</u> |
| Carrying amount | |
| At 30 June 2020 | <u>36,760</u> |
| At 30 June 2019 | <u>41,615</u> |

VITAL ENERGI SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

10 Tangible fixed assets

| | Plant and machinery | Fixtures, fittings and equipment | Total |
|------------------------------------|------------------------|--|-----------|
| | £ | £ | £ |
| Cost | | | |
| At 1 July 2019 | 1,388,203 | - | 1,388,203 |
| Additions | 5,646 | 37,709 | 43,355 |
| Disposals | (1,958) | - | (1,958) |
| At 30 June 2020 | 1,391,891 | 37,709 | 1,429,600 |
| Depreciation and impairment | | | |
| At 1 July 2019 | 215,725 | - | 215,725 |
| Depreciation charged in the year | 140,157 | 4,822 | 144,979 |
| Eliminated in respect of disposals | (218) | - | (218) |
| At 30 June 2020 | 355,664 | 4,822 | 360,486 |
| Carrying amount | | | |
| At 30 June 2020 | 1,036,227 | 32,887 | 1,069,114 |
| At 30 June 2019 | 1,172,478 | - | 1,172,478 |

11 Fixed asset investments

| | Notes | 2020 £ | 2019 £ |
|-----------------------------|-------|-----------|-----------|
| Investments in subsidiaries | 12 | 100 | 100 |

Movements in fixed asset investments

| | Shares in group undertakings £ |
|-------------------------------|---|
| Cost or valuation | |
| At 1 July 2019 & 30 June 2020 | 100 |
| Carrying amount | |
| At 30 June 2020 | 100 |
| At 30 June 2019 | 100 |

VITAL ENERGI SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

12 Subsidiaries

Details of the company's subsidiaries at 30 June 2020 are as follows:

| Name of undertaking | Registered office | Nature of business | Class of shares held | % Held | |
|--------------------------|-------------------|--------------------|----------------------|--------|----------|
| | | | | Direct | Indirect |
| CEF and NHM EScO Limited | Note 1 | Dormant | Ordinary | 100.00 | - |

Note 1: Century House, Roman Road, Blackburn, Lancashire, BB1 2LD.

13 Stocks

| | 2020 £ | 2019 £ |
|------------------|-----------|-----------|
| Work in progress | 767,528 | 747,670 |

14 Debtors

| | 2020 £ | 2019 £ |
|---|-------------------|------------------|
| Amounts falling due within one year: | | |
| Trade debtors | 5,747,172 | 4,753,692 |
| Gross amounts owed by contract customers | 904,111 | 5,065,323 |
| Corporation tax recoverable | 31,882 | - |
| Amounts owed by group undertakings | 4,060,839 | - |
| Prepayments and accrued income | 8,929 | 7,869 |
| | <u>10,752,933</u> | <u>9,826,884</u> |

Amount owed by group undertakings are repayable on demand.

15 Creditors: amounts falling due within one year

| | 2020 £ | 2019 £ |
|------------------------------------|-------------------|-------------------|
| Trade creditors | 848,374 | 359,465 |
| Amounts owed to group undertakings | - | 7,745,736 |
| Corporation tax | - | 70,960 |
| Other taxation and social security | 4,640,571 | 123,812 |
| Accruals and deferred income | 4,734,194 | 3,389,235 |
| | <u>10,223,139</u> | <u>11,689,208</u> |

Amount owed to group undertakings are repayable on demand.

VITAL ENERGI SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

16 Provisions for liabilities

| | Notes | 2020 £ | 2019 £ |
|--------------------------|-------|-----------|-----------|
| Deferred tax liabilities | 17 | 35,486 | 34,042 |

17 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| | Liabilities 2020 £ | Liabilities 2019 £ |
|---|--------------------------|--------------------------|
| Balances: | | |
| Accelerated capital allowances | 35,486 | 34,042 |
| Movements in the year: | | 2020 £ |
| Liability at 1 July 2019 | | 34,042 |
| Credit to profit or loss | | (2,561) |
| Effect of change in tax rate - profit or loss | | 4,005 |
| Liability at 30 June 2020 | | 35,486 |

18 Retirement benefit schemes

| | 2020 £ | 2019 £ |
|---|-----------|-----------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | 81,783 | 77,165 |

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

19 Share capital

| | 2020 £ | 2019 £ |
|--------------------------------|-----------|-----------|
| Ordinary share capital | | |
| Issued and fully paid | | |
| 100 Ordinary shares of £1 each | 100 | 100 |
| | 100 | 100 |

VITAL ENERGI SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

20 Reserves

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

21 Financial commitments, guarantees and contingent liabilities

The Company has provided a guarantee relating to loans and overdrafts granted to fellow group companies by the Royal Bank of Scotland and Lloyds Bank. At the year end the potential liability was £1,302,441 (2019: £1,329,243).

The company has numerous charges, dated 29 July 2015, 29 December 2015, 16 June 2017 and 7 January 2019, in favour of Aviva Investors Energy Centres No. 1 Limited Partnership. The charges contain a fixed charge and a negative pledge.

The company has numerous charges, dated 27 February 2014 and 18 June 2015 in favour of Aviva Investors Energy Centres No. 1 Limited Partnership. The charges contain a fixed charge.

The company has a charge dated 4 April 2014, in favour of The Royal Bank of Scotland plc. The charge contains a fixed and floating charge and a negative pledge. The floating charge is over all the property or undertaking of the company.

The company has two charges dated 3 December 2015 and 6 December 2018, in favour of De Lage Landen Leasing Limited. The charges contain a fixed and floating charge and a negative pledge.

22 Operating lease commitments

Lessee

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

| | 2020 | 2019 |
|----------------------------|---------------|---------------|
| | £ | £ |
| Within one year | 23,974 | 22,328 |
| Between one and five years | 47,153 | 21,787 |
| | <u>71,127</u> | <u>44,115</u> |

23 Ultimate controlling party

The directors consider the immediate and ultimate parent company to be Vital Holdings Limited, a company incorporated in the United Kingdom. Vital Holdings Limited is the only parent undertaking preparing group accounts including the results of this company. The registered office of Vital Holdings Limited Century House, Roman Road, Blackburn, Lancashire, BB1 2LD.

Vital Holdings Limited is ultimately controlled by Mr G J Fielding and close family who controlled the majority of the issued share capital during this and the prior year.