

Ipsum Utilities Limited

Registered number: 11243426

Annual Report

For the year ended 31 December 2021

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IPSUM UTILITIES LIMITED

COMPANY INFORMATION

Directors	William Allan Greig Brown Richard Thomas Susan Shardlow
Registered number	11243426
Registered office	Rochester House Ackhurst Business Park Foxhole Road Chorley PR7 1NY
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor 100 Queen Street Glasgow G1 3DN
Bankers	HSBC PLC 2 Buchanan St Glasgow G1 3LB

IPSUM UTILITIES LIMITED

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IPSUM UTILITIES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The Directors present their strategic report of the Company and the Group for the year ended 31 December 2021.

Principal activity

The principal activity of the Company is as an investment vehicle providing group financing and management services to its subsidiary companies.

The Company trades as part of Ipsum Group Limited "Ipsum". Ipsum Group Limited are a national provider of specialist services to the utility and infrastructure sectors. The Group trades as Ipsum and uses smart technology and solutions to ensure that critical utility and infrastructure services are delivered simply, flexibly and efficiently ensuring a great experience for our customers and their consumers.

Ipsum is a private limited company registered in England and Wales, and is owned by management and Aliter Capital I LP, a private equity fund managed by Aliter Capital LLP.

Business review

This has been a successful and important year for Ipsum. We have made excellent progress in safely delivering on our strategic objectives and further strengthening Ipsum as a provider of specialist utility and infrastructure services. This has been achieved through further investment in our platform and a focus on deepening relationships with existing customers, whilst selectively targeting new customers.

As a utility and infrastructure services provider, our strategy is to operate across the water, wastewater, electricity and telecommunications sectors. Ipsum provides essential services on a national basis to regulated and private networks, which includes critical national infrastructure. Such essential services encompass testing, inspection, maintenance, upgrade and renewal of infrastructure assets. These markets are driven by long term programmes of spending on asset renewal and maintenance, and due to a historical lack of investment, much of the infrastructure is ageing and is therefore in need of substantial reinforcement and renewal. We aim to establish long term relationships with our customers by ensuring that we put safety and service at the heart of our offering.

Our strategic goals are:

- To build a well balanced multi-utility platform focused on providing essential and recurring services to both regulated and private network customers;
- To continue to develop our platform so that it is well placed for long-term growth, both organically and through further M&A activity;
- To continue to develop and deliver smart, digital solutions which underpin superior business performance, relationships with our customers and delivery of outstanding services to our customers;
- To continue to develop existing long-term customer relationships and utilise our increased scale and geographical coverage to facilitate further growth and provide increased resilience to our customers and shareholders; and
- To ensure our business is well managed and operates to the highest Environmental, Social and Governance standards.

A number of key individuals were recruited during the year to the Executive Leadership Team. All have substantial levels of experience and knowledge in their respective domains, which has helped us grow in our chosen markets. These appointments, coupled with substantial investment, have helped ensure that appropriate levels of corporate governance are in place along with improvements and integration of our operational and support functions to provide a platform for further growth.

IPSUM UTILITIES LIMITED

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

Future prospects

The future prospects of Ipsum are positive. During the year, we were successful in securing a number of strategic business development targets within Ipsum which helped grow our orderbook, both in terms of secured work and the pipeline of opportunities, which provides a solid platform for 2022 and beyond.

The Directors and management will continue to maintain appropriate levels of governance and control to ensure we have a sustainable business. Our end markets are resilient, and have excellent long-term prospects from which we are well positioned to benefit.

Reliance on supply chain

There is a risk that any disruption to the supply chain would impact the ability of the business to deliver services to its customers. The business mitigates this risk by establishing preferred supplier relationships (which are generally not exclusive) and always seeking to ensure that a balanced and stable supply chain is maintained, which helps to deliver best value to customers.

Customer satisfaction

During the year we continued to build on our existing long-term customer relationships through new multi-year contracts, frameworks and maintenance renewals where we provided specialist contributions, domain expertise and insights whilst applying additional added value and engineering solutions to drive out unnecessary costs and improve customer outcomes.

As an integral part of our continuous improvement thinking, we developed a new suite of customer service offerings and services to further enhance our customer experience and to raise the bar in customer excellence to drive conformity, ownership and stewardship across all of our operational and non-operation customer interactions.

We monitor, discuss, share and report our customer findings monthly to ensure we are delivering against our customer requirements and our financial expectations.

Employee engagement

Effective relationships with our employees are critical to the continued success of our business, and as such, this is an area that we prioritise, along with safety and service. We invest heavily in training to ensuring that our employees have the right skills to fulfil their roles safely and to help develop careers with Ipsum.

During the year, working alongside a number of local training partners, we developed our apprentice and graduate programmes, with an emphasis on specialist skillset development at the heart of our approach.

We also continued to enhance our communications to our employees, providing business updates via a number of different media – monthly newsletters, informal updates and face to face “Big Picture & Progress” sessions designed to educate and coach the progress we are making in building our business.

We continue to be committed to being an equal opportunities employer and ensuring all employees are treated equally and fairly and without discrimination because of age, disability, gender reassignment, race, religion or belief, sex or gender, sexual orientation, marriage and civil partnership or pregnancy and maternity during our recruitment processes and the employee lifecycle. The development of a new refreshed e-learning module highlighting the key risk areas of our business to increase knowledge, understanding and compliance of legislation to further mitigate potential risks for any breaches, for example, anti-bribery & corruption and bullying & harassment.

IPSUM UTILITIES LIMITED

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

Risk management

Ipsum continues to position itself within strategically focused sectors and markets where cyclic infrastructure spend on asset maintenance and replacements are driven by statutory and regulatory needs.

We have an established governance framework which maintains a sound system of risk management and internal controls ensuring the alignment of strategy and risk across both operational and non-operational departments that allows us to identify short, medium and long-term risks associated with the sectors in which we operate.

Principal risks and uncertainties

During the year we have continued to develop, enhance and maintain our positive health, safety, quality and environmental performance by identifying and managing out our risks across all operational and non-operational activities, this also includes the management of COVID-19 cases with measures put in place to manage and mitigate out any subsequent impacts early.

The business faces the normal financial risks around cash and liquidity. Ipsum has facilities in place with HSBC to ensure appropriate funding is available. Regular cashflow forecasts are prepared, which are reviewed each month by the Board. Delegated authorities are in place for all key areas, ensuring that decisions/approvals are made at the appropriate level.

Many of our risks relate to operational delivery and commercial activities, and as such these have been managed, monitored and actioned by a range of Ipsum stakeholders with a vested interest in people, safety and contract out-performance through weekly and monthly reviews and Power BI reporting.

The current rate of UK inflation rate and the rate of wage inflation continues to be a financial risk albeit one that we are well placed to manage given our contracts.

Health, safety and environment

A key principle of our business is that we uphold the highest standards of safety and it is an ingrained part of our culture. We achieve this through ensuring that all people delivering on our behalf, whether employed directly or in our supply chain are appropriately trained and have adequate tools and protection to undertake their roles. All people are empowered to stop work if they believe in good faith there is a safety concern.

During the year we maintained a strong health and safety performance record across the group whilst focusing on new enhancing improvements and ways of working as the business grew through new long-term framework and maintenance contract awards.

During the year we also invested in our safety function, which has helped build a strong foundation for a mature and collaborative approach to increasing visual leadership and support, coaching of safety stewardship along with people and supply chain engagement whilst enhancing early planning, insightful monitoring and further embedding a positive culture model of SHEQ ownership and accountability through operational and non-operational management teams.

Directors' statement of compliance with duty to promote the success of the Company

The Directors of the Company through considering the views of its employees, customers and suppliers, acting in good faith, have taken informed decisions during the year ending 2021 to ensure that they have promoted the success of Ipsum for the benefit of its participants and stakeholders. Ipsum continues to follow its value strategy, which has long term beneficial impacts including a fulfilling working environment.

IPSUM UTILITIES LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

This report was approved by the Board on and signed on its behalf.

Richard Thomas
Richard Thomas (Nov 7, 2022 09:50 GMT)

Richard Thomas
Director

Date: 7/11/22

IPSUM UTILITIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements 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 and 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.

Principal activity

The principal activity of the Company is an investment vehicle providing group financing and management services to its subsidiary companies.

Results and dividends

The profit for the year, after taxation, amounted to £10,862,147 (2020 - £201,017), with the increase principally as a result of dividends of £13m (2021 - £1.4m) received by the Company in the year.

Dividends amounting to £7m were distributed during the year ended 31 December 2021 (2020 - £Nil).

Directors

The Directors who served during the year were:

William Allan
Greig Brown
Richard Thomas
Susan Shardlow (appointed 25 March 2021)

IPSUM UTILITIES LIMITED

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

Matters covered in the Strategic Report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the Directors Report have been omitted as they are included in the Strategic Report on page 1 - 3. These matters include a fair review of the Company's business and a description of the Company's principal risks and uncertainties.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Directors have taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Richard Thomas
Richard Thomas (Nov 7, 2022 09:50 GMT)

Richard Thomas
Director

Date: 7/11/22

IPSUM UTILITIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IPSUM UTILITIES LIMITED

Opinion

We have audited the financial statements of Ipsum Utilities Limited (the 'Company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including 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 31 December 2021 and of its 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.

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

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

IPSUM UTILITIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IPSUM UTILITIES LIMITED

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

IPSUM UTILITIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IPSUM UTILITIES LIMITED

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors intend either to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the Company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, non-compliance with implementation of government support schemes relating to COVID-19.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

IPSUM UTILITIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IPSUM UTILITIES LIMITED

In addition, we evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit 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.


Craig Maxwell (Nov 8, 2022 16:24 GMT)

Craig Maxwell (Senior statutory auditor)

for and on behalf of

Mazars LLP
Chartered Accountants and Statutory Auditor
100 Queen Street
Glasgow
G1 3DN

Date: 08/11/2022

IPSUM UTILITIES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Revenue	4	2,316,336	1,543,080
Gross profit		<u>2,316,336</u>	<u>1,543,080</u>
Administrative expenses		(3,536,703)	(1,666,501)
Other operating income	5	8,620	-
Operating loss	6	<u>(1,211,747)</u>	<u>(123,421)</u>
Income from fixed assets investments	10	13,000,000	1,400,000
Interest payable and similar expenses	11	(878,986)	(1,075,562)
Profit before tax		<u>10,909,267</u>	<u>201,017</u>
Tax on profit	12	(47,120)	-
Profit for the financial year		<u><u>10,862,147</u></u>	<u><u>201,017</u></u>

There was no other comprehensive income for 2021 (2020 - £NIL).

The notes on pages 14 to 28 form part of these financial statements.

IPSUM UTILITIES LIMITED
REGISTERED NUMBER: 11243426

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £	Restated 2020 £
Fixed assets			
Intangible assets	14	303,457	191,603
Tangible fixed assets	15	235,376	4,317
Investments	16	50,712,115	47,687,762
		<u>51,250,948</u>	<u>47,883,682</u>
Current assets			
Debtors: amounts falling due within one year	17	3,565,698	389,131
Cash and cash equivalents	18	76,206	-
		<u>3,641,904</u>	<u>389,131</u>
Creditors: amounts falling due within one year	19	(30,052,961)	(27,342,189)
Net current liabilities		<u>(26,411,057)</u>	<u>(26,953,058)</u>
Total assets less current liabilities		<u>24,839,891</u>	<u>20,930,624</u>
Provisions for liabilities			
Deferred tax	20	(47,120)	-
		<u>(47,120)</u>	<u>-</u>
Net assets		<u><u>24,792,771</u></u>	<u><u>20,930,624</u></u>
Capital and reserves			
Called up share capital	21	101	101
Share premium account	22	22,822,672	22,822,672
Profit and loss account	22	1,969,998	(1,892,149)
		<u><u>24,792,771</u></u>	<u><u>20,930,624</u></u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on

7/11/22

Richard Thomas
Richard Thomas (Nov 7, 2022 09:50 GMT)

Richard Thomas
Director

The notes on pages 14 to 28 form part of these financial statements.

IPSUM UTILITIES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2020	101	22,822,672	(2,093,166)	20,729,607
Comprehensive income for the year				
Profit for the year	-	-	201,017	201,017
Total comprehensive income for the year	-	-	201,017	201,017
Total transactions with owners	-	-	-	-
At 1 January 2021	101	22,822,672	(1,892,149)	20,930,624
Comprehensive income for the year				
Profit for the year	-	-	10,862,147	10,862,147
Total comprehensive income for the year	-	-	10,862,147	10,862,147
Dividends: Equity capital	-	-	(7,000,000)	(7,000,000)
Total transactions with owners	-	-	(7,000,000)	(7,000,000)
At 31 December 2021	101	22,822,672	1,969,998	24,792,771

The notes on pages 14 to 28 form part of these financial statements.

IPSUM UTILITIES LIMITED

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

1. General information

Ipsum Utilities Limited is a Company limited by shares and registered in England and Wales. The Company's registered number is 11243426. The registered office is Rochester House, Ackhurst Business Park, Foxhole Road, Chorley, PR7 1NY.

The principal activity of the Company is an investment vehicle providing group financing and management services to its subsidiary companies.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

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 following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Ipsum Group Limited as at 31 December 2021 and these financial statements may be obtained from Rochester House, Ackhurst Business Park, Foxhole Road, Chorley, PR7 1NY.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of any part of the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.4 Going concern

The Directors have prepared the financial statements on a going concern basis. This is based on the financial projections and the current expectations of the Directors about the prospects of the Company and the Group. Regular financial forecasts are prepared to monitor the Group's funding requirements through retained profits and borrowing facilities, and projected compliance with the banking covenants. Based on these projections, the Directors consider that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the Directors' approval of these financial statements.

2.5 Revenue

The revenue is attributable to the principal activities of the Company. The revenue shown in the Statement of Comprehensive Income represents recharges to Group companies.

2.6 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.7 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.9 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software development	-	3	years
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2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

IPSUM UTILITIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.10 Tangible fixed assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	-	33%
Fixtures and fittings	-	33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.12 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.14 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.16 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

IPSUM UTILITIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimations 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.

Impairment of assets

The Company regularly reviews its assets, including investments for indicators of impairment to ensure their carrying value is reasonable.

Acquisition of subsidiaries

When accounting for acquisition of subsidiaries, management consider the fair value of assets at date of acquisition to ensure the acquired net assets are fairly disclosed.

Management charges

Management charges consist of a percentage of time spent by key management personnel and recharged expenditure and includes a profit margin against the services provided.

4. Revenue

An analysis of revenue by class of business is as follows:

	2021 £	2020 £
Management fee income	2,316,336	1,543,080

All revenue arose within the United Kingdom.

5. Other operating income

	2021 £	2020 £
Recharge of professional fees	8,620	-

IPSUM UTILITIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

6. Operating loss

The operating loss is stated after charging:

	2021 £	2020 £
Depreciation of tangible fixed assets	10,500	2,126
Amortisation of intangible fixed assets	96,244	-
Other operating lease rentals	30,468	16,116
Defined pension contribution	33,903	6,103
	<u>171,115</u>	<u>24,345</u>

7. Auditor's remuneration

	2021 £	2020 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	2,750	2,650
	<u>2,750</u>	<u>2,650</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the Group accounts of the parent company.

8. Employees

Staff costs, including Directors' remuneration, were as follows:

	2021 £	2020 £
Wages and salaries	1,410,412	489,163
Social security costs	137,288	78,602
Cost of defined contribution scheme	33,903	6,103
	<u>1,581,603</u>	<u>573,868</u>

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

	2021 No.	2020 No.
Employees	21	8
	<u>21</u>	<u>8</u>

IPSUM UTILITIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. Directors' remuneration

	2021	2020
	£	£
Directors' emoluments	368,207	156,819
Directors' social security costs	48,049	20,918
Company contributions to defined contribution pension schemes	6,295	730
	<u>422,551</u>	<u>178,467</u>

During the year retirement benefits were accruing to 1 Director (2020 - Nil) in respect of defined contribution pension schemes.

Remuneration to key management personnel of the Company in the period amounted to £822,537 (2020 - £353,621).

10. Income from investments

	2021	2020
	£	£
Dividends received from subsidiaries	<u>13,000,000</u>	<u>1,400,000</u>

11. Interest payable and similar expenses

	2021	2020
	£	£
Bank interest payable	769,761	931,384
Debt commitment fees	109,225	144,178
	<u>878,986</u>	<u>1,075,562</u>

IPSUM UTILITIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. Taxation

	2021 £	2020 £
Deferred tax		
Origination and reversal of timing differences	47,120	-
Total deferred tax	<u>47,120</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>47,120</u>	<u>-</u>

Factors affecting tax charge for the year

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

	2021 £	2020 £
Profit on ordinary activities before tax	10,909,267	201,017
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	2,072,761	38,193
Effects of:		
Fixed asset differences	(11,672)	-
Group income	(2,470,000)	(266,000)
Group relief surrendered	439,975	227,584
Remeasurement of deferred tax for changes in tax rates	11,309	23
Deferred tax not recognised	(3)	200
Expenses not deductible for tax purposes	4,750	-
Total tax charge for the year	<u>47,120</u>	<u>-</u>

Factors that may affect future tax charges

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom would increase from 19% to 25%. Companies with profits of £50,000 or less would continue to be taxed at 19%, which was a new small profits rate. Where taxable profits were between £50,000 and £250,000, the higher 25% rate would apply but with a marginal relief applying as profits increased.

IPSUM UTILITIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. Dividends

	2021 £	2020 £
Dividends paid	7,000,000	-

14. Intangible assets

	Software development £	Other intangibles £	Total £
Cost			
At 1 January 2021	191,603	-	191,603
Additions	205,476	2,622	208,098
At 31 December 2021	397,079	2,622	399,701
Amortisation			
Charge for the year	96,244	-	96,244
At 31 December 2021	96,244	-	96,244
Net book value			
At 31 December 2021	300,835	2,622	303,457
At 31 December 2020	191,603	-	191,603

IPSUM UTILITIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

15. Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Office equipment £	Total £
Cost				
At 1 January 2021	1,104	5,339	-	6,443
Additions	110,655	63,278	67,626	241,559
At 31 December 2021	111,759	68,617	67,626	248,002
Depreciation				
At 1 January 2021	364	1,762	-	2,126
Charge for the year	5,712	1,780	3,008	10,500
At 31 December 2021	6,076	3,542	3,008	12,626
Net book value				
At 31 December 2021	105,683	65,075	64,618	235,376
At 31 December 2020	740	3,577	-	4,317

16. Investments

	Investments in subsidiary companies £
Cost	
At 1 January 2021	47,687,762
Additions	3,024,353
At 31 December 2021	50,712,115

IPSUM UTILITIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

16. Investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Ipsum Water (England & Wales) Limited*	The provision of asset management services and solutions to the utilities and infrastructure markets.	Ordinary	100%
Ipsum Power (Private Networks) Limited*	The provision of electrical engineering services.	Ordinary	100%
Ipsum Power (Licensed Networks) Limited*	The provision of services to the electrical distribution network.	Ordinary	100%
Ipsum Water (Scotland) Limited	Independent specialist operator within the UK water infrastructure and drainage sector, providing cleaning, repair, maintenance, CCTV, patch lining and mapping of underground drain assets.	Ordinary	100%
Ipsum Power (North West) Limited*	The provision of civil and other engineering and construction activities, with specialist expertise in electricity transmission and high voltage environments.	Ordinary	100%

Due to the investment held in Ipsum Water (England & Wales) Limited, the following are 100% indirect subsidiary undertakings of the Company; Ipsum Survey Solutions Limited and Ipsum Drainage Solutions Limited. The registered address of these companies is Rochester House, Ackhurst Business Park, Foxhole Road, Chorley, PR7 1NY.

Due to the investment held in Ipsum Water (Scotland) Limited, the following are 100% indirect subsidiary undertakings of the Company; EEG Utility Solutions Limited, Ipsum Infrastructure Limited and Ipsum Drainage (Scotland) Limited. The registered address of these companies is 2 Watt Road, Hillington Park, Glasgow, Scotland, G52 4RR.

*The registered address is Rochester House, Ackhurst Business Park, Foxhole Road, Chorley, PR7 1NY.

IPSUM UTILITIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

17. Debtors

	2021 £	2020 £
Amounts owed by group undertakings (note 25)	2,190,738	299,521
Other debtors	12,866	70,709
VAT receivable	-	18,901
Prepayments	1,362,094	-
	<u>3,565,698</u>	<u>389,131</u>

18. Cash and cash equivalents

	2021 £	Restated 2020 £
Cash at bank and in hand	<u>76,206</u>	<u>-</u>

19. Creditors: Amounts falling due within one year

	2021 £	Restated 2020 £
Trade creditors	1,218,503	423,120
Amounts owed to group undertakings (note 25)	26,460,432	26,325,713
Other taxation and social security	484,649	443,022
Other creditors	1,416,043	-
Accruals and deferred income	473,334	150,334
	<u>30,052,961</u>	<u>27,342,189</u>

Other creditors represents deferred consideration of £1,400,000 (2020 - £Nil) payable to the sellers of Ipsum Power (North West) Limited (formerly MMC Engineering Services Limited) which was acquired in the year.

IPSUM UTILITIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

20. Deferred taxation

	2021 £
Charged to the Statement of Comprehensive Income	(47,120)
At end of year	(47,120)

The deferred taxation balance is made up as follows:

	2021 £	2020 £
Fixed asset timing differences	(48,803)	-
Short term timing differences	1,683	-
	(47,120)	-

21. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
101,140 (2020 - 101,140) Ordinary shares of £0.001 each	101	101

22. Reserves**Share premium account**

This represents the value received in excess of the nominal share price. It is non-distributable.

Profit and loss account

This represents the accumulated profits and losses available for distribution.

23. Prior year adjustment

The accounts for Ipsum Utilities Limited for the Financial Year ending 31 December 2020 refer to Ipsum Utilities Limited as the borrower under the Facilities Agreement with HSBC. The Parent, Ipsum Group Limited, is the Original Borrower under the Facilities Agreement and the funds were transferred for use to Ipsum Utilities Limited by Ipsum Group Limited. The disclosures included in these Annual Accounts was incorrect. The total value of the bank loans disclosed in the financial statements in 2020 was £17,043,819. The financial statements have now been corrected for 2021 and the prior year. There was no impact to the brought forward net assets or profit and loss for the prior year in respect of the Company.

IPSUM UTILITIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

24. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Land & buildings		
Not later than 1 year	50,456	16,116
Later than 1 year and not later than 5 years	180,799	6,715
	<u>231,255</u>	<u>22,831</u>
	2021 £	2020 £
Motor vehicles		
Not later than 1 year	14,809	-
Later than 1 year and not later than 5 years	13,503	-
	<u>28,312</u>	<u>-</u>

25. Related party transactions

The Company has taken advantage of the exemption within FRS 102 not to disclose transactions entered into by two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

During the year, the Company paid monitoring fees of £300,000 (2020 - £300,000) to Aliter Capital LLP, the management company of a shareholder in Ipsum Group Limited.

26. Controlling party

The Company's immediate parent undertaking and ultimate controlling party is Ipsum Group Limited, a Company incorporated in England & Wales and this is the smallest and largest group for which consolidated financial statements are prepared. Copies of these statements are available from the Company's registered offices as noted in the Company Information.

The Directors are of the opinion that the ultimate controlling part of the Company is Ipsum Group Limited.