Morrison Energy Services Limited

Annual report and financial statements

for the year ended 31 March 2022

Registered number 12291202

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Morrison Energy Services Limited

Annual report and financial statements for the year ended 31 March 2022

Contents

Morrison Energy Services Limited

Company information

Directors	J M Arnold S Best P V Carolan A R Findlay C Keen A Loosveld D Smith J R A Whitelaw J R Winnicott
Company secretary	I Evans
Registered office	Abel Smith House Gunnels Wood Road Stevenage Hertfordshire SG1 2ST
Registered number	12291202
Independent auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ

Morrison Energy Services Limited

Strategic report
for the year ended 31 March 2022

The directors present their strategic report together with the audited financial statements for the year ended 31 March 2022.

Principal activities

The Company provides essential infrastructure services through multi-year framework agreements to utilities in the electricity, gas and Net Zero sectors in the UK. Its services range from implementing planned capital investment schemes to reactive repair and maintenance.

Review of the business

The Company was incorporated in October 2019 and this is the Company's first period of trading following the transfer of energy-related contracts from Morrison Water Services Limited (formerly Morrison Utility Services Limited) on 1 April 2021.

Relationships with clients for the contracts transferred are maintained by key employees who have also transferred from Morrison Water Services Limited. The Company mobilised and began operational works during the year for Cadent Gas and SGN. The Company also secured new contracts and projects, most notably with Scottish Power Energy Networks, SSE, National Grid and Royal Mail.

In this first year of trading turnover was £121m and as at 31 March 2022 the Company has a strong secured order book.

Future development

The Company made good progress in securing new framework contracts and extending existing contracts. After the year end new contracts were secured with Wales and West Utilities, Northern Gas Networks. As part of the Company's focus to support the move to a Net Zero economy the Company has entered a framework agreement with electric vehicle (EV) charging provider Be.EV to help deliver more than 1,000 chargers and four big charging hubs across the North of England.

Key performance indicators (KPIs)

The Board monitors progress on the overall Company strategy and trading by reference to KPIs, the principle measures being turnover, EBITDA (earnings before interest, tax, depreciation and amortisation), operating profit, order book, cash flow and accident frequency rate. Group performance against these can be found in the consolidated financial statements of M Group Services Limited.

Principal risks and uncertainties

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.

Environment

The Company recognises the importance of its environmental responsibilities and designs and implements policies to monitor and reduce damage caused by the Company's activities.

Credit risk

Credit risk arising from the Company's trade debtors is managed by regular reviews of outstanding trade receivables, setting appropriate credit limits and payment terms and by maintaining a diverse customer base to avoid over-reliance on any one customer.

Principal risks and uncertainties (continued)

Increased costs

The Company may be subject to operating cost increases outside of its control. Fuel prices, in particular, represent a significant expense to the Company. To mitigate the risk, the Company maintains flexible pricing with a number of key customers that would allow it to pass on any significant increases in the sales price.

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.

Business interruption

Extraneous events such as pandemic, significant IT failure or cyber-attack, could result in a significant degree of business interruption. There is a risk that the Company may not be able to adapt to a changed environment and suffers significant and prolonged disruption to its activities. The Company has developed crisis management plans to mitigate the impact of such events.

Competitive risks

In general terms, the UK marketplace continues to show strong demand and no major signs of slowdown in growth in our core market sector. Within the contracting environment, major contract awards remain very competitive and the business continues to experience strong, price led competition. As a point of differentiation, the Company puts considerable emphasis on its technical competencies and quality standards to maintain its position within the market.

Contract renewals

The Company's framework 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 and in developing and retraining staff.

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.

Financial risk

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

Strategic report
for the year ended 31 March 2022 (continued)

Financial risk (continued)

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations. 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.

The Company is exposed to market risk in respect of any changes in interest rates with regard to its cash holdings. Management of cash is supported via the M Group Services Treasury Team as part of the group's overall cash management strategy.

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.

Stakeholders engagement

Effective engagement of stakeholder groups supports the principles of Section 172 of the Companies Act 2006 which sets out that directors should have regard to stakeholder interests when discharging their duty to promote the success of the Company.

Our success depends on forging positive relationships with the people, communities and organisations that have an interest in our business and may be impacted by the decisions we make. We actively engage with our stakeholders to understand their views. The views of our stakeholder's aid in shaping our strategy and business model. We set out below how we engage with our main stakeholders and our impact.

People
We endeavour to listen to our people, to provide feedback and keep them engaged and informed. Successful performance can be delivered through a high level of engagement ensuring our people share the Company's core values and feel supported by our culture. We are committed to creating an environment in which our people feel valued, supported and fulfilled.

It is key that we continue to engage and listen to all feedback to harness the talent that we already have within the Company and also ensure there exists a working environment that allows people to flourish. The People Opinion Survey takes place annually enabling us to address areas for improvement to make the Company a better place to work.

Clients
We understand our clients' needs through focused key account management led by our executive directors and their management teams.

We have long-term relationships with our clients across multiple contracts which date back prior to pre-acquisition and are maintained by key employees who have transferred from Morrison Water Services Limited. We aim to meet the specific needs of each of our clients to deliver best in class solutions.

Suppliers and subcontractors
Dialogue with suppliers and subcontractors is important to mitigate supply chain risk and to ensure we have access to the most cost effective and reliable products and services. We work closely with our supply chain to ensure we can meet our business requirements in a sustainable way.

Our code of conduct sets out clear standards regarding our ways of working with our supply chain. Having key account support and face-to-face meetings helps to build trust and long term relationships which is beneficial to both parties.

Stakeholders engagement (continued)

Communities

We support employment and apprenticeship schemes and collaborate with local schools in order to encourage an interest in STEM (science, technology, engineering and maths) subjects among school students.

The Company is signed up to the Armed Forces Covenant, demonstrating our support for the Armed Forces Community. Our participation demonstrates that we recognise the values serving personnel (including reservists), Veterans and military families can bring to our business. This commitment also encourages us to work with partners such as the Career Transition Partnership (the official Ministry of Defence provider of Armed Forces resettlement support) who provide employment opportunities for those leaving the Services.

Shareholders

The Company is a wholly-owned subsidiary of Minerva Equity Limited, a United Kingdom incorporated company which is owned by management and Blueprint Investments Sarl (Luxembourg). Blueprint Investments Sarl (Luxembourg) is indirectly controlled by PAI Europe VI, a private equity fund which is ultimately controlled by PAI Partners. Monthly reporting of performance is discussed by management and PAI.

PAI aim to increase the profitability and long-term strategic value for the businesses they own in partnership with the management teams. We target long term profitable growth and deliver reliable and stable revenue streams, margins and cash flow.

Lenders

Lenders to the Group provide a significant source of capital to enable the Group to be successful and finance its activities. In this process they participate as investors in and supporters of the Group.

We regularly share financial and operational information with our lenders and the progress against the strategic objectives set by the board.

The strategic report was approved and authorised for issue by the board of directors.

On behalf of the board,

Simo Best

S Best
Director
8 December 2022
Registered Number: 12291202

Abel Smith House
Gunnels Wood Road
Stevenage
Hertfordshire
SG1 2ST

Directors' report for the year ended 31 March 2022

The directors present their Annual report together with the financial statements for the year ended 31 March 2022.

Business review and future developments

In accordance with section 414c (11) of the Companies Act 2006, the Directors have chosen to include the principal activity of the Company; the principal risks and uncertainties; the financial risks; the business review; and future developments in the Strategic Report.

The Company commenced trading on 1 April 2021.

Dividends

No ordinary interim dividends were paid in the year (period ended 31 March 2021: £nil). The directors do not recommend the payment of a final dividend (period ended 31 March 2021: £nil).

Directors

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

J M Arnold	
M G Beesley	(resigned 22 October 2021)
S Best	(appointed 15 September 2022)
P V Carolan	
W J Cooper	(resigned 15 September 2022)
A R Findlay	(appointed 18 August 2021)
A P Gosnold	(resigned 15 September 2022)
C Keen	(appointed 15 September 2022)
S D Kelly	(resigned 15 September 2022)
A Loosveld	(appointed 15 September 2022)
D Smith	(appointed 15 September 2022)
J R A Whitelaw	
J D Wilson	(resigned 15 September 2022)
J R Winnicott	

Third party indemnity

The Company maintains qualifying third party indemnity insurance for all directors as allowed by section 234 of the Companies Act 2006. These insurances were in force throughout the year to 31 March 2022 and up to the date the financial statements were approved.

Going concern

The directors have taken into account uncertainties in preparing financial projections and assessing the future prospects of the Company and the Group, being the ultimate parent company Minerva Equity Limited and its subsidiaries. These included the risk of a significant economic shock impacting the UK essential infrastructure market. However, this is considered a low risk as during the economically challenging period as a result of the COVID-19 pandemic, the Group was able to generate positive operating cash flows demonstrating the Group's ability to withstand significant external economic shocks. They also considered the impact of the high inflationary environment, however this is also considered low risk given the nature of the Group's framework agreements, the majority of which have indexation mechanisms. Cash flow has been and continues to be robust, in line with management's expectations. Demand in our resilient markets remains strong and the Group has significant levels of liquidity available.

Directors' report for the year ended 31 March 2022 (continued)

Going concern (continued)

Accordingly, based on the Group's financial projections and the current expectations of the directors about the prospects of the Group and Company, the financial statements have been prepared on the going concern basis. The Company has net liabilities of £1.9m but has access if needed to funding from its intermediate holding company M Group Services Limited, which has confirmed its intention to support the business for a period of at least twelve months from the date of approval of the financial statements.

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.

Post balance sheet events

Following a strategic review of the legal structure of the Minerva Equity Limited group, on 20 May 2022 100% of the Company's share capital was sold by Morrison Water Services Limited to fellow subsidiary MGS Energy Limited.

Employee engagement

Our statement describing how the Board has had regard to the matters set out in section 172 (1) (a) to (f) of the Companies Act 2006 when performing its duty under section 172 is set out on pages 4 & 5.

Employees are kept informed of matters affecting them. 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 among all employees in relation to the financial and economic factors that affect the performance of the Company. Recognition and reward schemes are in place to encourage participation in the Company's performance, highlight the achievements and successes of our people and to thank them for their hard work and dedication.

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.

Stakeholders engagement – Other stakeholders

Based on our engagement with and feedback from stakeholders, we factor their views into the decision making of the Board. Our statement describing how the Board has had regard to the matters set out in section 172 (1) (a) to (f) of the Companies Act 2006 when performing its duty under section 172 is set out on pages 4 & 5.

Greenhouse gas emissions and energy use

In accordance with the requirements of Streamlined Energy and Carbon Reporting (SECR), the Company's greenhouse gas emissions and energy use data has been disclosed in the consolidated financial statements of parent company M Group Services Limited.

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

Statement of directors' responsibilities (continued)

In preparing the 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 of information to auditor

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

During the year Deloitte LLP were appointed as the Company's auditor and they have also confirmed willingness to remain in office.

The directors' report was approved and authorised for issue by the board of directors.

On behalf of the board,

S Best
Director
8 December 2022
Registered number: 12291202

Abel Smith House
Gunnels Wood Road
Stevenage
Hertfordshire
SG1 2ST

Morrison Energy Services Limited

Independent auditor's report to the members of Morrison Energy Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Morrison Energy Services Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

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).

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives

Independent auditor's report to the members of Morrison Energy Services Limited (continued)

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.

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.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation, pension legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included Bribery Act, Criminal Finances Act, Data Protection Act, Health and Safety Act.

We discussed among the audit engagement team including relevant internal specialists such as tax, pensions and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Independent auditor's report to the members of Morrison Energy Services Limited (continued)

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- The judgements and estimates involved in accounting for different aspects of turnover contracts, as relevant to each part of the business, such as pain/gain mechanisms, foreseeable losses, penalty provisions and provisions for remedial work. The procedures performed to address this risk included:
    - Documenting our understanding of the design of the key controls surrounding turnover recognition in the year;
    - Understanding the basis of turnover recognition for each type of contractual arrangement, including by reference to contractual documentation;
    - Challenging the judgements made on the key contracts;
    - Recalculating the turnover recognised in the year on a substantive sample of contracts;
    - Performing a reconciliation of cash collections to turnover within the financial year; and
    - Testing the cut-off of turnover by ensuring that a sample of costs incurred in the pre- and post- year end period have been correctly allocated in the corresponding period.

- The recoverability and valuation of contract work in progress and amounts receivable on contracts (AROC). The procedures performed to address this risk included:
    - Documenting our understanding of the design of the key controls surrounding AROC valuation and recoverability;
    - Obtaining an understanding from the commercial teams as to the composition of the AROC, and challenging judgements that they have taken in terms of recoverability on a sample of contracts; and
    - Obtaining evidence of post year end cash collection or ongoing negotiations in relation to the recoverability of AROC on a sample of contracts.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Independent auditor's report to the members of Morrison Energy Services Limited (continued)

Report on other legal and regulatory requirements

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 period 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.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.

Tobias Wright, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

8 December 2022

Morrison Energy Services Limited

Statement of comprehensive income for the year ended 31 March 2022

	Notes	Year to 31 March 2022 £'000	Period to 31 March 2021 £'000
Turnover	5	**121,029**	-
Cost of sales		**(119,629)**	-
Gross profit		**1,400**	-
Administrative expenses		**(3,773)**	-
EBITDA		**(2,036)**	-
Depreciation	6,9	**(337)**	-
Operating loss		**(2,373)**	-
Loss before taxation	6	**(2,373)**	-
Tax on loss	8	**450**	-
Loss for the financial year / period		**(1,923)**	-
Other comprehensive income		-	-
Total comprehensive (expense) for the financial year / period		**(1,923)**	-

The accompanying notes on pages 16 to 28 form part of these financial statements.

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

Morrison Energy Services Limited

Balance sheet
as at 31 March 2022

	Note	**At 31 March 2022 £'000**	At 31 March 2021 £'000
Fixed assets			
Tangible assets	9	-	-
		-	-
Current assets			
Debtors	10	**23,659**	-
Cash at bank and in hand		**20,966**	350
		44,625	350
Creditors: amounts falling due within one year	11	**(46,547)**	(350)
Net current liabilities		**(1,922)**	-
Total assets less current liabilities		**(1,922)**	-
Provisions for liabilities	12	**(1)**	-
Net liabilities		**(1,923)**	-
Capital and reserves			
Called up share capital	15	-	-
Profit and loss account		**(1,923)**	-
Total equity		**(1,923)**	-

The notes on pages 16 to 28 are an integral part of these financial statements

The financial statements on pages 13 to 28 were approved and authorised for issue by the board of directors on 8 December 2022 and were signed on its behalf by:

S Best
Director

D Smith
Director

Registered number: 12291202

Morrison Energy Services Limited

Statement of changes in equity for the year ended 31 March 2022

	Called up share capital	Profit and loss account	Total equity
	£'000	£'000	£'000
Balance as at 31 October 2019	-	-	-
Share capital issued	-	-	-
(Loss) and total comprehensive (expense) for the financial period	-	-	-
Balance as at 31 March 2021	-	-	-
(Loss) and total comprehensive (expense) for the financial year	-	(1,923)	(1,923)
Balance as at 31 March 2022	-	**(1,923)**	**(1,923)**

The notes on pages 16 to 28 are an integral part of these financial statements

Morrison Energy Services Limited

Notes to the financial statements for the year ended 31 March 2022

1 General information

The Company is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England. 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 Energy 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.

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.

Basis of accounting

The financial statements are prepared on a going concern basis under the historical cost convention.

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.

Going concern

The directors have taken into account uncertainties in preparing financial projections and assessing the future prospects of the Company and Group, being the ultimate parent company Minerva Equity Limited and its subsidiaries. These included the risk of a significant economic shock impacting the UK essential infrastructure market. However, this is considered a low risk as during the economically challenging period as a result of the COVID-19 pandemic, the Group was able to generate positive operating cash flows demonstrating the Group's ability to withstand significant external economic shocks. They also considered the impact of the high inflationary environment, however this is also considered low risk given the nature of the Group's framework agreements, the majority of which have indexation mechanisms. Cash flow has been and continues to be robust, in line with management's expectations. Demand in our resilient markets remains strong and the Group has significant levels of liquidity available.

Accordingly, based on the Group's financial projections and the current expectations of the directors about the prospects of the Group and Company, the financial statements have been prepared on the going concern basis. The Company has net liabilities of £1.9m but has access if needed to funding from its intermediate holding company M Group Services Limited, which has confirmed its intention to support the business for a period of at least twelve months from the date of approval of the financial statements.

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.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with. The Company is a qualifying entity as its results are consolidated into the financial statements of Minerva Equity Limited which are publicly available.

3 Summary of significant accounting policies (continued)

Exemptions for qualifying entities under FRS 102 (continued)

As a qualifying entity the Company has taken advantage of the following exemptions

- *from preparing a statement of cash flows, as allowed by FRS 102 paragraph 1.12(b)*
- from disclosing a table of financial instruments as allowed by FRS 102 paragraph 1.12(c)
- from disclosing 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 as required by FRS 102 paragraph 33.1A.

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 period 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. Monetary amounts in these financial statements are rounded to the nearest thousand.

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 the rendering of services provided and net of discounts and value added taxes.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Incentive's receivable or payable (e.g. pain/gain mechanisms) should be recognised in revenue if the value can be reliably estimated:

- Pain/gain mechanisms cannot be spread over multiple years if one does not affect the other.
- Gain should only be taken when it is certain.
- Pain should be taken as soon as it is known.

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
The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

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 income 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 period 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.

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.

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 expected useful lives. The expected useful lives of the assets to the business are reassessed periodically in light of experience.

The expected useful lives used are principally as follows:

Fixtures, fittings & equipment	3 - 5 years straight line

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 and loss account.

3 Summary of significant accounting policies (continued)

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 creditors falling due within one year.

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 the profit and loss account.

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 the profit and loss account.

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.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and overdrafts, 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.

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period to which it relates.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors 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 by the Minerva Equity Group. It does not disclose transactions with members of the Minerva Equity Group that are wholly owned.

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. 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. However, there are no critical estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Amounts recoverable on contract provisioning

The Company provides essential infrastructure services through multi-year framework agreements. Consistent with its revenue recognition policy, the Company makes an estimate of the recoverable value and makes a provision for any known or anticipated losses. See note 10 for the net balance of amount recoverable on contracts.

Estimates of accruals for future remedial work

The Company estimates maintenance accruals using its knowledge of likely failure rates. The value is monitored on an ongoing basis.

Revenue recognition

The Company has pain/gain mechanisms built into its revenue contracts as explained in the accounting policies. Whether and at what amount the pain or gain is to be recognised will depend on the expertise within the Company to judge the uncertainties and make the required estimations.

5 Turnover

The Company had one class of business being the provision of essential infrastructure services to utilities in the electricity, gas and Net Zero sectors. All turnover relates to activities in the United Kingdom.

Morrison Energy Services Limited

Notes to the financial statements for the year ended 31 March 2022 (continued)

6 Loss before taxation

	Year to 31 March 2022	Period to 31 March 2021
	£'000	£'000
Loss before taxation is stated after charging:		
Wages and salaries	**44,514**	-
Social security costs	**3,898**	-
Other pension costs	**1,452**	-
Staff costs	**49,864**	-
Depreciation (Note 9)	**337**	-
Operating lease payments	**491**	-
Services provided by the Company's auditor		
Fees payable to the Company's auditor for the audit of the financial statements	**110**	-

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

Notes to the financial statements for the year ended 31 March 2022 (continued)

7 Employees and directors

	Year to 31 March 2022 Number	Period to 31 March 2021 Number
Average monthly number of management and supervisory staff employed (including executive directors)	**616**	-
Average monthly number of operational staff employed (including executive directors)	**273**	-
	889	-

Directors' remuneration	Year to 31 March 2022 £'000	Period to 31 March 2021 £'000
Emoluments	**788**	-
Pension contributions	**141**	-
	929	-
Highest paid director		
Emoluments	**233**	-
Contributions to money purchase schemes	**-**	-
	233	-

Retirement benefits are accruing to 4 directors (2021: none) under a defined contribution pension scheme.

Certain directors are remunerated by other group companies. No recharges are made to the Company in respect of their services.

Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	Year to 31 March 2022 £'000	Period to 31 March 2021 £'000
Aggregate emoluments	**905**	-
Pension contributions	**159**	-
	1,064	-

8 Tax on loss

Tax credit included in profit or loss	**Year to 31 March 2022**	Period to 31 March 2021
	£'000	£'000
Current tax:		
UK Corporation tax on loss for the year / period	**388**	-
Total current tax credit	**388**	-
Deferred tax:		
Origination and reversal of timing differences	**62**	-
Total deferred tax credit	**62**	-
Tax on loss	**450**	-

Reconciliation of tax charge

The tax assessed for the year is the same as (period ended 31 March 2021: the same as) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	Year to 31 March 2022	**Period to 31 March 2021**
	£'000	£'000
Loss before taxation	**(2,373)**	-
Loss before taxation multiplied by the standard UK rate of tax 19% (2021: 19%)	**(450)**	-
Effects of:		
Adjustments in respect of prior years	**-**	-
Total tax credit for the year / period	**(450)**	-

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Notes to the financial statements for the year ended 31 March 2022 (continued)

9 Tangible assets

	Fixtures, fittings & equipment
Cost	**£'000**
At 1 April 2021	**-**
Transfers	337
At 31 March 2022	**337**
At 1 April 2021	**-**
Charge for the year	(337)
At 31 March 2022	**(337)**
Net book value at 31 March 2022	**-**
Net book value at 31 March 2021	-

Transfers relate to the net book value of fixed assets transferred from Morrison Water Services Limited to the Company as part of the transfer of energy related contracts on 1 April 2021.

10 Debtors

	At 31 March 2022	At 31 March 2021
Amounts falling due within one year	**£'000**	£'000
Trade debtors	**13,301**	-
Amounts recoverable on contracts	**8,121**	-
Corporation tax	**388**	-
Amounts owed by group undertakings	**605**	-
Other debtors	**108**	-
Prepayments and accrued income	**1,136**	-
	23,659	-

Amounts owed by group undertakings are unsecured, interest-free and are repayable on demand.

11 Creditors: amounts falling due within one year

	At 31 March 2022	At 31 March 2021
	£'000	£'000
Trade creditors	**5,710**	-
Amounts owed to group undertakings	**19,635**	350
Other taxation and social security	**1,439**	-
Other creditors	**6,484**	-
Accruals and deferred income	**13,279**	-
	46,547	350

Amounts owed to group undertakings are unsecured, interest-free and are repayable on demand.

12 Provisions for liabilities

	Deferred tax
	£'000
At 01 April 2021	-
Origination and reversal of timing differences from acquisition of business	63
Credit for the year	(62)
At 31 March 2022	**1**

13 Deferred tax

The provision for deferred tax consists of the following deferred tax liability:

	At 31 March 2022
	£'000
Fixed asset timing differences	**1**

The amount of deferred tax expected to be reversed in the next 12 months is £nil (2021: £nil).

14 Pensions and similar obligations

The amount recognised as an expense for the defined contribution scheme was:

	Year to 31 March 2022	Period to 31 March 2021
	£'000	£'000
Current year contributions	**1,452**	-

Contributions amounting to £371,000 were outstanding at the year-end (2021: £nil).

15 Called up share capital

	At 31 March 2022	At 31 March 2021
	£'000	£'000
Allotted and fully paid share capital		
1 (2021: 1) ordinary shares of £1 each	**-**	-

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

16 Contingent liabilities

There exist 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 2022 was £nil (2021: £nil). Group bank debt is disclosed in the accounts of Minerva Equity Limited.

17 Capital and other commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	At 31 March 2022	At 31 March 2021
Payments due	**£'000**	£'000
Within one year	**378**	-
Between one and five years	**358**	-
	736	-

Notes to the financial statements for the year ended 31 March 2022 (continued)

18 Related party transactions

The Company has taken advantage of the exemption under FRS 102.33.1A, and has not disclosed transactions with entities that are part of the M Group Services 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.

19 Controlling parties

At 31 March 2022, the Company's immediate parent undertaking was Morrison Water Services Limited (formerly Morrison Utility 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 M Group Services Limited and Minerva Equity Limited consolidated financial statements can be obtained from the Company Secretary at Abel Smith House, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2ST.

20 Post balance sheet events

Following a strategic review of the legal structure of the Minerva Equity Limited group, on 20 May 2022 100% of the Company's share capital was sold by Morrison Water Services Limited to fellow subsidiary MGS Energy Limited.