

Morrison Data Services Limited

Annual report and financial statements
for the year ended 31 March 2019



Morrison Data Services Limited

Annual report and financial statements for the year ended 31 March 2019

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Morrison Data Services Limited

Company information

Directors	J M Arnold M G Beesley S Best C H Conolly J R Winnicott
Company secretary	I V Cusden
Registered office	Abel Smith House Gunnels Wood Road Stevenage Hertfordshire SG1 2ST
Registered number	03076187
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ
Bankers	National Westminster Bank PLC 1 Princes Street London EC2R 8PA

Morrison Data Services Limited

Strategic report for the year ended 31 March 2019

The directors present their strategic report for the year ended 31 March 2019.

Principal activities

Morrison Data Services ('MDS') is based in Newcastle and operates across the UK as the leading provider of energy data collection and data management for UK energy retailers, predominantly to the gas and electricity utility sectors. Its long term contracts with blue-chip clients provide a high degree of revenue visibility. Its activity is supplemented by the provision of installation and maintenance services for smart energy meters.

Business description

The Company provides the following services:

- Data retrieval and collection services – meter reading, compliance visits and other data collection activity
- Full end to end smart metering and legacy services including procurement of metering assets, installation, remote reading and maintenance
- Data processing services – The largest industry flow provider in the UK managing dataflows that ultimately provide gas and electric suppliers with the ability to bill.

The main market in which the company operates is currently in a period of change driven by the smart metering roll out in the residential sector. Smart metering will eventually reduce the extent of the need for manual meter reading services, but this provides an opportunity to provide installation and maintenance services for the smart meters to be put in place.

Trading performance

Turnover in the year was £110.0m which was an increase of 11.4% when compared to the year ended 31 March 2018 of £98.8m.

EBITDA for the year was £10.8m (2018: £10.5m). The EBITDA margin decreased in the year to 9.8% (2018: 10.6%). This reflects a more challenging year in the Data Collection operations as the business transitions through the evolving market. The roll out of the new operating system for Data Collection will complete during the next financial year deploying latest technology to enhance field capabilities.

Exceptional costs of £1.0m were incurred in the year (2018: £1.2m). For the year to 31 March 2019 these charges principally reflected the costs of a one off increase in bad debt provisions. The Energy retail market in the UK has been subject to legislative changes during 2018 that have created an exceptional set of circumstances that triggered the collapse of 9 energy retailers during the year. The scale of change in the energy retail market in 2018 is unprecedented and has detrimentally impacted the supply chain of the Energy Retail Companies creating bad debt charges and impacting trading. The exceptional costs in the prior period related to the transition of IT systems and infrastructure following the acquisition of the business by M Group Services Limited

The company paid a dividend of £nil during the year (2018: £nil).

Future Developments

The directors are optimistic that future growth is available by continuing to pursue the current strategy.

MDS will continue to seek new opportunities primarily in the utilities market, leveraging the core business competencies around data collection and data management.

In addition to the core offerings around data services, MDS intend to extend its service range to become a leading provider of support services to the residential smart metering market.

Morrison Data Services Limited

Strategic report

for the year ended 31 March 2019 (continued)

Key performance indicators

The company utilises a wide range of operational performance measures across its business activities. However, these are all activity or contract specific. The company's directors do not believe that further key performance indicators, in addition to the financial measures referred to above, are necessary or appropriate for an understanding of the development, performance or position of the business as a whole.

Going concern

Based on the company's financial projections and the current expectations of the directors about the prospects of the company, the financial statements have been prepared on the going concern basis. Based on these projections, the directors consider that the company can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements.

Principal business risks

Economic conditions

Much of the company's activities operate within framework agreements which do not provide guaranteed levels of turnover. Economic conditions impact our clients and our contracts. In addition, our clients rely on borrowing in the financial markets to finance their operations. There is a risk that clients will seek to reduce expenditure or extend payment terms in order to manage their cash resources. We engage in regular dialogue with our clients to continually assess these risks and adjust our resources accordingly.

Contract renewals

The company's long term contracts periodically come up for renewal. There is a risk that the company may not renew its contracts with existing clients during a competitive tender process, impacting on turnover and profitability. Contract renewal risk is mitigated by delivering a quality service, a strong health and safety performance and an effective bid process.

Skills shortages

The company operates in a market where skill shortages prevail and consequently it invests heavily in training and developing employees to their maximum potential. There is a risk that skills shortages may impact on the company's ability to deliver its services. The company has been very successful in recruiting from local communities in which it works in developing and retraining staff. In order to help tackle ongoing skills shortages, the company has been actively involved in apprentice schemes and training the long-term unemployed.

Reliance on supply chain

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

Morrison Data Services Limited

Strategic report for the year ended 31 March 2019 (continued)

Principal business risks (continued)

Health and safety

There is a risk that a significant health and safety failure would impact our ability to conduct our existing business and win new business. Health and safety considerations form a key part of the company's operational practices and the company promotes a culture that puts safety first. The company operates safe and reliable working practices through a policy of honesty, trust and sharing best practices across all business operations.

New Business

The business is targeting growth in adjacent markets using its core skills. There is a risk that the business is not as efficient or as effective as it might be as key relationships with clients and the supply chain is established. This risk is mitigated by regular strategic and operational review of new activities to ensure resources are deployed appropriately.

By order of the board



I V Cusden
Company Secretary
26 June 2019

Registered Number: 03076187

Abel Smith House
Gunnels Wood Road,
Stevenage,
Hertfordshire
SG1 2ST

Morrison Data Services Limited

Directors' report for the year ended 31 March 2019

The directors present their annual report together with the audited financial statements, for the year ended 31 March 2019.

People

Our people are kept informed on matters affecting them and made aware of the general financial and economic factors influencing the Company. The Company operates a systematic approach to communication through regular briefings, presentations, electronic mailings and the wide circulation of magazines, to achieve a common awareness of all employees in relation to the financial and economic factors that affect the performance of the Company. Bonus schemes are in place to encourage participation in the Company's performance.

The Company is an equal opportunities employer and applications from disabled persons are fully and fairly considered, having regard to the aptitudes and abilities of the applicant. In the event of disability, every effort is made to ensure that employment continues and appropriate training is given. Career development and promotion of disabled people is, as far as possible, identical to that of other employees.

Financial risk

Financial risk faced by the company includes credit, interest rate and contractual risk. The company reviews these risks on an ongoing basis.

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligations. The credit risk has heightened in the Energy Retail market in the last 12 months due to changes in legislation which led to an unprecedented number of energy retailers entering administration and a consolidation of the market.

Credit terms are negotiated individually and subsequently monitored closely by the credit control team. The business also regularly reviews publicly available financial information for major customers to ensure there is no significant change in their financial stability.

Environmental matters

The company's business is not one that has a significant direct impact on the environment. However, the company recognises the importance of its responsibilities to reduce environmental impact in such areas as energy usage, recycling, environmentally-friendly products and paper products.

Dividends

The company paid a dividend of £nil (2018: £nil). The directors do not recommend any final dividend payment is made (2018: £nil).

Political donations

The company made no donations to a registered political party during the year (2018: £nil).

Directors

The directors who served during the year and up to the date of signing were as follows:

J M Arnold
M G Beesley
S Best
C H Conolly
J R Winnicott

Morrison Data Services Limited

Directors' report for the year ended 31 March 2019 (continued)

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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.

Morrison Data Services Limited

Directors' report for the year ended 31 March 2019 (continued)

Statement of disclosure of information to auditors

In accordance with section 418 of the Companies Act 2006, each person who is a director at the date of approval of this report confirms that:

- So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board,



I V Cusden
Company Secretary
26 June 2019

Registered Number: 03076187

Abel Smith House
Gunnels Wood Road,
Stevenage
Hertfordshire, SG1 2ST

Morrison Data Services Limited

Independent auditors' report to the members of Morrison Data Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Morrison Data Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2019, the Profit and Loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Morrison Data Services Limited

Independent auditors' report to the members of Morrison Data Services Limited

Reporting on other information (continued)

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Morrison Data Services Limited

Independent auditors' report to the members of Morrison Data Services Limited

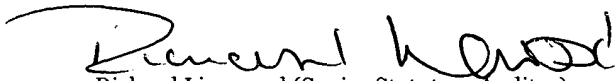
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Richard Lingwood (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne

26 June 2019

Morrison Data Services Limited

Profit and loss account for the year ended 31 March 2019

		Year to 31 March 2019	Year to 31 March 2018
	Note	£'000	£'000
Turnover	5	109,999	98,781
Cost of sales		(91,742)	(80,874)
Gross profit		18,257	17,907
Administrative expenses		(10,972)	(11,443)
EBITDA (excluding exceptional items)		10,820	10,468
Exceptional items	6	(1,043)	(1,176)
Amortisation	6,10	(1,734)	(2,043)
Depreciation	6,11	(758)	(785)
Operating profit	6	7,285	6,464
Interest payable and similar expenses	8	(1,358)	(1,170)
Profit before taxation		5,927	5,294
Tax on profit	9	(1,126)	(597)
Profit for the financial year		4,801	4,697

The accompanying notes on pages 14 to 34 form part of these financial statements.

The above results relate to continuing operations for the financial year.

The Company has no other comprehensive income / expense other than those included in the results above, and therefore no separate statement of comprehensive income has been presented.

Morrison Data Services Limited

Balance sheet as at 31 March 2019

		At 31 March 2019	At 31 March 2018
	Note	£'000	£'000
Fixed assets			
Intangible assets	10	5,150	3,554
Tangible assets	11	1,322	1,486
Investments	12	21,485	21,485
		27,957	26,525
Current assets			
Inventories	13	508	567
Debtors	14	24,026	26,331
Cash at bank and in hand		14,279	4,897
		38,813	31,795
Creditors: amounts falling due within one year	15	(21,630)	(20,064)
Net current assets		17,183	11,731
Total assets less net current liabilities		45,140	38,256
Creditors: amounts falling due after more than one year	16	(23,361)	(21,837)
Provisions for liabilities	18	(3,585)	(3,026)
Net assets		18,194	13,393
Capital and reserves			
Called up share capital	21	100	100
Hedging reserve		-	1
Retained earnings		18,094	13,292
Total equity		18,194	13,393

The notes on pages 14 to 34 are an integral part of these financial statements.

The financial statements on pages 11 to 34 were authorised for issue by the board of directors on June 2019 and were signed on its behalf.



S Best
Managing Director

Morrison Data Services Limited

Registered Number: 03076187



C Conolly
Finance Director

Morrison Data Services Limited

Statement of changes in equity for the year ended 31 March 2019

	Called up share capital	Hedging reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Balance as at 1 April 2017	100	1	8,595	8,696
Profit for the financial year	-	-	4,697	4,697
Total comprehensive income for the period	-	-	4,697	4,697
Balance as at 31 March 2018 / 1 April 2018	100	1	13,292	13,393
Profit for the financial year	-	-	4,801	4,801
Total comprehensive income for the year	-	-	4,801	4,801
Hedging reserve release	-	(1)	1	-
Balance as at 31 March 2019	100	-	18,094	18,194

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019

1 General Information

Morrison Data Services Limited is a private company limited by shares incorporated in England in the United Kingdom. The address of its registered office is Abel Smith House, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2ST.

2 Statement of compliance

The individual financial statements of Morrison Data Services Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

Basis of preparation

The financial statements are prepared on a going concern basis under the historical cost convention with consistently applied accounting standards applicable in the United Kingdom and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Exemptions for qualifying entities under FRS 102

The company has taken advantage of certain disclosure exemptions in FRS 102, in part because the financial statements are included in the consolidated financial statements of Minerva Equity Limited. Copies of the financial statements can be obtained by writing to the Company Secretary, Abel Smith House, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2ST.

These disclosure exemptions relate to:

- The requirement of FRS 102.7 'Statement of Cash Flows';
- Comparative information for the movement from the beginning to the end of the period in respect of intangible assets, property, plant and equipment, and the number of shares;
- Certain disclosures required by FRS 102.11 and FRS 102.12 for financial instruments held at fair value; and
- Certain related party disclosures on key management compensation and transactions entered into between two or more wholly-owned members of a group.

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

3 Summary of significant accounting policies (continued)

Consolidated financial statements

In accordance with Section 400 of the Companies Act 2006, the company has not prepared group financial statements. The results of the company and its subsidiaries are consolidated in the financial statements of Minerva Equity Limited, a company registered in England. A copy of which can be obtained from the company Secretary, Abel Smith House, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2ST

Foreign currencies

Monetary assets and liabilities denoted in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies during the year are translated into local currency at the rate of exchange ruling on the dates on which the transactions occurred. All differences are taken to the profit and loss account.

The company's functional and presentation currency is the pound sterling.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and that these benefits can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable for goods and services provided and net of discounts and value added taxes. Revenue is recognised to reflect the period in which the service is provided.

Exceptional items

Where it is considered that items of income or expense are material and are considered 'one off' or non recurring in nature, their nature and amount is disclosed separately on the face of the profit and loss account where this enhances the understanding of the company's financial performance.

Employee Benefits

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plans

Payments to the defined contribution schemes are charged as an expense as they fall due and represent contributions payable to the schemes for the period. Where the company is a member of a state managed or public sector scheme payments are dealt with as payments to a defined contribution scheme where the company's obligations under the scheme are equivalent to those arising in a defined retirement benefit scheme.

Defined benefit pension plan

With respect to the defined benefit pension schemes, as there is no contractual agreement or stated policy for charging the net defined benefit cost to the company, the pension charge recognised in the income statement represents the contributions payable to the schemes for the year.

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

3 Summary of significant accounting policies (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions.

Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Intangible assets

Acquired intangible assets

Intangible assets on acquisition that are either separable or arising from contractual rights are recognised at fair value at the date of acquisition. Such acquired intangible assets include trademarks, technology, customer contracts and customer relationships. The fair value of acquired intangible assets is determined by reference to market prices of similar assets, where such information is available, or by the use of appropriate valuation techniques, including the royalty relief method and the excess earning method.

Acquired intangible assets are amortised by equal annual instalments over their expected lives. The director's review acquired intangible assets on an ongoing basis and, where appropriate provide for any impairment in value.

The estimated useful lives are as follows:

Customer contracts and customer relationships – up to a maximum of ten years

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

3 Summary of significant accounting policies (continued)

Intangible assets (continued)

Other intangible assets

Capitalised computer software is stated at cost, net of accumulated depreciation and any provision for impairment. Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the depreciable amount of the assets to their residual value over their estimated useful lives up to a maximum of eight years.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Tangible assets

Tangible assets are included at historic purchase cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs directly attributable to bringing the asset into its working condition for its intended use.

Plant and equipment

Vehicles, plant, fixtures, fittings and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation and residual values

Depreciation of assets is calculated at rates expected to write off cost less the estimated residual value of the relevant assets over their estimated economic lives. The expected useful lives of the assets to the business are reassessed periodically in light of experience. The estimated economic lives used are principally as follows:

Short leasehold land and buildings	term of the lease
Plant and equipment	1-10 years

Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss account.

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

3 Summary of significant accounting policies (continued)

Leased assets

At inception the company assesses agreements that transfer the right to use assets to the company. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Finance leased assets

Lease of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as fixed assets at the fair value of the leased asset, or if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight line basis over the period of the lease.

Pre-contract costs and mobilisation costs

Pre-contract costs in respect of major outsourcing contracts, incurred after the point at which the company achieves preferred bidder status (at which point it is considered probable that the contract will be obtained) and before contract mobilisation, are capitalised and expensed over the life of the contract, subject to recoverability criteria. Costs incurred prior to this point are expensed as incurred. Capitalised costs are expensed immediately in the event that preferred bidder status is not followed by the award of the contract, or where these may no longer be expected to be recovered through future profits.

Mobilisation costs are those costs incurred after the signing of a contract with a customer, and prior to the commencement of delivery of the contract. Costs incurred during this stage are generally only capitalised if the criteria to be capitalised as inventories or as property, plant and equipment are met. In all other cases mobilisation costs are expensed as incurred.

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

3 Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of historical cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised. Cost is calculated on a first-in-first-out basis.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Provisions and contingencies

Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised as a finance cost.

Contingencies

Contingent liabilities arising as a result of past events are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, loans from fellow group companies, 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.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an 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 to liability simultaneously.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the entity's accounting policies

There are no specific judgements that have been made that would result in a material change to the statutory financial statements.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Revenue recognition

The company delivers certain long-term outsourcing services which can be complex in nature and may be governed by unique contractual arrangements. In these cases, revenue is recognised in line with the contract at the fair value of the consideration received or receivable. In such contracts, there can be significant judgements and estimates in relation to variations or claims not specified within the original contract, to interpretation of complex contract wording, and in relation to estimates required to determine future costs to complete and expected margins, including the impact of contractual performance conditions which may give rise to penalties.

Provisions

The company exercises judgement in measuring and recognising provisions. Where an obligation is identified, an assessment is made of its value. This value and the underlying assumptions are monitored on an ongoing basis. See note 18 for descriptions of the provisions held at the balance sheet date.

Impairment of intangible assets

The company considers whether intangible assets are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units. This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

5 Turnover

At 31 March 2019 and 31 March 2018, the Company had one class of business. The Company has one class of geographic origin and destination – United Kingdom. The analysis by destination is not materially different to that by geographic origin.

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

6 Operating profit

	Year to 31 March 2019	Year to 31 March 2018
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Wages and salaries	44,524	38,891
Social security costs	4,063	3,427
Other pension costs	1,389	1,016
Staff costs	49,976	43,334
Amortisation expense	960	1,140
Acquisition-related amortisation expense	774	903
Depreciation expense	758	785
Operating lease rentals – property	367	398
Operating lease rentals – other	1	114
- Exceptional costs on business restructure	202	1,176
- Bad debt write off	784	-
- Other	57	-
Exceptional items	1,043	1,176
Services provided by the Company's auditors		
Fees payable to the Company's auditors for the audit of the financial statements	60	56

In accordance with SI 2008/489 the company has not disclosed the fees payable to the company's auditors for 'Other services' as this information is included in the consolidated financial statements of Minerva Equity Limited.

Exceptional items

The primary exceptional cost in the year relates to a one off increase in bad debt provisions (£784k). The energy retail market in the UK has been subject to legislative changes during 2018 that have created an exceptional set of circumstances that triggered the collapse of 9 energy retailers during the year. Morrison Data Services have provided against all outstanding debt for customers who have entered administration during the financial year.

The balance of exceptional costs incurred in the year relates to the completion of IT system infrastructure changes following the acquisition by M Group Services Limited in December 2017.

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

7 Employees and directors

	Year to 31 March 2019	Year to 31 March 2018
	Number	Number
Average monthly number of full time equivalent management and supervisory staff employed (including executive directors)	86	87
Average monthly number of full time equivalent operational staff employed (including executive directors)	2,064	1,869
	2,150	1,956
Directors' remuneration	Year to 31 March 2019	Year to 31 March 2018
	£'000	£'000
Emoluments	403	313
Contributions to money purchase schemes	33	33
	436	346
Highest paid director		
Emoluments	252	191
Contributions to money purchase schemes	20	19
	272	210

The highest paid director did not participate in any company pension arrangement.

In addition to the emoluments above, there were payments to directors of £309,000 (2018: £nil) borne by the group in respect of equity investment, £263,000 (2018: £nil) of which relates to the highest paid director.

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

8 Net interest payable

	Year to 31 March 2019	Year to 31 March 2018
	£'000	£'000
Interest payable and similar expenses		
Interest payable to group undertakings	(1,314)	(1,057)
Finance lease interest and hire purchase contracts	(44)	(113)
Total interest payable and similar expenses	(1,358)	(1,170)

9 Tax on profit

Tax charge included in profit and loss	Year to 31 March 2019	Year to 31 March 2018
	£'000	£'000
Current tax:		
UK Corporation tax on profits for the year	965	889
Adjustments in respect of prior years	(113)	(506)
Total current tax	852	383
Deferred tax:		
Origination and reversal of timing differences	235	174
Impact of change in tax rate	(24)	(18)
Adjustments in respect of prior years	63	58
Total deferred tax	274	214
Tax on profit	1,126	597

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

9 Tax on profit (continued)

Reconciliation of tax charge

The tax assessed for the year is equal to (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	Year to 31 March 2019	Year to 31 March 2018
	£'000	£'000
Profit before taxation	5,927	5,294
Profit before taxation multiplied by the standard UK rate of tax 19% (2018: 19%)	1,126	1,006
Effects of:		
Increase in current tax due to expenses not deductible	339	57
Deferred tax expense following a change in tax rates	(24)	(18)
Decrease in current tax due to income not taxable	(265)	-
Decrease in current tax relating to adjustments in respect of prior periods	(113)	(506)
Deferred tax relating to adjustments in respect of prior periods	63	58
Tax charge for the year	1,126	597

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017, and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

10 Intangible assets

	Purchased contracts	Software	Total
Cost	£'000	£'000	£'000
At 1 April 2018	7,766	5,519	13,285
Additions	1,877	1,453	3,330
At 31 March 2019	9,643	6,972	16,615
Accumulated amortisation			
At 1 April 2018	(6,653)	(3,078)	(9,731)
Charge for the year	(774)	(960)	(1,734)
At 31 March 2019	(7,427)	(4,038)	(11,465)
Net book value at 31 March 2019	2,216	2,934	5,150
Net book value at 31 March 2018	1,113	2,441	3,554

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

11 Tangible assets

	Short leasehold land and buildings	Plant and equipment	Total
Cost	£'000	£'000	£'000
At 1 April 2018	847	4,422	5,269
Additions	-	594	594
At 31 March 2019	847	5,016	5,863
Accumulated depreciation			
At 1 April 2018	(792)	(2,991)	(3,783)
Charge for the year	(55)	(703)	(758)
At 31 March 2019	(847)	(3,694)	(4,541)
Net book value at 31 March 2019	-	1,322	1,322
Net book value at 31 March 2018	55	1,431	1,486

The net book value of the Company's tangible assets held under finance leases at 31 March 2019 was £360,000 (2018: £142,000).

12 Investments

	Shares
Company	£'000
Cost as at 1 April 2018	21,485
Acquisitions	-
Cost as at 31 March 2019	21,485

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

12 Investments (continued)

The Company holds 100% of the share capital of the following company at 31 March 2019:

Company	Registered country	Company's equity shareholding at 31 March 2019	Principal business
Morrison Data Services (Water) Limited (formerly Meter-U Ltd)	England (1)	100%	Meter reading

(1) company's registered office is: Abel Smith House, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2ST

13 Inventories

	At 31 March 2019	At 31 March 2018
	£'000	£'000
Finished goods and goods for resale	508	567

There is no material difference between the balance sheet value of stock and the replacement cost.

14 Debtors

	At 31 March 2019	At 31 March 2018
	£'000	£'000
Trade debtors	11,196	13,982
Amounts owed by group undertakings	6,033	4,922
Deferred tax asset (note 20)	1,239	1,513
Prepayments and accrued income	5,558	5,914
	24,026	26,331

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

15 Creditors: amounts falling due within one year

	At 31 March 2019	At 31 March 2018
	£'000	£'000
Trade creditors	3,804	4,060
Amounts owed to group undertakings	2,591	3,908
Other taxation and social security	3,939	4,352
Corporation tax	963	189
Other creditors	1,026	397
Obligations under finance leases (note 17)	146	142
Accruals and deferred income	9,161	7,016
	21,630	20,064

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

16 Creditors: amounts falling due after more than one year

	At 31 March 2019	At 31 March 2018
	£'000	£'000
Amounts falling due between one and five years		
Amounts owed to group undertakings	23,151	21,837
Obligations under finance leases (note 17)	210	-
	23,361	21,837

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

17 Loans and other borrowings

	At 31 March 2019	At 31 March 2018
	£'000	£'000
Current liabilities	146	142
Non-current liabilities	210	-
Obligations under finance leases	356	142

Finance leases

The future minimum finance lease payments are as follows:

	At 31 March 2019	At 31 March 2018
	£'000	£'000
Within one year	146	142
In two to five years	210	-
Carrying amount of liability	356	142

The finance leases relate to data loggers and hand held devices for meter readings.

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

18 Provisions for liabilities

	Onerous contracts	Dilaps provision	Penalty provision	Vehicle provision	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	80	243	1,996	707	3,026
Additional provisions	-	30	1,021	313	1,364
Provisions used	(80)	(250)	-	(475)	(805)
At 31 March 2019	-	23	3,017	545	3,585

Dilapidation provision

The dilapidation provision relates to potential costs to return the leasehold property, occupied as Morrison Data Services head office, to its original state at the end of the lease. The lease is a ten year lease due to end during 2028.

Penalty provision

The penalty provision relates to a provision for contractual under performance and consecutive read performance targets. The penalty provision is made when a contractual under performance occurs, usually on a monthly or quarterly basis. It is resolved on a regular basis following agreement of the penalty level with the relevant customer.

Vehicle provision

The vehicle provision is a rolling provision which relates to end of contract wear and tear. Invoices for the wear and tear charge will go against this provision.

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

19 Pensions and similar obligations

The company participates in both defined contribution and defined benefit schemes.

The cost of company contributions to defined contribution schemes is recognised in the profit and loss account as incurred.

Historically, when the company was a member of the G4S group, it participated in a group funded defined benefit pension scheme operated by another G4S group company. As no contractual arrangement or policy existed for charging to the company the net defined benefit costs, the cost recognised in the profit and loss account was equal to the company's contribution for the period.

Following the acquisition of the company by M Group Services Limited, separate defined benefit arrangements were established in a separate section of a scheme operated independently by Federated Life.

Upon commencement, a company contribution rate was determined and in the period the amount contributed to the scheme by the company was recognised as a cost in the profit and loss account.

Total pension costs of £1,389,000 have been recognised in the profit and loss account for the period (2018: £1,016,000).

20 Deferred tax asset

Deferred tax assets	At 31 March 2019 £'000	At 31 March 2018 £'000
Brought forward at 1 April 2018 / 1 April 2017	1,513	1,727
Deferred tax charge to profit and loss	(211)	(156)
Adjustment in respect of prior year	(63)	(58)
Deferred tax asset (Note 14)	1,239	1,513

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

21 Called up share capital

	At 31 March 2019	At 31 March 2018
	£'000	£'000
Allotted, called up and fully paid share capital		
Ordinary A shares 49,000 (2018: 49,000) of £1 each	49	49
Ordinary B shares 51,000 (2018: 51,000) of £1 each	51	51
	100	100

There are two classes of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

22 Contingent liabilities

There exists cross guarantees under a group banking arrangement whereby certain group companies have guaranteed the liabilities of other group companies to their clearing banks. Net indebtedness under this arrangement at 31 March 2019 was £nil (2018: £nil).

There are contingent liabilities in respect of performance bonds, guarantees and claims under contracting and other agreements, entered into in the normal course of business.

23 Capital and other commitments

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

	At 31 March 2019	At 31 March 2018
	£'000	£'000
Payments due		
Within one year	36	511
Between one and five years	960	35
	996	546

The company had no other off-balance sheet arrangements.

The amount of non-cancellable operating lease payments recognised as an expense during the year was £368,000 (2018: £512,000).

Morrison Data Services Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

24 Related party transactions

The Company has taken advantage of the exemption under FRS102.33.1A, and has not disclosed transactions with entities that are part of the Minerva Equity Limited group, where 100% of the voting rights of these entities are controlled within the Group. There were no other related party transactions during the year (2018: £nil).

25 Immediate and ultimate parent undertaking and controlling party

At 31 March 2019, the Company's immediate parent undertaking was M Group Services Limited, a company registered in England and Wales.

The ultimate parent undertaking is Minerva Equity Limited, a company registered in England and Wales, whose ultimate controlling party is PAI Partners a private equity firm registered in France.

M Group Services Limited is the parent undertaking of the smallest group to consolidate these financial statements. Minerva Equity Limited is the parent undertaking of the largest group to consolidate these financial statements.

Copies of consolidated financial statements of Minerva Equity Limited and M Group Services Limited can be obtained from the Company Secretary at Abel Smith House, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2ST.