

Morrison Energy Services (Transmission Networks) Limited  
(formerly Babcock Networks Limited)

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

Registered number 00245626



**Morrison Energy Services (Transmission Networks) Limited**  
**(formerly Babcock Networks Limited)**

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

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# **Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited)**

## **Company information**

<b>Directors</b>	S Best A R Findlay C Keen A Loosveld D G Maddocks D Smith J R Winnicott
<b>Company secretary</b>	I Evans
<b>Registered office</b>	Abel Smith House Gunnels Wood Road Stevenage Hertfordshire SG1 2ST
<b>Registered number</b>	00245626
<b>Independent auditor</b>	Deloitte LLP 1 New Street Square London EC4A 3HQ

# **Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks 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 principal activity of the Company is in the overhead lines sector. It provides services in industries which includes power transmission and broadcast.

The Company build, maintain and upgrade critical overhead power line infrastructure up to 400kV for national clients; National Grid, Scottish Power and Western Power Distribution, delivering a full turnkey overhead line service from design and project management through to delivery.

We are a trusted long-term partner to the UK's largest Transmission Network Operators whilst also supporting the Distribution Network Operator market.

On 23 December 2021, MGS Energy Limited acquired 100% of the share capital of the Company, with a name change from Babcock Networks Limited to Morrison Energy Services (Transmission Networks) Limited on the same date.

Following the change in ownership in order to report under the same reporting framework as the rest of the Group (being the ultimate parent company Minerva Equity Limited and subsidiaries), the Company elected to transition from reporting under Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") to reporting under Financial Reporting Standard 102, "The Financial Reporting Standard applicable to the United Kingdom and the Republic of Ireland" ("FRS102").

### **Review of the business and future developments**

The turnover for the year ended 31 March 2022 was £81.8m (2021: £70.0m) an increase of £11.8m or 16.9%. This improvement was purely a result of contract timings with additional work for National Grid, Scottish Power and Western Power Distribution falling into this financial year.

The net assets as at 31 March 2022 were £7.0m (2021: £34.6m) but with the settlement of a Babcock group debtor balance of £55m as part of the acquisition process.

Tenders won for the business mean a substantially full order book for the coming year, with the focus already on the pipeline for FY24 and beyond.

Longer term the business is well placed to benefit from the significant opportunity that could materialise as the government target to generate 50GW of power from offshore wind turbines by 2030 which will require connection into the National Grid.

### **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. These are set out in the annual report and 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.

# **Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited)**

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

### **Principal risks and uncertainties (continued)**

#### *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.

#### *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.

### **Financial risks**

#### *Credit risk*

Details of the Company's debtors are shown in note 14 to the financial statements. The Company limits individual trade debtor exposures and these limits are reviewed on a continual basis. The Company also insures against certain credit risks.

#### *Liquidity risk*

The Company aims to mitigate liquidity risk by managing cash generation and utilisation by its operations and applying best practice within the credit control function. The Company is focused on reducing debtor days and also the timeliness of billing customers, although our core market section (construction/contracting) typically experiences long payments terms that impact our ability to reduce overall debtor days. The Company also manages liquidity risk via agreed credit facilities that the directors review for sufficiency on a periodic basis.

# **Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited)**

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

### **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. 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.

#### *Communities*

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.

**Morrison Energy Services (Transmission Networks) Limited  
(formerly Babcock Networks Limited)**

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

**Stakeholders engagement (continued)**

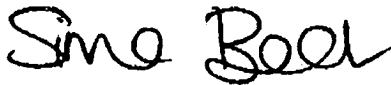
*Shareholders*

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.

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

On behalf of the board,



S Best  
Director  
27 February 2023  
Registered Number: 00245626

Abel Smith House  
Gunnels Wood Road  
Stevenage  
Hertfordshire  
SG1 2ST

# **Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited)**

## **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.

### **Dividends**

Interim dividends declared in the year amounted to £31,849,000 (2021: £nil). The directors do not recommend the payment of a final dividend (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	(appointed 23 December 2021, resigned 1 January 2023)
S Best	(appointed 23 December 2021)
J R Davies	(resigned 28 June 2021)
A R Findlay	(appointed 23 December 2021)
M Hayward	(resigned 23 December 2021)
C Keen	(appointed 15 September 2022)
A Loosveld	(appointed 15 September 2022)
D G Maddocks	
D Smith	(appointed 23 December 2021)
R H Taylor	(resigned 31 October 2021)
I S Urquhart	(resigned 23 December 2021)
J R Winnicott	(appointed 23 December 2021)

### **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. 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 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.



# **Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited)**

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

### **Going concern (continued)**

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.

### **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 to 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. In preparing these financial statements, the directors are required to:

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

**Morrison Energy Services (Transmission Networks) Limited  
(formerly Babcock Networks Limited)**

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

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:

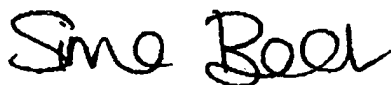
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's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

**Auditor**

During the year Deloitte LLP were appointed as the Company 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**  
27 February 2023

Registered number: 00245626

Abel Smith House  
Gunnels Wood Road  
Stevenage  
Hertfordshire  
SG1 2ST

# **Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited)**

## **Independent auditor's report to the members of Morrison Energy Services (Transmission Networks) Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks 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 profit 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 24.

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.

## **Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited)**

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

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

We have nothing to report in this regard.

#### **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](http://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 and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's business sector.

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, pensions legislation, tax 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 the Bribery Act, Criminal Finances Act, Data Protection Act, Health and Safety Act.

## **Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited)**

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

We discussed among the audit engagement team including relevant internal specialists such as tax 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.

As a result of performing the above, we identified the greatest potential for fraud in the estimation of revenue for long term contracts based on the projects' stage of completion which requires judgement and estimation of cost to complete the projects, and our procedures performed to address it are described below:

- Documenting our understanding of the design and implementation 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;
- Testing of actual costs incurred till date on a sample basis;
- Challenging the judgements made on the key contracts for stage of completion and for estimated future costs;
- Verification of project cost variations on a sample basis;
- Recalculating the turnover recognised in the year on a sample of contracts; and
- Analysis of the latest contract position to determine if any subsequent changes in the contract estimation requires an adjustment in the turnover recognised at the year end.

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.

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

**Morrison Energy Services (Transmission Networks) Limited  
(formerly Babcock Networks Limited)**

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

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**

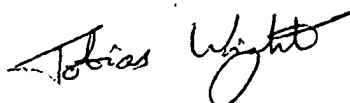
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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

27 February 2023

**Morrison Energy Services (Transmission Networks) Limited**  
**(formerly Babcock Networks Limited)**

**Statement of comprehensive income**  
**for the year ended 31 March 2022**

	Notes	Year to 31 March 2022 £'000	Restated Year to 31 March 2021 £'000
Turnover	5	81,769	69,975
Cost of sales		(72,278)	(60,139)
<b>Gross profit</b>		<b>9,491</b>	<b>9,836</b>
Administrative expenses		(4,258)	(4,436)
EBITDA		6,404	6,658
Exceptional items	6	(178)	-
Depreciation	6,12	(993)	(1,258)
<b>Operating profit</b>		<b>5,233</b>	<b>5,400</b>
Interest payable and similar expenses	8	(166)	(306)
<b>Profit before taxation</b>	6	<b>5,067</b>	<b>5,094</b>
Tax on profit	9	(748)	(1,216)
<b>Profit for the financial year</b>		<b>4,319</b>	<b>3,878</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the financial year</b>		<b>4,319</b>	<b>3,878</b>

The accompanying notes on pages 16 to 35 form part of these financial statements.

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

**Morrison Energy Services (Transmission Networks) Limited**  
**(formerly Babcock Networks Limited)**

**Balance sheet**  
**as at 31 March 2022**

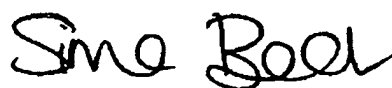
	Note	At 31 March 2022 £'000	Restated At 31 March 2021 £'000
<b>Fixed assets</b>			
Intangible assets	11	-	-
Tangible assets	12	5,472	4,766
Debtors: amounts falling due after more than one year	14	1,340	2,228
		<b>6,812</b>	<b>6,994</b>
<b>Current assets</b>			
Stocks	13	37	79
Debtors	14	17,927	65,150
Cash at bank and in hand		3,655	3,826
		<b>21,619</b>	<b>69,055</b>
Creditors: amounts falling due within one year	15	(20,258)	(38,182)
<b>Net current assets</b>		<b>1,361</b>	<b>30,873</b>
<b>Total assets less current liabilities</b>		<b>8,173</b>	<b>37,867</b>
Provisions for liabilities	16	(1,129)	(3,293)
<b>Net assets</b>		<b>7,044</b>	<b>34,574</b>
<b>Capital and reserves</b>			
Called up share capital	18	2,519	2,519
Share premium account	18	1,269	1,269
Other reserves	18	1,342	1,342
Profit and loss account		1,914	29,444
<b>Total equity</b>		<b>7,044</b>	<b>34,574</b>

The notes on pages 16 to 35 are an integral part of these financial statements

The financial statements on pages 13 to 35 were approved and authorised for issue by the board of directors on 27 February 2023 and signed on its behalf by:

S Best  
Director

Registered number: 00245626



D Smith  
Director





**Morrison Energy Services (Transmission Networks) Limited**  
**(formerly Babcock Networks Limited)**

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

	Called up share capital £'000	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total equity £'000
<b>Balance as at 31 March 2020 as originally presented</b>	<b>2,519</b>	<b>1,269</b>	<b>1,342</b>	<b>25,464</b>	<b>30,594</b>
Prior year restatement (note 23)	-	-	-	102	102
<b>Restated balance as at 31 March 2020</b>	<b>2,519</b>	<b>1,269</b>	<b>1,342</b>	<b>25,566</b>	<b>30,696</b>
Restated profit and total comprehensive income for the financial year	-	-	-	3,878	3,878
<b>Restated balance as at 31 March 2021</b>	<b>2,519</b>	<b>1,269</b>	<b>1,342</b>	<b>29,444</b>	<b>34,574</b>
Profit and total comprehensive income for the financial year	-	-	-	4,319	4,319
Dividends paid	-	-	-	(31,849)	(31,849)
<b>Balance as at 31 March 2022</b>	<b>2,519</b>	<b>1,269</b>	<b>1,342</b>	<b>1,914</b>	<b>7,044</b>

The notes on pages 16 to 35 form part of these financial statements.

# **Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited)**

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

### **1 General information**

Morrison Energy Services (Transmission Networks) Limited 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 (Transmission Networks) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable to 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 the current year and prior year presented. The Company has adopted FRS 102 in these financial statements.

#### **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 the Group. 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 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.

# **Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited)**

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

### **3 Summary of significant accounting policies (continued)**

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.

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.
- from disclosing key management personnel compensation, as required by FRS 102 paragraph 33.7.

#### **Exceptional items**

Where it is considered that items of income or expense are material and are considered 'one off' or because they are material and of a scale such that separate presentation is helpful for the reader of the financial statements to understand the financial performance of the entity, 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.

#### **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 the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### **a) Sale of goods**

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured and recovery of consideration is considered probable.

##### **b) Sale of services**

Revenue from services rendered is recognised by reference to the stage of completion of the transaction. The provision of services over a long-term period are accounted for under the principles of construction contracts, and the revenue recognised as set out below. In a limited number of contracts where performance and revenue are measured annually the revenue and costs are similarly recognised over the course of the year.

##### **c) Long-term service contracts**

Revenue from long-term service contracts is recognised by reference to the stage of completion of the contract. The stage of completion is determined according to the nature of the specific contracts.

# **Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited)**

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

### **3 Summary of significant accounting policies (continued)**

#### **Revenue recognition (continued)**

Methods used to assess the stage of completion include incurred costs as a proportion of total costs; labour hours incurred or earned value of work performed.

The profit element of the revenue attributable to a contract is recognised if the final outcome can be reliably assessed. In order to assess the likely outcome of a contract a full estimated cost of completion is produced which will assess risks and opportunities including cost rates, time, volume and performance for the contract and apply a probability to these being released. As time elapses, these risks and opportunities will become more predictable. Risks and opportunities will vary dependent on the terms of each contract and the commercial environment of each market. Where certain contracts have pain/gain share arrangements, whereby target costs under/over spends are shared with the customer, these sharing arrangements are included in assessing the overall contract outturn and the expected profit.

Any expected loss on a contract is recognised immediately in the income statement.

#### **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.

#### **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.

# **Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited)**

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

### **3 Summary of significant accounting policies (continued)**

#### **Taxation (continued)**

##### *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**

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the amortisable amount of the assets less their estimated residual value over their expected useful lives, as follows:

Software	- 3 to 5 years
----------	----------------

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

##### **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:

Land and buildings leasehold	over the period of the lease
Plant and machinery	3 - 20 years straight line

# **Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited)**

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

### **3 Summary of significant accounting policies (continued)**

#### **Tangible assets (continued)**

##### *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.

##### *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.

#### **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.

A dilapidations provision is recognised for the costs of restoring properties to their original state at the completion of the lease term.

##### *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.

# **Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited)**

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

### **3 Summary of significant accounting policies (continued)**

#### **Financial instruments (continued)**

##### *Financial assets (continued)*

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.

##### *Financial liabilities*

Basic financial liabilities, including trade and other payables, 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 payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables 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.

# **Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited)**

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

### **3 Summary of significant accounting policies (continued)**

#### **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.

#### **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:

##### ***Amounts recoverable on contracts***

The Company has long term contracts where revenue and expenses are incurred over multiple financial periods. This requires estimates of revenue and expenses over multiple periods, considering various elements such as the frequency and extent of the number of employees, materials and other resources required to fulfil the contract terms, billing rates and cost changes. Revisions that affect a contract's total estimated profitability results in an adjustment of earnings and amounts recoverable on contracts. Where necessary, provisions are established for any probable future losses.



**Morrison Energy Services (Transmission Networks) Limited**  
**(formerly Babcock Networks Limited)**

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

**5 Turnover**

The Company had one class of business being the provision of infrastructure services for the overhead lines sector. All turnover relates to activities in the United Kingdom.

**6 Profit before taxation**

	<b>Year to 31 March 2022 £'000</b>	<i>Restated</i> <b>Year to 31 March 2021 £'000</b>
Profit before taxation is stated after charging:		
Wages and salaries	<b>19,081</b>	15,987
Social security costs	<b>2,033</b>	1,906
Other pension costs	<b>832</b>	725
<b>Staff costs</b>	<b>21,946</b>	18,618
Depreciation	<b>993</b>	1,258
Loss on sale of tangible fixed assets	<b>34</b>	405
Operating lease rentals	<b>2,084</b>	2,197
Exceptional items	<b>178</b>	-
<b>Services provided by the Company's auditor</b>		
Fees payable to the Company's auditor for the audit of the financial statements	<b>82</b>	24

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.

Exceptional items of £178,000 (2021: £nil) relate to a write off of an insurance prepayment at completion of the sale of the Company as it held no value.

**Morrison Energy Services (Transmission Networks) Limited**  
**(formerly Babcock Networks Limited)**

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

**7 Employees and directors**

	Year to 31 March 2022 Number	Year to 31 March 2021 Number
Average monthly number of management and supervisory staff employed (including executive directors)	32	29
Average monthly number of operational staff employed (including executive directors)	304	310
	336	339

Directors' remuneration	Year to 31 March 2022 £'000	Year to 31 March 2021 £'000
Emoluments	124	-
Pension contributions	33	-
	157	-

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

On 23 December 2021, the Company was purchased by MGS Energy Limited. Up to the date of purchase, all directors were remunerated by other Babcock Group companies, which is consistent with 2021. It was not possible to make an accurate apportionment of these directors' emoluments relating to services provided to the Company and as such no disclosure of emoluments received by these directors was made in those financial statements. No recharge was made for costs borne by the Company in relation to services performed by the directors in relation to other Babcock Group companies.

From 23 December 2021, certain directors are remunerated by another group company for services to the group as a whole and it is not practicable to apportion their costs between companies.

**Morrison Energy Services (Transmission Networks) Limited**  
**(formerly Babcock Networks Limited)**

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

**8 Interest payable and similar expenses**

	Year to 31 March 2022 £'000	<i>Restated</i> Year to 31 March 2021 £'000
<b>Interest payable and similar expenses</b>		
Loan interest payable to group undertakings	98	154
Bank interest	9	4
Provision interest unwind	59	148
<b>Total interest payable and similar expenses</b>	<b>166</b>	<b>306</b>

Loan interest payable to group undertakings disclosed for the year to 31 March 2021 relates to interest payable to Babcock Group companies.

**9 Tax on profit**

Tax charge included in statement of comprehensive income	Year to 31 March 2022 £'000	Year to 31 March 2021 £'000
Current tax:		
UK Corporation tax on profit for the year	927	1,390
<b>Total current tax charge</b>	<b>927</b>	<b>1,390</b>
Deferred tax:		
Origination and reversal of timing differences	49	(70)
Adjustments in respect of previous periods	(149)	(104)
Effect of changes in tax rates	(79)	-
<b>Total deferred tax (credit)</b>	<b>(179)</b>	<b>(174)</b>
<b>Tax on profit</b>	<b>748</b>	<b>1,216</b>

**Morrison Energy Services (Transmission Networks) Limited**  
**(formerly Babcock Networks Limited)**

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

**9 Tax on profit (continued)**

**Reconciliation of tax charge**

The tax assessed for the year is lower than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	Year to 31 March 2022 £'000	Year to 31 March 2021 £'000
Profit before taxation	5,067	5,094
Profit before taxation multiplied by the standard UK rate of tax 19% (2021: 19%)	963	968
Effects of:		
Items not deductible for tax purposes	13	352
Effect of changes in tax rates	(79)	-
Adjustments in respect of prior years	(149)	(104)
<b>Total tax charge for the year</b>	<b>748</b>	<b>1,216</b>

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.

**10 Dividends**

	Year to 31 March 2022 £'000	Year to 31 March 2021 £'000
Dividends declared on equity capital of £3.16 (2022: £nil) per ordinary share	31,849	-

An interim dividend was declared to Babcock Support Services (Investments) Limited, settled against outstanding amounts owed by group undertakings before the Company's share capital was acquired by MGS Energy Limited.

**Morrison Energy Services (Transmission Networks) Limited**  
**(formerly Babcock Networks Limited)**

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

**11 Intangible assets**

	<b>Software</b>
	<b>£'000</b>
Cost at 1 April 2021	509
Additions	-
<b>Cost at 31 March 2022</b>	<b>509</b>
Accumulated amortisation and impairment at 1 April 2021	(509)
Charge for the year	-
<b>Accumulated amortisation and impairment at 31 March 2022</b>	<b>(509)</b>
<b>Net book value at 31 March 2022</b>	<b>-</b>
Net book value at 31 March 2021	-

**Morrison Energy Services (Transmission Networks) Limited  
(formerly Babcock Networks Limited)**

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

**12 Tangible assets**

	<b>Land and buildings leasehold</b>	<b>Plant and machinery</b>	<b>Total</b>
<b>Cost</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 April 2021</b>	<b>916</b>	<b>17,914</b>	<b>18,830</b>
Additions	-	1,733	1,733
Disposals	(64)	(269)	(333)
<b>At 31 March 2022</b>	<b>852</b>	<b>19,378</b>	<b>20,230</b>
<b>Accumulated depreciation</b>			
<b>At 1 April 2021</b>	<b>714</b>	<b>13,350</b>	<b>14,064</b>
Charge for the year	56	937	993
Disposals	(64)	(235)	(299)
<b>At 31 March 2022</b>	<b>706</b>	<b>14,052</b>	<b>14,758</b>
<b>Net book value at 31 March 2022</b>	<b>146</b>	<b>5,326</b>	<b>5,472</b>
<b>Net book value at 31 March 2021</b>	<b>202</b>	<b>4,564</b>	<b>4,766</b>

**Morrison Energy Services (Transmission Networks) Limited**  
**(formerly Babcock Networks Limited)**

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

**13 Stocks**

	At 31 March 2022	At 31 March 2021
	£'000	£'000
<b>Raw materials and consumables</b>	<b>37</b>	<b>79</b>

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

The cost of stocks recognised as an expense in the year amounted to £180,000 (2021: £186,000). This is included within cost of sales.

**14 Debtors**

	At 31 March 2022	<i>Restated</i> At 31 March 2021
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Trade debtors	8,736	4,250
Amounts recoverable on contracts	8,366	5,513
Deferred tax asset (Note 17)	456	277
Amounts owed by group undertakings	278	54,817
Other debtors	18	-
Prepayments and accrued income	73	293
	<b>17,927</b>	<b>65,150</b>
<b>Amounts falling due after more than one year:</b>		
Amounts recoverable on contracts	1,340	2,228
	<b>19,267</b>	<b>67,378</b>

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

Amounts owed by group undertakings at 31 March 2021 relate to amounts owed by Babcock Group companies.

**Morrison Energy Services (Transmission Networks) Limited**  
**(formerly Babcock Networks Limited)**

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

**15 Creditors: amounts falling due within one year**

		<i>Restated</i>
	At 31 March 2022	At 31 March 2021
	£'000	£'000
Trade creditors	4,010	11,571
Amounts owed to group undertakings	-	11,160
Other taxation and social security	542	1,115
Corporation tax	917	10,653
Other creditors	1,788	-
Accruals and deferred income	13,001	3,683
	<b>20,258</b>	<b>38,182</b>

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

Amounts owed to group undertakings at 31 March 2021 relate to amounts owed to Babcock Group companies.

A loan from group undertakings of £Nil (2021:£3,495,000) was repayable on demand, the interest rate was 6 month LIBOR plus 1%.

**16 Provisions for liabilities**

	Onerous lease provision	Dilapidations provision	Total
	£'000	£'000	£'000
At 1 April 2021 <i>as restated</i>	2,206	1,087	3,293
Additional provisions	-	78	78
Provisions reversed	(2,206)	(36)	(2,242)
<b>At 31 March 2022</b>	<b>-</b>	<b>1,129</b>	<b>1,129</b>

Onerous lease provisions were reversed in full during the year, following the transfer of the Bramley Vale property lease from the company to Babcock Corporate Services Limited.

Dilapidation provisions relate to dilapidation costs at the end of the tenancy at Newton in 2026.



**Morrison Energy Services (Transmission Networks) Limited**  
**(formerly Babcock Networks Limited)**

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

**17 Deferred taxation**

	Year to 31 March 2022	Year to 31 March 2021
	£'000	£'000
Brought forward at 1 April	277	103
Deferred tax charged to profit and loss	30	70
Adjustment in respect of prior year	149	104
<b>Deferred tax asset (Note 14)</b>	<b>456</b>	<b>277</b>

The major components of the deferred tax assets and liabilities are recorded are as follows:

	At 31 March 2022	At 31 March 2021
	£'000	£'000
Fixed asset timing differences	207	220
Short term timing differences	249	57
<b>Total deferred tax asset</b>	<b>456</b>	<b>277</b>

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

**18 Called up share capital and other reserves**

	At 31 March 2022	At 31 March 2021
	£'000	£'000
Allotted and fully paid share capital		
10,076,900 (2021: 10,076,900) ordinary shares of 25p each	2,519	2,519

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

The share premium reserve contains the premium arising on issues of equity shares, net of issue expenses.

**Morrison Energy Services (Transmission Networks) Limited**  
**(formerly Babcock Networks Limited)**

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

**19 Capital commitments**

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

	At 31 March 2022 £'000	<i>Restated</i> At 31 March 2021 £'000
Payments due		
Within one year	464	1,328
Between one and five years	951	4,140
After five years	-	779
	<b>1,415</b>	<b>6,247</b>

The Bramley Vale property lease, which represented £4,398,000 of the above capital commitment at 31 March 2021, was transferred to Babcock Corporate Services Limited during the year.

**20 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.

**21 Pension and similar obligations**

**Defined contribution scheme**

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

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

	At 31 March 2022 £'000	At 31 March 2021 £'000
Current year contributions	832	725

Contributions amounting to £138,000 (2021: £33,000) were outstanding at the year end.

**22 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.

**Morrison Energy Services (Transmission Networks) Limited**  
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**Notes to the financial statements**  
**for the year ended 31 March 2022 (continued)**

**23 Prior year adjustment**

The Company previously prepared financial statements in compliance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). The Company has elected to transition from reporting under FRS 101 to now reporting under Financial Reporting Standard 102, "The Financial Reporting Standard applicable to the United Kingdom and the Republic of Ireland" ("FRS102") to report under the same reporting framework as the rest of the Minerva Equity Limited Group.

**Reconciliation of equity**

At 1 April 2020					At 31 March 2021		
	Note	As previously stated	Effect of transition	FRS102	As previously stated	Effect of transition	FRS102
		£'000	£'000	£'000	£'000	£'000	£'000
Tangible assets		4,064	-	4,064	4,766	-	4,766
Right-of-use assets	(i)	3,090	(3,090)	-	2,824	(2,824)	-
Debtors: amounts falling due after more than one year	(iii)	-	-	-	-	2,228	2,228
Fixed assets		7,154	(3,090)	4,064	7,590	(596)	6,994
Current assets	(iii)	60,452	-	60,452	70,004	(949)	69,055
Creditors: amounts falling due within one year	(iii)	(30,567)	-	(30,567)	(36,903)	(1,279)	(38,182)
Lease liabilities due within one year	(i) (ii)	(1,660)	1,660	-	(1,523)	1,523	-
Net current assets		28,225	1,660	29,885	31,578	(705)	30,873
Total assets less current liabilities		35,379	(1,430)	33,949	39,168	(1,301)	37,867
Lease liabilities due after more than one year	(i) (ii)	(3,735)	3,735	-	(3,635)	3,635	-
Provisions for liabilities	(ii)	(1,050)	(2,203)	(3,253)	(1,087)	(2,206)	(3,293)
Net assets		30,594	102	30,696	34,446	128	34,574
Capital and reserves		30,594	102	30,696	34,446	128	34,574

**Morrison Energy Services (Transmission Networks) Limited**  
**(formerly Babcock Networks Limited)**

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

**23 Prior year adjustment (continued)**

**Reconciliation of profit or loss**

Year ended 31 March 2021	Note	As previously stated £'000	Effect of transition £'000	FRS 102 (as restated) £'000
Turnover		69,975	-	69,975
Cost of sales		(60,139)	-	(60,139)
Gross profit		9,836	-	9,836
Administrative expenses	(i)	(4,342)	(94)	(4,436)
EBITDA		8,089	(1,431)	6,658
Exceptional items		-	-	-
Depreciation	(i)	(2,595)	1,337	(1,258)
Operating profit		5,494	(94)	5,400
Interest payable and similar expenses	(i)	(426)	120	(306)
Profit before taxation		5,068	26	5,094
Tax on profit		(1,216)	-	(1,216)
Profit for the financial year		3,852	26	3,878
Other comprehensive income		-	-	-
Total comprehensive income for the financial year		3,852	26	3,878

**Notes to the reconciliations**

- (i) FRS 101 requires all leases to be recognised as an asset and liability where the lease length is more than 12 months. Under FRS 102, a lessee shall recognise lease payments under operating leases as an expense over the lease term. At the date of transition of 1 April 2020, the carrying amount of the right-of-use assets was £3,090,000 with lease liabilities totalling £3,192,000. At 31 March 2021, the carrying amount of the right-of-use assets was £2,824,000 with lease liabilities totalling £2,952,000. Upon transition from FRS 101 to FRS 102 the right-of-use assets will not be recognised as an asset and the lease liabilities will not be recognised as a liability. The effect on the profit and loss for the year ended 31 March 2021 is to remove depreciation of £1,337,000, lease interest of £120,000 and include lease payments under operating leases of £1,431,000. The net effect on reserves at the date of transition on 1 April 2020 was £102,000 and the effect on reserves for the year ended 31 March 2021 was £26,000. The total effect of the transition from FRS 101 to FRS 102 on reserves was £128,000.

# **Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited)**

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

### **23 Prior year adjustment (continued)**

#### **Notes to the reconciliations (continued)**

- (ii) FRS 101 does not allow onerous leases to be recognised in provisions. Under FRS 102, onerous leases can be recognised in provisions. The Company had an onerous lease of £2,203,000 which was included in lease liabilities at the date of transition on 1 April 2020 and £2,206,000 at 31 March 2021. Upon transition from FRS 101 to FRS 102 the onerous lease was reclassified from lease liabilities to Provisions for liabilities. There was no effect on reserves due to this reclassification.
- (iii) Debtors and creditors were reclassified with a net increase in debtors falling due after more than one year of £2,228,000, decrease in current debtors of £949,000 and increase in creditors falling due within one year of £1,279,000. There was no effect on reserves due to this reclassification.

### **24 Controlling parties**

At 31 March 2022, the Company's immediate parent undertaking was MGS Energy 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.