VITAL ENERGI SOLUTIONS LIMITED

REPORT & FINANCIAL STATEMENTS

For the year ended 30th June 2024

Company Registration No. 07828647 (England and Wales)

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COMPANY INFORMATION

VITAL ENERGI SOLUTIONS LIMITED

DIRECTORS

Mr G J Fielding
Mr I M Whitelock
Mr A P Malin
Ms C Parker

SECRETARY

Mr S McKechnie

COMPANY NUMBER

07828647

REGISTERED OFFICE

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AUDITOR

RSM UK Audit LLP,
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VITAL ENERGI SOLUTIONS LIMITED

A BRIGHTER FUTURE: INVESTING IN SUSTAINABLE ENERGY OPPORTUNITIES

Vital Energi's annual report, is a testament to our **unwavering commitment** to a sustainable future. We are passionate about protecting our planet for future generations, and this purpose drives everything we do.

A key focus for the year has been accelerating our strategic shift towards asset ownership. This strategic move positions us as a long-term player in the UK energy landscape, enabling us to secure stable long-term revenue streams, enhance financial performance and contribute to the UK's energy transition. Our recent acquisition of the Gloucestershire Science and Technology Park exemplifies this commitment, creating a hub for innovation and sustainable development.

We have a current £1bn+ investment pipeline, consisting of prospective projects, which will allow us to significantly expand our portfolio of land, property, energy from waste and heat and storage assets. We have recently commenced the operational phase of our first energy from waste plant at Drakelow, Derbyshire.

Environmental sustainability remains at the core of our business. We have made significant strides in reducing our carbon footprint and we were recognised for this by EcoVadis, a leading provider of business sustainability ratings. We are proud to have achieved a Silver rating in their assessment, placing us in the top 15% of companies globally assessed in 2024 recognising our strong environmental and social performance across various criteria, including environmental impact, labour and human rights, ethics and sustainable procurement.

We are committed to creating a positive impact in the communities we work in. Our Climate Education programme has seen our employees engage with over 20,000 students across the UK, sharing with our future generations the small differences they can make and the career opportunities the renewable energy sector can hold for them. We are expanding this reach by collaborating with local partners too.

We have become a Gold Patron of Blackburn Youth Zone, a pivotal organisation located near our head office that supports young people in the Blackburn area. We are really looking forward to working with them to make Climate Education accessible to all and share the career pathways available to them.

As we look ahead, we are confident in our ability to navigate the evolving energy landscape and deliver long-term value. By embracing innovation, fostering strong partnerships and maintaining our unwavering commitment to sustainability, we will continue to shape a more sustainable future.

I would like to express my sincere gratitude to our talented team, dedicated partners and supportive stakeholders for their invaluable contributions. Together, we are shaping our future energy landscape, one project at a time.

GARY FIELDING | CHAIRMAN

4 February 2025

A YEAR OF IMPACT AND OPPORTUNITY

As we reflect on 2024, I am proud to report on the significant contribution Vital Energi has made to the UK energy transition whilst delivering sustainable, long-term value to our stakeholders. Despite the challenges of a rapidly evolving energy landscape, we have achieved critical milestones that underscore our commitment to innovation, collaboration, and operational excellence.

Over the past year, we have secured major projects that will drive our growth and enhance our ability to meet the UK's decarbonisation goals. These include our successful handover of our energy from waste facility, our appointment on the Solihull District Heating Network, and the extension of the Leeds PIPES heat network. We are also actively supporting the decarbonisation of the transport sector through key projects, positioning us as a trusted partner in delivering low-carbon infrastructure.

Our strategy has focused on forging new partnerships, expanding into new geographies, and strengthening our capabilities. This includes our participation in the South Westminster Area Network (SWAN), the UK's first advanced pilot heat network zone, and the opening of new offices in Newcastle and Swansea reflecting increasing project delivery in Wales and the North East. Despite challenging market conditions, we have continued to see the impressive organic growth of recent years in our rapidly growing headcount, exemplified by the doubling in size of our Scotland office, ensuring we remain resilient and well-positioned for the future.

With our partners and stakeholders, we're **protecting our planet** for future generations

Innovation remains at the heart of everything we do. This year, we have made significant investments in developing new technologies, including advanced heat pump systems and thermal storage solutions, which will play a pivotal role in decarbonising the UK's heat network infrastructure.

To underpin continued growth and operational efficiency, we have appointed a Head of Digital Transformation and are making significant investments in system upgrades. These initiatives demonstrate our commitment to leveraging technology to enhance our business operations. Alongside this, we have deepened our use of data-driven platforms, such as Greenly and OneClickLCA, to refine our carbon reduction strategies. These tools enable us to better understand our impact, engage our supply chain, and align our actions with science-based targets, ensuring that we lead by example in addressing the climate crisis.

At Vital Energi, we recognise that our people are our greatest asset. This year, we launched initiatives to foster innovation and creativity across all levels of the organisation. Our Training Academy continues to upskill our workforce, while our new Learning Management System, Kallidus, will empower employees with dynamic, sustainability-focused training modules.

Looking ahead, our strong culture of collaboration with industry and government will continue to shape policies that unlock investment in heat network infrastructure and drive meaningful decarbonisation. With our experience and diverse portfolio of innovative projects, we are well-placed to meet the challenges of the energy transition and deliver enduring value to all our stakeholders.

With our partners and stakeholders, we are protecting our planet for future generations.

IAN WHITELOCK | CEO
4 February 2025

Principal activity

Operating within the dynamic energy sector, the Group offers an extensive array of energy-related services, systems and solutions; as both an Asset Owner and Operator and on behalf of others.

Our core services encompass the design, installation and operation of low-carbon and renewable energy products and solutions, many of which are delivered under long-term energy performance contracts. This includes energy generation, heat recovery and storage, employing an increasingly diverse range of technologies to meet our customers' needs while reducing environmental impact. We also specialise in energy distribution networks for heat, power and other utilities, as well as the integration of new energy networks with national energy grids.

Our purpose is to **protect our planet for future generations.** This guiding principle shapes every aspect of our operations, and is deeply ingrained in our culture.

Our purpose is to protect our planet for future generations. This guiding principle shapes every aspect of our operations and is deeply ingrained in our culture. From our grassroots Climate Education programme to our pioneering sustainable solutions across the UK, we are driven by this purpose, which all of our people strive to achieve.

WE DELIVER VALUE

We work with clients, partners and community stakeholders to ensure we deliver value:

- **Offering the lowest possible carbon solution**
- **Ensuring energy security & reliability**
- **Maximising energy bill savings**
- **Maximising community energy benefits**

This purpose extends to our growing role in asset management, ensuring the efficient and sustainable operation of systems through a full suite of services, including repairs, replacements, performance analysis and financial management.

We have also **expanded our presence this year, opening two additional offices in Newcastle and Swansea, enhancing our ability to serve communities and develop strong local partnerships.** Our expertise in energy distribution networks for heat, power and other utilities continues to evolve, integrating new energy networks with the National Grid through advanced mechanical and electrical systems, building controls and optimised smart energy solutions.

Our broad range of energy conservation measures such as building fabric improvements and energy efficiency solutions remain central to reducing energy consumption in buildings, both new and retrofit. Whether delivering full or part funding for these solutions, our focus is on long-term sustainability, supported by guaranteed financial and carbon savings, as well as rigorous performance monitoring and reporting.

We operate across a diverse range of markets, including healthcare, education, industrial, commercial, transport, residential, energy from waste and local authority sectors, remaining at the forefront of innovation as we continue to expand and meet the demands of a changing world.

Fair review of the business

While the Company experienced a slight decrease in turnover of £2.0m to £77.1m (FY23 £79.1m), a decrease of 2.5%, we are pleased to report **another year of profitability and continued growth** within the wider Group.

This is particularly significant, given the context of a challenging economic climate, demonstrating that our credible experience over 30 years of delivering complex projects, combined with our well-established supply chain relationships, continues to successfully underpin our robust performance.

The growing demand for decarbonisation solutions, driven by imminent government policies and client Net Zero targets, has presented significant opportunities for our group. We have responded to this demand by expanding our service offerings, increasing our team, expanding our footprint through two new regional offices and strengthening our partnerships, whilst also continuing our strong commitment to innovation. We are actively involved in research and development, collaborating with leading institutions to develop cutting-edge technologies and solutions.

Despite a decrease in operating profit to £4.9m (FY23 £5.7m), the Company achieved a higher gross profit margin of 12.2% in this period, an increase of 0.4% (FY23 11.8%), attributed to a more favourable project mix. Administrative expenses increased to £4.7m (FY23 £3.8m) due to investments in new technology and product development, which are expected to drive future growth through the development of new intellectual property, products, and services.

The substantial reduction in work-in-progress across our contract portfolio resulted in a significant drop in stock to £1.2m (FY23 £3.0m). This represents revenue recognised but not yet billed. The quantum of revenue and the timing of its recognition resulted in a decrease in trade debtors of £4.0m. Creditors remain stable in the period at £31.6m however payment on accounts increase by £2.7m. There were also movements in intercompany transactions; long-term group debtors increased by £6.3m to £13.3m (FY23 £7.0m), while group creditors decreased by £2.8m to £8.8m (FY23 £11.6m).

The Company ended the year with a cash balance of £18.3m (FY23 £23.5m) 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 £20.9m (FY22 £16.5m). Looking ahead, the Company has a strong sales pipeline and secured order book for FY25, projecting significant growth within the wider Group. This growth is underpinned by long-term contracts (15 to 30 years) that provide a stable revenue stream with a higher proportion of recurring income.

The Company's continued success in securing PSDS projects (phases 1, 2, and 3) provides a strong foundation for future growth in the NHS hospital sector, city centre schemes, and other key markets, including education and industrial sectors. Furthermore, the launch of PSDS phase 4 by the Department for Energy Security and Net Zero (DESNZ) has generated a significant pipeline of opportunities.

The Company remains committed to making a significant positive environmental impact by providing low-carbon, energy-efficient solutions to its customers, supporting their decarbonisation journeys towards Net Zero.

The company is an integral part of the Vital Energi Group and the activities of the Board are aligned to those of the wider Group.

KEY FACTS

£77.1m
TURNOVER

12.2%
GROSS PROFIT MARGIN

£18.3m
CASH BALANCE

£20.9m
NET ASSETS

Environmental

Built the Foundations Towards our 2035 Net Zero Target

Over the past year, we made substantial progress towards achieving net zero carbon emissions by 2035, laying a strong foundation for a sustainable future while continuing to innovate in delivering energy solutions that help communities and businesses decarbonise.

In 2023/24, we focused on measurable outcomes, improving our operational efficiency and enhancing our tools for reducing carbon emissions:

OPERATIONAL EXCELLENCE

- We **reduced total energy consumption by an impressive 112,300 kWh,** equating to a 220 tCO_2e drop in emissions. This achievement is particularly significant given an 18% growth in our workforce, resulting in a nearly one-third reduction in our carbon intensity ratio.

ECOVADIS RECOGNITION

- In our first submission to **EcoVadis,** we earned a **Silver rating,** placing us in the top 15% of companies globally assessed in 2024. This milestone underscores our commitment to environmental, social and ethical excellence.

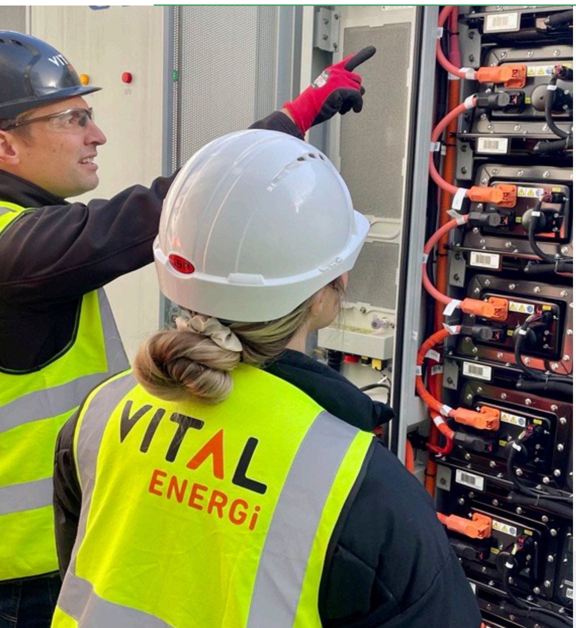
FLEET ELECTRIFICATION

- While our fleet size grew by 7.3%, our ongoing transition to electric vehicles led to a **4.31% reduction in fleet carbon intensity,** reflecting tangible progress toward greener transportation.

CONSTRUCTION INNOVATION

- We achieved a **remarkable 57.5% reduction in diesel consumption on** project sites during the reporting year, cutting 343tCO_2e. This is in part due to the transitioning of our energy from waste plant from construction to commissioning but is also due to actively reducing emissions on our project sites by improving tracking and monitoring carbon, plus introducing hybrid generators.

ACHIEVING OUR NET ZERO TARGETS



Driving Decarbonisation Through New Systems and Data

Our partnership with Greenly has been instrumental in refining our carbon reduction strategies. With their platform, we have enhanced our ability to visualise emissions data, identify impactful reduction opportunities and engage suppliers through supply chain questionnaires. This collaboration enables us to align with science-based targets and build robust decarbonisation pathways.

In parallel, we are leveraging OneClickLCA to perform lifecycle assessments, identifying opportunities to reduce embodied and operational carbon in our infrastructure projects. These tools empower us to address emissions across our entire value chain, where 99% of our footprint arises, particularly in hard-to-abate sectors like steel and concrete manufacturing.

Consumption Reduction and Renewable Tariffs

This year saw significant developments in our energy use. A 12% reduction in gas consumption was achieved, which although partially attributable to a mild winter was also positively impacted by more efficient building controls.

While electricity consumption rose due to office expansion, our commitment to renewable energy remains steadfast, with our three largest locations: Blackburn, Holborn and Glasgow, now powered by 100% renewable tariffs.

Achieving Net Zero Requires Collaboration

This year, we introduced a Supplier Code of Conduct, encouraging partners to align with our sustainability goals by setting net zero targets and providing Scope 1 and 2 data. We also strengthened ties with industry bodies like HeatNIC and Scottish Renewables to champion lower-carbon technologies.

Our annual **"Get Green Week"** and Greenly's interactive training modules have inspired employees to take an active role in sustainability, fostering a culture of shared responsibility.

LOOKING AHEAD IN 2025

The coming year will be pivotal as we deepen our sustainability efforts:

- **Decarbonisation:** We aim to install a heat pump at our Head Office in Blackburn to eliminate fossil fuel reliance at our largest location.
- **ESG Framework Development:** We are creating an ESG Framework aligned with GRI Standards to fully integrate environmental and energy KPIs into our core business strategy.
- **Project Site Innovations:** Plans include scaling renewable energy solutions like solar-powered cabins and hybrid generators whilst exploring cleaner fuels for our sites.
- **Supply Chain Transformation:** We will continue to engage suppliers on decarbonisation strategies and measure progress using the Greenly platform and OneClickLCA.
- **Employee Engagement:** With the launch of our new learning management system, Kallidus, employees will gain access to dynamic training modules, empowering them to contribute to our sustainability journey.

Every step we have taken this year brings us closer to a low-carbon future. By focusing on innovation, collaboration and accountability, we are not only reducing our footprint but also helping others achieve their net zero ambitions. Together, we are building a sustainable legacy for generations to come.

Social

MAKING A POSITIVE IMPACT ON COMMUNITIES

Our commitment to social value extends far beyond the delivery of energy solutions. We believe in making a tangible, positive impact on communities by investing in partnerships, employability, skills development, diversity and well-being. Our approach is driven by the understanding that creating a more sustainable, equitable future requires both economic growth and a genuine commitment to social and environmental responsibility.

Investing In Our Future

We are passionate about nurturing the next generation of talent and ensuring that we equip them with the skills required for a low-carbon future.

This year, we expanded our apprenticeship programme and actively engaged with students across multiple educational levels. Our partnerships with schools, colleges and universities continued to help us promote careers in green technologies and energy solutions, developing our workforce of the future.

Our 2023/24 investment in education included:

- Employing **57 apprentices** across the business, covering technical and craft disciplines.
- Hosting **50 careers events** at schools, colleges and universities, focusing on green skills and career pathways, engaging with over 10,000 students.
- Providing meaningful **work placements** to local students, helping them gain practical experience in the energy sector.
- Engaging and inspiring primary schools as part of our **Climate Education programme**.

We continued our profound commitment to equality, diversity & inclusion. Our team regularly participated in initiatives and training to ensure we create a more inclusive environment, collaborating with sector groups such as the Diverse Heat Network and District Heating Divas.

Our internal Training Academy continued to develop employee skills through professional qualifications, mentoring and technical upskilling, with a focus on practical, hands-on learning. This investment demonstrates our dedication to the continuous growth and improvement of our workforce.

Giving back to worthy causes

We understand the importance of being a good neighbour. Our dedication to enhancing green spaces, supporting local communities and engaging with local organisations reflects our commitment to improving the quality of life and environment for the people we work alongside.

This year, we have:

- Launched our volunteering programme encouraging employees to support community, skills, environmental and educational based projects.
- Supported local priorities by collaborating with foodbanks, schools, NHS Trusts and other community groups, ensuring our contributions address specific regional needs.
- Supported economic growth through job creation and procuring through local SME supply chain.

Sharing Best Practice and Influential Partnerships

Through events like the District Heating Divas conference and site tours at Leeds PIPES, Queens Quay, Paddington Village and Duffryn Heat Network, we have provided key market insights into renewable energy integration and heat networks. At conferences such as UKREiiF and Net Zero Projects Scotland, we have presented on the challenges and significant benefits of heat network zoning and decarbonisation. Additionally, our partnerships with organisations like The Christie NHS Foundation Trust and educational institutions demonstrate our commitment to creating long-lasting social value whilst driving sustainable energy solutions forward.

Charitable Work

Vital Energi has been proud to contribute to various charitable causes. During the last year, we have:

- **Donated over £100k** to partner charities and community organisations, including The Christie, Macmillan Cancer Support and Alzheimer's Society.
- **Sponsored** and participated in charitable events, such as Northern Lights Community Football and International Men's & Women's Day celebrations, promoting awareness and fundraising for various important causes.

LOOKING AHEAD IN 2025

In line with our **ESG strategy**, we are introducing a Social Value Framework which aims to embed social value into our service delivery. Our focus is on capturing and reporting data to ensure we meet our targets and continue to improve year on year. Throughout the 2024/25 financial year we aim to:

- Fully embed our social value strategy throughout our projects.
- Implement toolkits, metrics, and KPIs to measure our impact.
- Increase awareness and training for staff on social value.
- Double our STEM Ambassador network from the current 16.
- Increase the breadth of our community engagement programmes.

Health & Wellbeing

We placed a strong emphasis on the health and wellbeing of our employees, recognising that a healthy workforce is essential for a supportive and successful environment. We have developed our fair work practices, offering a comprehensive benefits package, including above Living Wage salaries, flexible working practices and family-friendly policies. These initiatives are designed to support our employees both in and out of the workplace.

Governance

Our skilled Board of Directors are focused on guiding our **continued strategic growth** and overseeing operations. Throughout 2023/24 we are proud to have:

INTRODUCED PROGRAMMES

- Introduced an Emerging Leaders Programme and Future Leaders Board for junior members of our organisation to support in nurturing talent and drive innovation, demonstrating our commitment to developing leaders of the future for this industry.

ENHANCED RISK MANAGEMENT

- Enhanced our robust risk management framework to identify, assess, and mitigate risks across our operations. This proactive approach ensures we are well prepared to navigate potential challenges and safeguard our business.

We also continued our work in other key areas, as detailed below:

ETHICAL PRACTICES

We are committed to ethical business practices and social responsibility. We adhere to international standards and regulations, including the UN Global Compact and the Modern Slavery Act. Our supply chain is managed responsibly, ensuring ethical sourcing and fair labour practices.

MONITORING OUR IMPACT

To measure and improve our social and environmental impact, we employ rigorous impact measurement methodologies. We are aligned with UN Sustainable Development Goals and are committed to reducing our carbon footprint and contributing to a sustainable future.

INDUSTRY INNOVATION

We actively engage with key industry associations and bodies, such as Heat Trust, Department of Energy Security and Net Zero (DESNZ), ADE, Heat Network Industry Council (HeatNIC) and Remedy, to shape industry standards and policies. Our strategic partnerships with leading institutions and investors enable us to deliver innovative and sustainable energy solutions, details of which can be found in section 8 – Future Developments and Innovations.

Our **strategic partnerships** with leading institutions and investors enable us to deliver innovative and sustainable energy solutions

Through our engagement and collaboration in these forums we are helping to steer new government policies expected to come into place in 2025/2026 to create the right environment for growth in the heat decarbonisation market. Our input into these forums is so critical to ensure we share our 30 years + experience with the policy makers, so we have the right investable framework for the future.

Key risks and uncertainties

The energy market remains subject to significant volatility and uncertainty, influenced by a range of factors including geopolitical events, economic conditions and evolving regulatory frameworks.

Government policy, particularly in relation to energy and climate change, can significantly impact our group's business model and investment plans. However, we are actively engaged with policymakers to shape a supportive regulatory environment. Fluctuations in energy prices, interest rates and exchange rates can affect our group's financial performance and cash flows.

We mitigate risks through a comprehensive risk management framework, including regular risk assessments, contingency planning and financial discipline. We prioritise supplier and subcontractor relationships, cybersecurity and talent development to ensure business continuity. Additionally, we actively monitor geopolitical, economic and regulatory factors that may impact our operations.

We maintain a strong financial position, employ prudent financial management practices and diversify our revenue streams to mitigate financial risks. By proactively addressing these risks, we aim to safeguard our business and deliver long-term value to our shareholders.

Operational challenges, such as supply chain disruptions, project delays, or operational failures, can hinder our group's ability to deliver projects and meet customer expectations. To address these challenges, we have implemented robust project management processes, risk mitigation strategies and contingency plans.

Our group is also exposed to financial risks, including changes in credit ratings, increased borrowing costs and adverse economic conditions. However, our strong financial position and prudent financial management practices help mitigate these risks. Reputational risk, stemming from negative publicity, product recalls, or environmental incidents, is minimised through our strong focus on corporate social responsibility and ethical business practices.

Supply chain disruptions, particularly in relation to critical materials and components, could impact project delivery and increase costs. To mitigate this risk, we are actively diversifying our supply chain and building strong relationships with suppliers. Cybersecurity threats are addressed through robust cybersecurity measures and regular security audits.

Attracting and retaining skilled talent is essential to our Group's success. We are committed to investing in employee development, offering competitive compensation packages and fostering a positive work environment to attract and retain top talent.

While the energy sector is inherently complex and subject to various risks, we are well-positioned to navigate these challenges through our experienced management team, robust risk management framework and strong financial position.

Attracting and retaining skilled talent is essential to our Group's success

Future developments and innovations

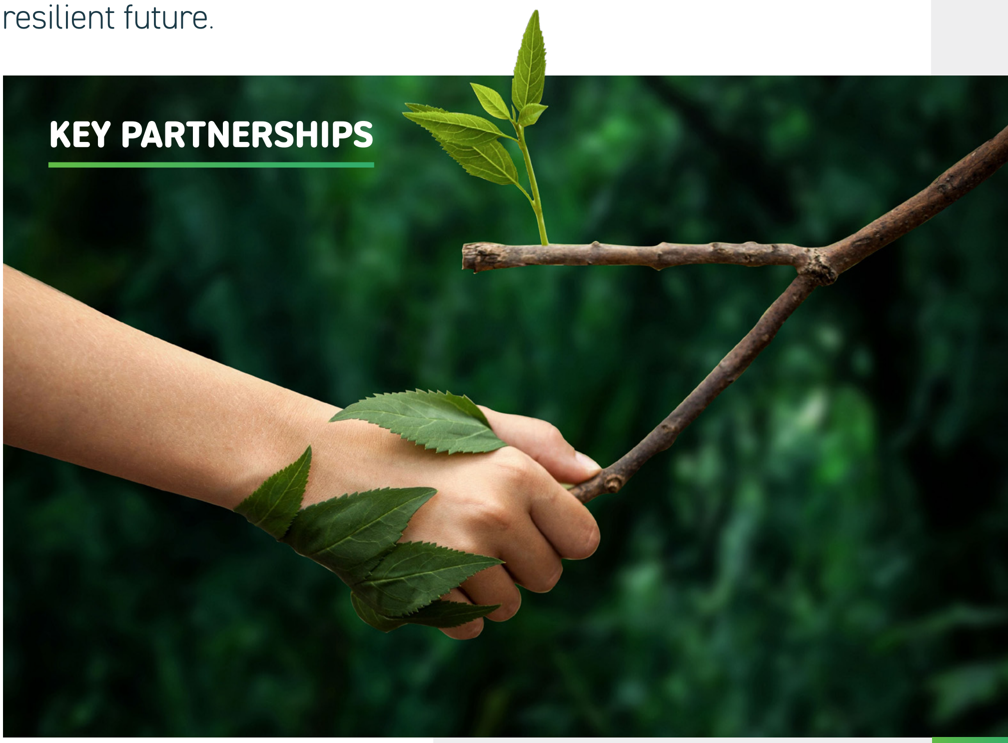
We continue to invest in the future by advancing our asset management strategies and further integrating Energy and Asset Management (EAM) across our operations. Through **targeted investment**, we are not only owning but also effectively managing our assets, ensuring long-term sustainability and operational excellence. This has been made possible through the adoption of innovative technologies and processes that optimise our energy solutions and secure a resilient future.

Our commitment to innovation is evident in our growing pipeline, which spans across key sectors such as transport, healthcare, industrial and education and covers both public and private sector clients. We have a forecast full year position of £285m based on current pipeline with over 80% secured for 2024/2025 in projects. Our ability to foster strong relationships with both new and existing clients, as well as Tier 1 building contractors, has strengthened our work pipeline.

Our focus on collaboration with stakeholders in major cities and institutions continues to support the development of heat networks and decarbonisation projects, aligning with growing market trends in solar, heat pumps and district heating technologies.

Key projects within our portfolio include the Solihull District Heating Network, which will deliver low-carbon heating to the town centre and major decarbonisation plans for institutions like Lancaster University and Royal Shrewsbury Hospital. Our long-term partnerships, such as those with PeelNRE and Ener-Vate on the Mersey Heat Network, are setting benchmarks in carbon reduction and infrastructure development, contributing to the net zero ambitions of cities and institutions alike.

KEY PARTNERSHIPS



As part of our strategic partnerships, we continue to strengthen our asset ownership model. This includes investment in key projects like the Hull MAGIC scheme and our partnership in the Yorkshire Energy Park, which are critical components of the UK's transition to net zero. These partnerships not only enhance our market position but also drive forward our long-term growth strategy by expanding our capabilities in owning and managing large-scale energy infrastructure.

KEY STATS

£285m
2024/25 GROUP FORECAST

80%
PROJECTS SECURED

Key collaborations have seen us be successful on the **UK's first Advanced** Zoning Pilot scheme, the SWAN heat network, a £1bn low carbon heating infrastructure project in Westminster

Key collaborations have seen us become successful on the UK's first Advanced Zoning Pilot scheme, the South Westminster Area Network (SWAN) heat network, a £1bn low carbon heating infrastructure project in Westminster, which will be one of the UK's first advanced heat network zones.

Through collaborating with CVC/DIF's UK investment vehicle, Cypress District Energy, we'll deliver this cutting-edge heat network to provide heat to iconic London buildings right in the heart of the capital – part of a growing effort to decarbonise urban heating and transform our energy infrastructure and support the creation of one of the UK's first 'heat network zones'.

Through our growing Independent Connection Provider (ICP) works, we are taking steps to diversify our offering further and become an Independent Distribution Network Operator (IDNO) so we can provide fully integrated decarbonisation solutions that can maximise efficiency whilst creating new and robust infrastructure in our journey to net zero.

Innovation remains a central pillar of our future growth. We are actively involved in pioneering projects that push the boundaries of energy storage, renewable technology, ensuring we remain at the forefront of the energy transition.

We are currently working with Lancaster University to deliver the Lancaster University Net Zero Infrastructure Project (LUNZIP) and associated solar farm. LUNZIP is a sector-leading project, pioneering the use of a two-stage air and water heat pump system, a novel technology that has not been previously deployed in the UK. This has been developed with our in-house specialist heat pump team.

The electrification of the University's campus, alongside the new photovoltaic array and existing wind turbine is an innovative mix of technologies that will set an example across the UK for others to follow in their journey towards net zero. The energy centre will also function as a "living lab", providing a unique environment where students, researchers and industry professionals can collaborate on cutting-edge projects, test innovative technologies and monitor performance in real time.

In other areas, our work on thermal storage solutions, developed in partnership with leading research institutions, exemplifies our commitment to intellectual property development and fostering a culture of innovation within our organisation.

An example of this is our collaboration with University of Birmingham to develop and commercialise a range of innovative thermal storage solutions, which will help accelerate decarbonisation within the heating and cooling sector.

We are installing a low carbon heat pump at our head office in Blackburn. This will be based on a first of a kind unit developed in house which integrates a heat pump with advanced high temperature thermal storage. This project is part funded by DESNZ's Heat Pump Ready programme and will be operational in Q2 next year after which we will be including similar units in suitable projects.

Through these initiatives, we continue to set the pace for the decarbonisation of heat and energy in the UK.

Section 172(1) statement

"Protecting our planet for future generations" underpins every action, interaction, or business decision we take. We are committed to acting in a way that promotes the long-term success of the company for the benefit of all stakeholders, while upholding our core purpose. This statement outlines how we consider the factors set out in Section 172 of the Companies Act 2006 when making decisions.

STAKEHOLDER CONSIDERATIONS

EMPLOYEES:
Our culture is extremely important to us, so we work hard to ensure that all employees feel equally valued as part of a company that embraces diversity and inclusion, which genuinely wants them to thrive. We always value their opinions, inviting frequent employee engagement, whilst offering various benefits to promote well-being.

We also offer extensive training and development opportunities to enhance our inhouse skills, enabling employees to fulfil their career ambitions, progressing within our group, equipping them with the skills needed to succeed in a sustainable energy future.

CUSTOMERS:
We strive to deliver exceptional service, value for money and innovative solutions that meet evolving customer needs and contribute to their sustainability goals. We aim to become a sustainability partner to our customers, acting as their go-to company for end-to-end energy solutions, from generation to consumption.

SUPPLIERS:
We maintain and nurture strong relationships with all suppliers, recognising that our environmental responsibilities start with our supply chain. We therefore actively seek to work with those who share our commitment to sustainable practices and ethical sourcing. We also commit to ensuring fair and timely payment, demonstrated in our Payment Practice Report.

COMMUNITY:
We frequently actively engage with local and wider communities through various initiatives. Our well-established and comprehensive Climate Education programme seeks to enhance both primary and secondary curriculums, educating young people about climate change, carbon reduction strategies and the difference they can make. We also discuss renewable energy careers, growing future talent. Employee volunteering days and other community investments ensure that we 'give back' to communities wherever possible.

INVESTORS:
We provide clear and timely information to ensure alignment with shareholder interests. We are committed to fostering a culture of transparency and open communication, providing regular updates on our performance, strategy and sustainability initiatives. We believe that informed shareholders are empowered shareholders and we are dedicated to building strong, long-term relationships with our investors.

LONG-TERM CONSEQUENCES

As a developer and asset owner of renewable energy generation, storage and infrastructure, all decisions are carefully evaluated against their long-term impact as we aim to establish new ways to achieve the UK's net zero pathway. Long-term consequences are considered in the context of:

SUSTAINABILITY:
We inherently prioritise investments and operations that promote energy efficiency, renewable energy sources, and a reduced carbon footprint.

FINANCIAL STABILITY:
We consistently manage and mitigate against risk effectively to ensure long-term financial viability and liquidity, enabling investment in sustainability initiatives.

INNOVATION:
We continually invest in technology and intellectual property development to offer pioneering solutions that contribute towards a low-carbon future.

MARKET TRENDS:
We stay ahead of the curve by anticipating and adapting to changing market dynamics in the energy sector.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Our commitment to Corporate Social Responsibility is deeply ingrained in our practices. We actively engage with our communities, employees, supply chain, to create lasting benefits.

EDUCATION AND SKILLS DEVELOPMENT:
We inspire future generations through our Climate Education programme, which has reached over 20,000 since its inception and offer apprenticeship schemes and training opportunities at various levels, with a view to recruiting, retaining and nurturing talent.

COMMUNITY INVESTMENT:
We support local and wider communities through initiatives such as sponsoring children's sports teams, supporting a community centre and donating solar panels. For example, a recent project with Islington Council involved over £15,000 in investments.

EMPLOYEE ENGAGEMENT:
We encourage employee-led charitable efforts, such as raising over £45,000 for our various charities and supporting other causes year-round. Employees are given two days per year for volunteering, alongside project-related social value initiatives.

SUSTAINABLE PRACTICES:
We prioritise working with local suppliers and invest in renewable energy solutions to reduce our environmental impact.

CONCLUSION

By integrating responsible business practices with our core business activities, we are well-positioned for **long-term success** while contributing to a more sustainable and equitable future. We believe this approach aligns with the objectives of Section 172(1) and creates lasting value for all stakeholders.

ON BEHALF OF THE BOARD

Mr G J Fielding, Chairman
4 February 2025

The directors present their annual report and financial statements for the year ended 30 June 2024.

Principal activities
The principal activity of the Company is disclosed in the strategic report.

Results and dividends
The results for the year are set out on page 24.

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 A P Malin
Ms C Parker

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.

Research and development
The Company is a leading innovator in efficient energy provision and a catalyst for the development of new and sustainable ways of supplying the heat and power the UK needs while at the same time contributing towards the government's published emission reduction targets and net zero strategy. The Company incurred research and development expenditure of £350,000 (2023: £133,000).

As such the Company is engaged in continuous research and development activities across numerous projects including the design and development of a technologically advanced energy from waste power plant.

Disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement
The Company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

Auditor
The auditor, RSM UK Audit LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Energy and carbon reporting
The Company's ultimate parent undertaking is Vital Holdings Limited and the Company's greenhouse gas emissions, energy consumption and energy efficiency activities are reported in the Group accounts of Vital Holdings Limited.

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.

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.

Financial risk management objective and policies
The Company finances its operations through a mixture of retained profits and where necessary to fund expansion or capital expenditure programmes through bank borrowings.

The management objectives are to:

- Retain sufficient liquid funds to enable it to meet its day to day obligations as they fall due whilst maximising returns on surplus funds;
- Minimise the Company's exposure to fluctuating interest rates when seeking borrowing; and
- Match the repayment schedule of any external borrowings or overdrafts with the expected future cash flows expected to arise from the Company and it's Group's cash flows.

Where appropriate, funds are invested in sterling bank deposit accounts and borrowings are all obtained from standard bank loan accounts. As such, there is little price risk exposure.

Where appropriate, funds are held primarily in short-term variable rate deposit accounts. The directors believe that this gives them flexibility to release cash resources at short notice and also allows them to take advantage of changing conditions in the finance markets as they arise. All deposits are with reputable UK banks and the directors believe their choice of bank minimises any credit risk associated with not placing funds on deposit with a UK clearing bank.

On behalf of the board

....
Mr G J Fielding
Director

04/02/25
Date: ....

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2024

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 2024 which comprise the income statement, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the Company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety. We performed audit procedures to inquire of management and those charged with governance whether the Company is in compliance with these laws and regulations and performed procedures including a review of board minutes and performed a search for notices published by the Health and Safety Executive.

The audit engagement team identified the risk of management override of controls and judgments and estimates made in the valuation, existence and cut off of amounts recoverable on contracts, work in progress and amounts recognised in revenue as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to:

- testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business; and
- challenging judgments and estimates applied in the valuation of amounts recoverable on contracts and amounts recognised in revenue by reviewing contract meeting minutes; reviewing post year end performance; and comparing outturn of projects with estimates made in preparing the previous year's 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: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Oates

Michael Oates CA (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
05/02/25

VITAL ENERGI SOLUTIONS LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2024 £'000	2023 £'000
Turnover	**3**	77,139	79,119
Cost of sales		(67,747)	(69,794)
Gross profit		9,392	9,325
Administrative expenses		(4,743)	(3,802)
Other operating income		223	149
Operating profit	**6**	4,872	5,672
Interest receivable and similar income	**8**	1,034	282
Profit before taxation		5,906	5,954
Tax on profit	**9**	(1,446)	(1,313)
Profit for the financial year		4,460	4,641

Company Registration No. 07828647

VITAL ENERGI SOLUTIONS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Notes	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Fixed assets					
Intangible assets	**10**		234		25
Tangible assets	**11**		509		658
Investments	**12**		-		-
			743		683
Current assets					
Stocks	**14**	1,189		2,971	
Debtors	**15**	32,387		21,032	
Cash at bank and in hand		18,257		23,514	
		51,833		47,517	
Creditors: amounts falling due within one year	**16**	(31,635)		(31,638)	
Net current assets			20,198		15,879
Total assets less current liabilities			20,941		16,562
Provisions for liabilities	**17**		-		(81)
Net assets			20,941		16,481
Capital and reserves					
Called up share capital	**20**		-		-
Profit and loss reserves	**21**		20,941		16,481
Total equity			20,941		16,481

The financial statements were approved by the board of directors and authorised for issue on 04/02/25 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 2024

	Share capital	Profit and loss reserves	Total
	£'000	£'000	£'000
Balance at 1 July 2022	-	11,840	11,840
Year ended 30 June 2023:			
Profit and total comprehensive income for the year	-	4,641	4,641
Balance at 30 June 2023	-	16,481	16,481
Year ended 30 June 2024:			
Profit and total comprehensive income for the year	-	4,460	4,460
Balance at 30 June 2024	-	20,941	20,941

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 Strategic Report.

Accounting convention
These financial statements have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

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

Reduced disclosure framework
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;
- 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.

Going concern
In assessing that the entity is a going concern, the directors have considered financial forecasts for the year ending June 2025 and forecasts for the period ending June 2026. The forecasts indicate a positive view of sales, profitability and cash and are underpinned by a detailed order book summary and prospect list which have allowed the directors to predict the outturn for the year ending 2025 with some accuracy, as the majority of that sales forecast consists of secured orders. The 2026 forecasts have been based on a sales prospect list which extends through to 2029.

The Company operates within the dynamic energy sector, offering a comprehensive range of low-carbon and renewable energy solutions. Our services span design, installation, operation, and asset management, targeting diverse sectors including healthcare, education, and industry. While the energy sector faces challenges such as supply chain disruptions and regulatory changes, the Company's diversified service offering and strong track record in delivering energy performance contracts position it well to navigate these complexities.

The directors have considered these factors in their assessment of the Company's ability to continue as a going concern. They believe that the Company has a strong order book and a strong track record of delivering projects. They are also confident that the government's commitment to decarbonisation will continue to provide the Company with a long-term pipeline of work.

1 Accounting policies (Continued)

Going concern (continued)

Taking into account potential sensitivities, the directors have satisfied themselves that there is sufficient forecast liquidity to meet foreseeable issues in the forecast period to June 2026. The review has also been underpinned by the analysis of the Company's borrowing facilities and the directors are satisfied that appropriate and committed financing arrangements are in place.

The Company itself made a profit before taxation during the year of £5.9m and had net current assets at the year-end of £20.2m.

On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis as the review conducted suggests the business will meet its obligations as they fall due for a period of at least 12 months from the approval of these financial statements.

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.

See Construction contracts accounting policy for details of determination of stage of completion.

For the provision of utilities, where the contract is on a pass through basis only, it has been assessed the Company is the agent for these transactions rather than the principal and therefore the revenue recognised is the value of the commission.

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 stage of completion 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 customer.

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 if all the following criteria are met:

- The technical feasibility;
- Intention to complete the development of the intangible asset;
- Ability to use or sell the intangible asset;
- Demonstrate that the intangible asset will generate probable future economic benefits;
- The availability of resources to complete the development; and
- Ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible fixed assets other than goodwill

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

1 Accounting policies (Continued)

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	10% - 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.

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.

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.

Financial instruments
The company has elected to apply the provisions of Section 11 ‘Basic Financial Instruments’ and Section 12 ‘Other Financial Instruments Issues’ of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Basic financial assets
Basic financial assets, which include trade and other debtors, amounts owed by group undertakings, and cash and bank balances, are initially measured at transaction price.

1 Accounting policies (Continued)

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.

Derecognition of financial assets

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

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, gross amounts owed to contract customers, 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.

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.

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.

1 Accounting policies (Continued)

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 ot 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.

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.

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.

Revenue recognition

The Company reviews the nature of its contracts to assess whether they are acting as a Principal or an Agent in the transaction. Where the Company concludes that they do not bear any price, inventory or credit risk in the transaction, the agreed fixed fees are recognised as Revenue (rather than the gross amounts transacted).

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

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.

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 stage of completion basis 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.

3 Turnover and other revenue

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

	2024 £'000	2023 £'000
Turnover analysed by class of business		
Provision of services	77,139	79,119

	2024 £'000	2023 £'000
Other income		
Interest income	1,034	282
RDEC	223	149

	2024 £'000	2023 £'000
Turnover analysed by geographical market		
United Kingdom	77,139	79,119

4 Employees

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

	2024 Number	2023 Number
Number of direct staff	31	22
Number of indirect staff	32	25
Total	63	47

4 Employees (Continued)

Their aggregate remuneration comprised:

	2024	2023
	£'000	£'000
Wages and salaries	4,859	3,643
Social security costs	592	456
Pension costs	255	194
	5,706	4,293

5 Directors' remuneration

	2024	2023
	£'000	£'000
Remuneration for qualifying services	259	191
Company pension contributions to defined contribution schemes	20	18
	279	209

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2023 - 1).

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

	2024	2023
	£'000	£'000
Remuneration for qualifying services	259	n/a
Company pension contributions to defined contribution schemes	20	n/a

6 Operating profit

	2024	2023
Operating profit for the year is stated after charging:	£'000	£'000
Research and development costs	350	133
Depreciation of owned tangible fixed assets	157	152
Amortisation of intangible assets	9	9
Operating lease charges	222	155
RDEC	(223)	-

7 Auditor's remuneration

Fees payable to the Company's auditor and its associates:	2024 £'000	2023 £'000
For audit services		
Audit of the financial statements of the company	22	16
For other services		
Taxation compliance services	2	2
All other non-audit services	3	3
	5	5

8 Interest receivable and similar income

	2024 £'000	2023 £'000
Interest income		
Interest on bank deposits	799	50
Other interest income	235	232
Total income	1,034	282

Included within other interest income is £235,000 (2023: £232,000) of Group loan interest. Interest is charged at 3.25% per annum.

9 Taxation

	2024 £'000	2023 £'000
Current tax		
UK corporation tax on profits for the current period	1,185	444
Adjustments in respect of prior periods	106	117
Group tax relief	263	683
Total current tax	1,554	1,244
Deferred tax		
Origination and reversal of timing differences	(24)	69
Adjustment in respect of prior periods	(84)	-
Total deferred tax	(108)	69
Total tax charge	1,446	1,313

9 Taxation (Continued)

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

	2024 £'000	2023 £'000
Profit before taxation	5,906	5,954
Expected tax charge based on the standard rate of corporation tax in the UK of 25.00% (2023: 20.50%)	1,477	1,221
Tax effect of expenses that are not deductible in determining taxable profit	3	2
Adjustments in respect of prior years	106	117
Group relief	(263)	(683)
Permanent capital allowances in excess of depreciation	-	(9)
Research and development tax credit	(56)	(30)
Deferred tax adjustments in respect of prior years	(84)	-
Payment for group relief	263	683
Adjust deferred tax to average rate	-	12
Taxation charge for the year	1,446	1,313

The standard rate of tax applied to reported profit on ordinary activities is 25% (2023: 25%). The Finance Act 2021, which was substantively enacted on 24 May 2021, created a 25% main rate, 19% small profits rate and a marginal rate which is effective from 1 April 2023.

10 Intangible fixed assets

	Development costs £'000
Cost	
At 1 July 2023	56
Additions	218
At 30 June 2024	274
Amortisation	
At 1 July 2023	31
Amortisation charged for the year	9
At 30 June 2024	40
Carrying amount	
At 30 June 2024	234
At 30 June 2023	25

The amortisation charge is recognised in administrative expenses.

11 Tangible fixed assets

	Plant and machinery	Fixtures, fittings and equipment	Total
	£'000	**£'000**	**£'000**
Cost			
At 1 July 2023	1,429	39	1,468
Additions	8	-	8
At 30 June 2024	1,437	39	1,476
Depreciation			
At 1 July 2023	782	28	810
Depreciation charged in the year	150	7	157
At 30 June 2024	932	35	967
Carrying amount			
At 30 June 2024	505	4	509
At 30 June 2023	647	11	658

12 Fixed asset investments

		2024	2023
		£'000	**£'000**
Investments in subsidiaries	**13**	-	-

Movements in fixed asset investments

	Shares in group undertakings
	£'000
Cost	
At 1 July 2023 & 30 June 2024	-
Carrying amount	
At 30 June 2024	-
At 30 June 2023	-

13 Subsidiaries

Details of the Company's subsidiaries at 30 June 2024 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held Direct
CEF and NHM ESCo Limited	(i)	Non-trading	Ordinary	100.00
Vital Energi (Bilsthorpe) Limited	(i)	Non-trading	Ordinary	100.00

Registered office addresses (all UK unless otherwise indicated):

(i) Century House, Roman Road, Blackburn, Lancashire, BB1 2LD.

14 Stocks

	2024 £'000	2023 £'000
Work in progress	1,189	2,971

15 Debtors

Amounts falling due within one year:	2024 £'000	2023 £'000
Trade debtors	9,293	13,251
Gross amounts owed by contract customers	7,638	-
Corporation tax recoverable	583	235
Other debtors	1,024	340
Prepayments and accrued income	191	206
	18,729	14,032
Deferred tax asset (note 18)	27	-
	18,756	14,032

Amounts falling due after more than one year:	2024 £'000	2023 £'000
Amounts owed by group undertakings	13,295	7,000
Other debtors	336	-
	13,631	7,000

	2024 £'000	2023 £'000
Total debtors	32,387	21,032

15 Debtors (Continued)

Amounts owed by group undertakings due after more than one year includes £1.3m (2023: £nil) with interest charged at 3.25% per annum, charged monthly. The loan is repayable on 31 December 2030.

Amounts owed by group undertakings due after more than one year includes £12m (2023: £7m) with interest charged at 3.25% per annum, charged monthly. The loans are repayable on 31 December 2026 or such date as may be determined by a resolution of the directors of both parties.

Included within other debtors due in less than one year is an amount of £672,000 (2023: £nil) and after more than one year is an amount of £336,000 (2023: £nil) in relation to a payment on contract.

16 Creditors: amounts falling due within one year

	2024	2023
	£'000	£'000
Trade creditors	2,069	2,761
Gross amounts owed to contract customers	4,755	1,989
Amounts owed to group undertakings	8,839	11,596
Other taxation and social security	1,925	2,646
Accruals and deferred income	14,047	12,646
	31,635	31,638

Amounts owed to group undertakings are repayable on demand. No interest was charged on these amounts.

17 Provisions for liabilities

	Notes	2024	2023
		£'000	£'000
Deferred tax liabilities	18	-	81

18 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	Liabilities	Assets	Assets
	2024	2023	2024	2023
Balances:	£'000	£'000	£'000	£'000
Fixed asset timing differences	-	81	27	-

18 Deferred taxation (Continued)

Movements in the year:	2024 £'000
Liability at 1 July 2023	81
Credit to profit or loss	(108)
Asset at 30 June 2024	(27)

19 Retirement benefit schemes

Defined contribution schemes	2024 £'000	2023 £'000
Charge to profit or loss in respect of defined contribution schemes	255	194

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.

Included within creditors is £nil (2023: £nil) relating to outstanding pension contributions.

20 Share capital

Ordinary share capital	2024 Number	2023 Number	2024 £'000	2023 £'000
Issued and fully paid				
Ordinary shares of £1 each	100	100	-	-

The shares rank pari passu and have full voting rights attached to them.

21 Reserves

Profit and loss reserves
Cumulative profit and loss net of distributions to owners.

22 Financial commitments, guarantees and contingent liabilities

The Company has numerous charges in favour of Aviva Investors Energy Centres No. 1 Limited Partnership. The charges contain fixed charges, floating charges and negative pledges over property or undertaking of the Company.

The Company has three charges dated 3 December 2015, 6 December 2018 and 15 December 2021, in favour of De Lage Landen Leasing Limited. The charges contain a fixed charge, a floating charge and a negative pledge over property or undertaking of the Company.

There is a fixed and floating charge dated 14 March 2023 over all of the property or undertaking of the entity held by Santander UK PLC. The charge also contains a negative pledge. The charge was satisfied in full during the year.

23 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:

	2024	2023
	£'000	£'000
Within one year	177	144
Between one and five years	186	173
	363	317

24 Related party transactions

At 30 June 2024, the company owed £1,041,000 (2023: £358,000) to companies which are not wholly owned by the ultimate controlling party, included in amounts owed to group undertakings. The amounts are interest free and repayable on demand.

25 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 is 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.