

Company Registration No. 01534161 (England and Wales)

Powersystems UK Limited

**Annual report and financial statements
for the year ended 31 December 2021**

Powersystems UK Limited

Company information

Directors Derek Earby (Non executive director)
Stuart Wilsmore (Non executive director)
Christopher Jenkins
Eirwyn Thomas
Rachel Berry

Secretary Eirwyn Thomas

Company number 01534161

Registered office Badminton Road Trading Estate
Badminton Road
Yate
Bristol
BS37 5GG

Independent auditor Saffery Champness LLP
St Catherine's Court
Berkeley Place
Clifton
Bristol
BS8 1BQ

Bankers National Westminster Bank plc
PO Box 1369
16 The Plain
Thornbury
Bristol
BS35 2BF

Solicitors Clarke Willmott
1 Georges Square
Bath Street
Bristol
BS1 6BA

Powersystems UK Limited

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Powersystems UK Limited

Strategic report

For the year ended 31 December 2021

The directors present the strategic report for the year ended 31 December 2021.

Fair review of the business

The company continues to operate successfully, designing and installing high voltage electrical infrastructure and grid connections for industrial customers and power generators. Core markets include Renewable generation schemes (windfarms, solar, hydro and energy from waste), Grid scale support schemes (Generation and Battery), Electric vehicle charging and Industrial projects.

The continuation of the Covid-19 Pandemic through 2021 continued to provide an unprecedented amount of uncertainty to the world economy and all businesses. Powersystems continued to thrive by having robust and industry best practice procedures to mitigate risks to ensure services were delivered at our usual high standards. All areas of the business functioned well ensuring continuity of service to our customers was maintained.

Staff health, safety and welfare remains a key priority given the sectors that we work in. A continued focus on this being "Priority No1" will ensure even safer delivery of our services across all sectors and protection of our work force.

Our continual focus has been the efficient delivery of projects while adhering to quality and safety standards, results are that the company continues to build strong long-term relationships with clients leading to future repeat work opportunities across all sectors.

Financial performance

The financial year ending 31st December 2021 saw a significant increase in company turnover to £47,130,143 (2020: £17,837,704); This was attributable to an increase in the number of renewable generation schemes being built; In particular windfarm construction. Contribution to company profit before taxation was also increased to £3,480,983 (2020: £667,156). Profit and loss reserves have increased to £9,712,329 and with no borrowings, the company remains on a very strong financial footing.

Principal risks and uncertainties

Historically our business has been dependant on the thriving renewable energy generation sector that has been driven by government subsidies. We actively continue to service this sector as generation technologies mature and move towards subsidy free projects. We will closely monitor government policies to ensure that we remain flexible to align our business capability and objectives in line with any future changes in policy. We will also continuously develop alternative business streams other than purely in the renewables sector.

We maintain the close monitoring of our supply chain to ensure that delivery and inflationary rises are mitigated to ensure that delivery and commercial targets are not compromised.

Powersystems UK Limited

Strategic report (continued)

For the year ended 31 December 2021

Future Outlook

The electricity infrastructure within the UK in the coming years is in the process of rapidly changing. This is due to meeting increased demand from Electric vehicles and the ambition of a carbon free energy. This along with increased distributed generation (mainly from subsidy free renewables supported by battery energy storage) should provide great opportunities for Powersystems to continue to succeed and thrive as the high voltage specialist of choice for many well-established customers.

The company is in a very positive position with sales orders secured for 2022 & 2023. We are also involved with numerous projects that would take our workload into 2023 and beyond.

The company remains a recognised leader in the onshore windfarm industry and is the high voltage electrical contractor of choice for many developers. We look to expand on these relationships as we move with our customers into complimentary markets of Battery, Solar, Grid Stabilisation and green Hydrogen projects.

The future is electric at Powersystems as we power the transition to a carbon free future as the high voltage specialists of choice.

On behalf of the board

Christopher Jenkins

Director

23 September 2022

Powersystems UK Limited

Directors' report

For the year ended 31 December 2021

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

Principal activities

The principle activity of the company remains the installation of power distribution systems for generation schemes and industrial clients.

Directors

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

| | |
|---------------------|--------------------------|
| Derek Earby | (Non executive director) |
| Stuart Wilsmore | (Non executive director) |
| Christopher Jenkins | |
| Eirwyn Thomas | |
| Rachel Berry | |

Results and dividends

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

During the year the company paid dividends totalling £nil (2020: £nil).

The directors' report does not include a fair review of the business, details of the risks and uncertainties and future developments, as this information is documented within the Strategic Report as required under s414C(11).

Auditor

Saffery Champness LLP have expressed their willingness to continue in office.

Powersystems UK Limited

Directors' report (continued)
For the year ended 31 December 2021

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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.

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, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Christopher Jenkins
Director

23 September 2022

Powersystems UK Limited

Independent auditor's report

To the members of Powersystems UK Limited

Opinion

We have audited the financial statements of Powersystems UK 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, the statement of cash flows 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 Financial Reporting Standard 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.

Powersystems UK Limited

Independent auditor's report (continued)

To the members of Powersystems UK Limited

Other information

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

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

We have nothing to report in this regard.

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 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, 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.

Powersystems UK Limited

Independent auditor's report (continued)

To the members of Powersystems UK Limited

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.

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

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the company by discussions with directors and by updating our understanding of the sector in which the company operates.

Laws and regulations of direct significance in the context of the company include The Companies Act 2006 and UK Tax legislation.

Audit response to risks identified

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

Powersystems UK Limited

Independent auditor's report (continued)

To the members of Powersystems UK Limited

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Neil Davies (Senior Statutory Auditor)

For and on behalf of Saffery Champness LLP

26 September 2022

Chartered Accountants

Statutory Auditors

St Catherine's Court
Berkeley Place
Clifton
Bristol
BS8 1BQ

Powersystems UK Limited

**Statement of comprehensive income
For the year ended 31 December 2021**

| | | 2021 | 2020 |
|--|--------------|------------------|----------------|
| | Notes | £ | £ |
| Turnover | 3 | 47,130,143 | 17,837,704 |
| Cost of sales | | (38,026,003) | (13,036,985) |
| | | <hr/> | <hr/> |
| Gross profit | | 9,104,140 | 4,800,719 |
| Administrative expenses | | (5,588,580) | (4,092,885) |
| | | <hr/> | <hr/> |
| Operating profit | 4 | 3,515,560 | 707,834 |
| Interest receivable and similar income | 7 | 8,224 | 6,822 |
| Interest payable and similar expenses | 8 | (42,801) | (47,500) |
| | | <hr/> | <hr/> |
| Profit before taxation | | 3,480,983 | 667,156 |
| Tax on profit | 9 | (759,686) | (251,808) |
| | | <hr/> | <hr/> |
| Profit for the financial year | | <u>2,721,297</u> | <u>415,348</u> |

The income statement has been prepared on the basis that all operations are continuing operations.

Powersystems UK Limited

**Statement of financial position
As at 31 December 2021**

| | Notes | £ | 2021 £ | £ | 2020 £ |
|---|-------|---------------------|-------------------|--------------------|------------------|
| Fixed assets | | | | | |
| Tangible assets | 10 | | 3,137,909 | | 2,744,694 |
| Investments | 11 | | 1 | | 1 |
| | | | <u>3,137,910</u> | | <u>2,744,695</u> |
| Current assets | | | | | |
| Stocks | 13 | 6,101,188 | | 2,081,812 | |
| Debtors | 14 | 14,379,764 | | 5,957,540 | |
| Cash at bank and in hand | | 5,077,363 | | 7,432,604 | |
| | | <u>25,558,315</u> | | <u>15,471,956</u> | |
| Creditors: amounts falling due within one year | 15 | <u>(17,055,037)</u> | | <u>(9,363,802)</u> | |
| Net current assets | | | <u>8,503,278</u> | | <u>6,108,154</u> |
| Total assets less current liabilities | | | <u>11,641,188</u> | | <u>8,852,849</u> |
| Provisions for liabilities | | | | | |
| Provisions | 16 | 1,091,910 | | 597,740 | |
| Deferred tax liability | 17 | 317,077 | | 144,205 | |
| | | <u>(1,408,987)</u> | | <u>(741,945)</u> | |
| Net assets | | | <u>10,232,201</u> | | <u>8,110,904</u> |
| Capital and reserves | | | | | |
| Called up share capital | 20 | | 5,000 | | 5,000 |
| Share option reserve | | | 514,872 | | 514,872 |
| Profit and loss reserves | 21 | | 9,712,329 | | 7,591,032 |
| Total equity | | | <u>10,232,201</u> | | <u>8,110,904</u> |

The financial statements were approved by the board of directors and authorised for issue on 23 September 2022 and are signed on its behalf by:

Christopher Jenkins
Director

Company Registration No. 01534161

Powersystems UK Limited

**Statement of changes in equity
For the year ended 31 December 2021**

| | | Share capital | Share option reserve | Profit and loss reserves | Total |
|--|-----------|---------------|-------------------------|-----------------------------|------------|
| | Notes | £ | £ | £ | £ |
| Balance at 1 January 2020 | | 5,000 | - | 7,575,684 | 7,580,684 |
| Year ended 31 December 2020: | | | | | |
| Profit and total comprehensive income for the year | | - | - | 415,348 | 415,348 |
| Gift to Employee Ownership Trust | | - | - | (400,000) | (400,000) |
| Equity settled share based payment movement | 19 | - | 514,872 | - | 514,872 |
| Balance at 31 December 2020 | | 5,000 | 514,872 | 7,591,032 | 8,110,904 |
| Year ended 31 December 2021: | | | | | |
| Profit and total comprehensive income for the year | | - | - | 2,721,297 | 2,721,297 |
| Gift to Employee Ownership Trust | | - | - | (600,000) | (600,000) |
| Balance at 31 December 2021 | | 5,000 | 514,872 | 9,712,329 | 10,232,201 |

Powersystems UK Limited

Statement of cash flows
For the year ended 31 December 2021

| | Notes | £ | 2021 £ | £ | 2020 £ |
|---|-------|-----------|-------------------------|-----------|-------------------------|
| Cash flows from operating activities | | | | | |
| Cash (absorbed by)/generated from operations | 24 | | (834,878) | | 3,972,755 |
| Interest paid | | | (42,801) | | (47,500) |
| Income taxes paid | | | (207,862) | | (161,539) |
| Net cash (outflow)/inflow from operating activities | | | <u>(1,085,541)</u> | | <u>3,763,716</u> |
| Investing activities | | | | | |
| Purchase of tangible fixed assets | | (735,473) | | (257,401) | |
| Proceeds on disposal of tangible fixed assets | | 57,549 | | 35,084 | |
| Interest received | | 8,224 | | 6,822 | |
| Net cash used in investing activities | | | <u>(669,700)</u> | | <u>(215,495)</u> |
| Financing activities | | | | | |
| Gift to Employee Ownership Trust | | (600,000) | | (400,000) | |
| Net cash used in financing activities | | | <u>(600,000)</u> | | <u>(400,000)</u> |
| Net (decrease)/increase in cash and cash equivalents | | | <u>(2,355,241)</u> | | <u>3,148,221</u> |
| Cash and cash equivalents at beginning of year | | | 7,432,604 | | 4,284,383 |
| Cash and cash equivalents at end of year | | | <u><u>5,077,363</u></u> | | <u><u>7,432,604</u></u> |

Powersystems UK Limited

Notes to the financial statements For the year ended 31 December 2021

1 Accounting policies

Company information

Powersystems UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is Badminton Road Trading Estate, Badminton Road, Yate, Bristol, BS37 5GG.

1.1 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.

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 £1.

The financial statements have been prepared under the historical cost convention modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 405 of the Companies Act 2006 not to prepare consolidated accounts, on the basis that the subsidiary undertaking is not material to the group. The financial statements present information about the company as an individual entity and not about its group.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

The turnover shown in the statement of comprehensive income represents the value of goods supplied and services rendered during the year, exclusive of value added tax.

Turnover and related costs on each long term contract are recorded in the profit and loss account as contract activity progresses. Turnover is calculated on the basis of the value of work done, and when a profitable outcome to the contract can be assessed with reasonable certainty, includes attributable profit.

Attributable profit is calculated on a prudent basis for each contract by reference to the contract's cumulative turnover, total contract value and total profit estimated for the completed contract. Contract completion is calculated against the percentage of costs incurred as at the reporting date or where applicable the number of labour hours completed against total expected labour hours. Full provision is made for losses on a contract immediately as they are identified.

1.4 Tangible fixed assets

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

1 Accounting policies (continued)

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

| | |
|--------------------------------|---|
| Land and buildings Freehold | 2% per annum straight line |
| Plant and machinery | 25% per annum reducing balance or 33.3% per annum straight line |
| Fixtures, fittings & equipment | 25% per annum reducing balance |
| Motor vehicles | 25% per annum reducing balance |

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.

1.5 Fixed asset investments

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

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

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

1.7 Stocks

Stocks are valued on an average cost (AVCO) basis at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items.

The cost of work in progress is represented by the excess of costs incurred over costs of sale recognised to date.

1 Accounting policies (continued)

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

1.8 Cash and cash equivalents

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

1.9 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 in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, 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.

1 Accounting policies (continued)

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, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Derecognition of financial liabilities

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

1.10 Equity instruments

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

1.11 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

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, or a right to pay less or to receive more tax.

1 Accounting policies (continued)

1.12 Provisions

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

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

1.13 Employee benefits

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

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

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

The company operates a defined contribution scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the income statement.

1.15 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

Notes to the financial statements (continued)

For the year ended 31 December 2021

2 Critical accounting 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.

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.

Long term contracts

The nature of the primary revenue stream is such that the entity must estimate the performance and outcome of long term contracts in order to record related amounts in line with the applicable accounting standard. The directors employ the use of a detailed budget for each job as well as previous experience. The budget information is reviewed on a monthly basis and adjusted where objective evidence supports a change. Further detail regarding the accounting policy is included in note 1.3.

Provisions

Provisions are recognised on a project by project basis, where Powersystems UK Limited have an obligation for remedial work. Provisions are recognised based on average cost per unit and are revised annually in line with actual spend.

3 Turnover and other revenue

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

| | 2021 | 2020 |
|---|-----------------------------|-----------------------------|
| | £ | £ |
| Turnover analysed by class of business | | |
| Installation turnover | 47,130,143 | 17,837,704 |
| | <u> </u> | <u> </u> |
| | 2021 | 2020 |
| | £ | £ |
| Other revenue | | |
| Interest income | 8,224 | 6,822 |
| | <u> </u> | <u> </u> |

Powersystems UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

4 Operating profit

| | 2021 | 2020 |
|---|-------------------|-------------------|
| | £ | £ |
| Operating profit for the year is stated after charging/(crediting): | | |
| Fees payable to the company's auditor for the audit of the company's financial statements | 20,450 | 18,650 |
| Depreciation of owned tangible fixed assets | 303,127 | 208,189 |
| Profit on disposal of tangible fixed assets | (18,418) | (8,309) |
| Share-based payments | - | 514,872 |
| | <u> </u> | <u> </u> |

5 Directors' remuneration

| | 2021 | 2020 |
|---|-------------------|-------------------|
| | £ | £ |
| Remuneration for qualifying services | 751,711 | 504,425 |
| Company pension contributions to defined contribution schemes | 73,373 | 71,616 |
| | <u> </u> | <u> </u> |
| | <u>825,084</u> | <u>576,041</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2020 - 3).

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

| | 2021 | 2020 |
|---|-------------------|-------------------|
| | £ | £ |
| Remuneration for qualifying services | 380,933 | 219,723 |
| Company pension contributions to defined contribution schemes | 38,000 | 38,000 |
| | <u> </u> | <u> </u> |

Powersystems UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

6 Employees

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

| | 2021 | 2020 |
|----------------------|---------------|---------------|
| | Number | Number |
| Production staff | 45 | 29 |
| Administrative staff | 40 | 35 |
| Directors | 5 | 5 |
| | <hr/> | <hr/> |
| Total | 90 | 69 |
| | <hr/> <hr/> | <hr/> <hr/> |

Their aggregate remuneration comprised:

| | 2021 | 2020 |
|-----------------------|-------------|-------------|
| | £ | £ |
| Wages and salaries | 4,965,554 | 3,434,247 |
| Social security costs | 576,344 | 341,827 |
| Pension costs | 231,581 | 177,948 |
| | <hr/> | <hr/> |
| | 5,773,479 | 3,954,022 |
| | <hr/> <hr/> | <hr/> <hr/> |

7 Interest receivable and similar income

| | 2021 | 2020 |
|---------------------------|-------------|-------------|
| | £ | £ |
| Interest income | | |
| Interest on bank deposits | 8,224 | 6,822 |
| | <hr/> | <hr/> |

Investment income includes the following:

| | | |
|--|-------------|-------------|
| Interest on financial assets not measured at fair value through profit or loss | 8,224 | 6,822 |
| | <hr/> <hr/> | <hr/> <hr/> |

Powersystems UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

| 8 Interest payable and similar expenses | 2021 | 2020 |
|--|----------------|----------------|
| | £ | £ |
| Interest on financial liabilities measured at amortised cost: | | |
| Other interest on financial liabilities | 42,801 | 47,500 |
| | <u>42,801</u> | <u>47,500</u> |
| | | |
| 9 Taxation | 2021 | 2020 |
| | £ | £ |
| Current tax | | |
| UK corporation tax on profits for the current period | 586,814 | 207,862 |
| | <u>586,814</u> | <u>207,862</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 127,334 | 31,640 |
| Changes in tax rates | 45,538 | 12,306 |
| | <u>172,872</u> | <u>43,946</u> |
| Total deferred tax | 172,872 | 43,946 |
| | <u>172,872</u> | <u>43,946</u> |
| | | |
| Total tax charge | 759,686 | 251,808 |
| | <u>759,686</u> | <u>251,808</u> |

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

| | 2021 | 2020 |
|--|------------------|----------------|
| | £ | £ |
| Profit before taxation | 3,480,983 | 667,156 |
| | <u>3,480,983</u> | <u>667,156</u> |
| | | |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%) | 661,387 | 126,760 |
| Tax effect of expenses that are not deductible in determining taxable profit | 1,807 | 102,686 |
| Permanent capital allowances in excess of depreciation | 20,394 | 10,057 |
| Other permanent differences | 76,098 | 12,305 |
| | <u>759,686</u> | <u>251,808</u> |
| Taxation charge for the year | 759,686 | 251,808 |
| | <u>759,686</u> | <u>251,808</u> |

Powersystems UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

10 Tangible fixed assets

| | Land and buildings Freehold | Plant and machinery | Fixtures, fittings & equipment | Motor vehicles | Total |
|------------------------------------|--------------------------------|---------------------|--------------------------------|----------------|-----------|
| | £ | £ | £ | £ | £ |
| At 1 January 2021 | 2,696,250 | 723,473 | 230,038 | 856,800 | 4,506,561 |
| Additions | - | 117,690 | 8,274 | 609,509 | 735,473 |
| Disposals | - | (44,433) | - | (135,548) | (179,981) |
| At 31 December 2021 | 2,696,250 | 796,730 | 238,312 | 1,330,761 | 5,062,053 |
| At 1 January 2021 | 477,779 | 599,998 | 173,556 | 510,534 | 1,761,867 |
| Depreciation charged in the year | 53,926 | 68,093 | 15,507 | 165,601 | 303,127 |
| Eliminated in respect of disposals | - | (43,875) | - | (96,975) | (140,850) |
| At 31 December 2021 | 531,705 | 624,216 | 189,063 | 579,160 | 1,924,144 |
| Carrying amount | | | | | |
| At 31 December 2021 | 2,164,545 | 172,514 | 49,249 | 751,601 | 3,137,909 |
| At 31 December 2020 | 2,218,471 | 123,475 | 56,482 | 346,266 | 2,744,694 |

11 Fixed asset investments

| | Notes | 2021 £ | 2020 £ |
|-----------------------------|-------|-----------|-----------|
| Investments in subsidiaries | 12 | 1 | 1 |

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

| Name of undertaking | Registered office | Class of shares held | % Held | |
|-----------------------------|-------------------|----------------------|--------|----------|
| | | | Direct | Indirect |
| Powersystems UK EOT Limited | England and Wales | Ordinary | 100.00 | - |

Powersystems UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

13 Stocks

| | 2021 | 2020 |
|-------------------------------|------------------|------------------|
| | £ | £ |
| Raw materials and consumables | 266,869 | 258,175 |
| Work in progress | 5,834,319 | 1,823,637 |
| | <u>6,101,188</u> | <u>2,081,812</u> |

14 Debtors

| | 2021 | 2020 |
|---|-------------------|------------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Trade debtors | 8,041,103 | 2,108,942 |
| Gross amounts owed by contract customers | 5,826,614 | 3,698,933 |
| Other debtors | 297,798 | - |
| Prepayments and accrued income | 214,249 | 149,665 |
| | <u>14,379,764</u> | <u>5,957,540</u> |

15 Creditors: amounts falling due within one year

| | 2021 | 2020 |
|------------------------------------|-------------------|------------------|
| Notes | £ | £ |
| Payments received on account | 7,530,010 | 3,055,215 |
| Trade creditors | 4,716,026 | 2,334,165 |
| Amounts due to group undertakings | 1 | 1 |
| Corporation tax | 586,814 | 207,862 |
| Other taxation and social security | 255,200 | 720,786 |
| Other creditors | 2,015,477 | 2,029,559 |
| Accruals and deferred income | 1,951,509 | 1,016,214 |
| | <u>17,055,037</u> | <u>9,363,802</u> |

16 Provisions for liabilities

| | 2021 | 2020 |
|-----------------------------|------------------|----------------|
| | £ | £ |
| Provision against contracts | <u>1,091,910</u> | <u>597,740</u> |

Powersystems UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

16 Provisions for liabilities (continued)

Movements on provisions:

| | Provision against contracts £ |
|-----------------------------------|--|
| At 1 January 2021 | 597,740 |
| Additional provisions in the year | 550,000 |
| Provision utilised | (55,830) |
| At 31 December 2021 | <u>1,091,910</u> |

A provision has been recognised in the year in respect of ongoing revenue contracts. The total provided is £1,091,910 and is a best estimate of the amount required to settle the obligations in full.

17 Deferred taxation

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

| | Liabilities 2021 £ | Liabilities 2020 £ |
|--------------------------------|-----------------------------------|-----------------------------------|
| Balances: | | |
| Accelerated Capital allowances | <u>317,077</u> | <u>144,205</u> |
| | | 2021 £ |
| Movements in the year: | | |
| Liability at 1 January 2021 | | 144,205 |
| Charge to profit or loss | | 172,872 |
| Liability at 31 December 2021 | | <u>317,077</u> |

The deferred tax liability set out above is expected to reverse, but its reversal is uncertain of timing. The balance relates to accelerated capital allowances.

Powersystems UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

18 Retirement benefit schemes

| | 2021 | 2020 |
|---|-------------|-------------|
| Defined contribution schemes | £ | £ |
| Charge to profit or loss in respect of defined contribution schemes | 231,581 | 177,948 |

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

19 Share-based payment transactions

The Directors of the Company participate in the share incentive schemes.

The fair value of the options is calculated based on the Black Scholes valuation model and assumptions as determined by management at the date of grant of the share options.

| | Number of share options | | Weighted average exercise price | |
|---------------------------------|--------------------------------|------------------------|--|-------------------|
| | 2021 Number | 2020 Number | 2021 £ | 2020 £ |
| Outstanding at 1 January 2021 | 141,000 | - | 8.50 | - |
| Granted | - | 141,000 | - | 8.50 |
| Outstanding at 31 December 2021 | 141,000 | 141,000 | 8.50 | 8.50 |
| Exercisable at 31 December 2021 | 141,000 | 141,000 | 8.50 | 8.50 |

The options outstanding at 31 December 2021 had an exercise price of £8.50, and a remaining contractual life of 8.5 years.

The share options granted on 26 June 2020 are exercisable after a vesting period of 3 months. The options are then exercisable by the employee up to 26 June 2030.

Liabilities and expenses

During the year, the company recognised total share-based payment expenses of £nil (2020: £514,872) which relates to a provision for equity settled share based payment transactions.

Powersystems UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

20 Share capital

| | 2021 | 2020 | 2021 | 2020 |
|-------------------------------|---------------|---------------|-------------|-------------|
| Ordinary share capital | Number | Number | £ | £ |
| Issued and fully paid | | | | |
| Ordinary shares of 1p each | 500,000 | 500,000 | 5,000 | 5,000 |

The company has one class of share which has no right to fixed income.

21 Profit and loss reserves

| | 2021 | 2020 |
|----------------------------------|-------------|-------------|
| | £ | £ |
| At the beginning of the year | 7,591,032 | 7,575,684 |
| Profit for the year | 2,721,297 | 415,348 |
| Gift to Employee Ownership Trust | (600,000) | (400,000) |
| At the end of the year | 9,712,329 | 7,591,032 |

22 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

| | 2021 | 2020 |
|------------------------|-------------|-------------|
| | £ | £ |
| Aggregate compensation | 809,478 | 603,668 |

At the year end, the company owed the directors of the company £2,015,477 (2020: £2,029,559). Interest in the year relating to this loan amounted to £42,801 (2021: £47,500). Within the period advances from directors totalled £48,322 (2020: £105,188). The company repaid advances to the directors of £34,241 (2020: £77,737).

Directors received dividends totalling £nil (2020: £nil), in the year.

Transactions with related parties

During the year, the Company made a gift of £600,000 (2020: £400,000) to the Powersystems UK Employee Ownership Trust.

Powersystems UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

23 Ultimate controlling party

There is not considered to be an ultimate controlling party.

24 Cash (absorbed by)/generated from operations

| | 2021 | 2020 |
|--|------------------|------------------|
| | £ | £ |
| Profit for the year after tax | 2,721,297 | 415,348 |
| Adjustments for: | | |
| Taxation charged | 759,686 | 251,808 |
| Finance costs | 42,801 | 47,500 |
| Investment income | (8,224) | (6,822) |
| Gain on disposal of tangible fixed assets | (18,418) | (8,309) |
| Depreciation and impairment of tangible fixed assets | 303,127 | 208,189 |
| Equity settled share based payment expense | - | 514,872 |
| Increase/(decrease) in provisions | 494,170 | (722,953) |
| Movements in working capital: | | |
| Increase in stocks | (4,019,376) | (1,531,666) |
| Increase in debtors | (8,422,224) | (352,424) |
| Increase in creditors | 7,312,283 | 5,157,212 |
| Cash (absorbed by)/generated from operations | (834,878) | 3,972,755 |

25 Analysis of changes in net funds

| | 1 January 2021 | Cash flows | 31 December 2021 |
|--------------------------|-----------------------|-------------------|-------------------------|
| | £ | £ | £ |
| Cash at bank and in hand | 7,432,604 | (2,355,241) | 5,077,363 |

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