

M Group Services Limited
Annual report and financial statements
for the year ended 31 March 2022

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M Group Services Limited

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

| Contents | Page |
|--|-------------|
| Group information..... | 2 |
| Chief Executive's review | 3 |
| Financial review..... | 11 |
| Strategic Report | 14 |
| Directors' report for the year ended 31 March 2022 | 19 |
| Independent auditors' report to the members of M Group Services Limited | 30 |
| Consolidated profit and loss account for the year ended 31 March 2022..... | 34 |
| Consolidated statement of comprehensive income for the year ended 31 March 2022..... | 35 |
| Consolidated balance sheet as at 31 March 2022..... | 36 |
| Company balance sheet as at 31 March 2022 | 37 |
| Consolidated statement of changes in equity for the year ended 31 March 2022..... | 38 |
| Company statement of changes in equity for the year ended 31 March 2022 | 39 |
| Consolidated statement of cash flows for the year ended 31 March 2022..... | 40 |
| Notes to the financial statements for the year ended 31 March 2022 | 41 |

M Group Services Limited

Group information

| | |
|-----------------------------|--|
| Directors | J M Arnold W J Cooper A R Findlay A Silonov J R Winnicott |
| Company secretary | W J Cooper |
| Registered office | Abel Smith House Gunnels Wood Road Stevenage Hertfordshire SG1 2ST |
| Registered number | 10260164 |
| Independent auditors | Deloitte LLP 1 New Street Square London EC4A 3HQ |
| Bankers | National Westminster Bank PLC 1 Princes Street London EC2R 8PA |

M Group Services Limited

Chief Executive's review

Introduction

I am pleased to present the annual report for M Group Services Limited ("M Group Services"), which provides specialist services to essential infrastructure markets in the UK and Ireland across the Energy (Infrastructure and Retail), Water (Clean and Waste), Telecoms (Fixed, Mobile and Networks) and Transport (Rail, Aviation and Highways) markets.

The ultimate holding company is Minerva Equity Limited which is majority owned by PAI Partners, a leading pan-European private equity firm with a strong track record of investment in UK and Europe. Its backing provides the financial strength and expertise to allow M Group Services and its subsidiaries ("the Group") to continue to grow both organically and through further strategic acquisitions that will support us in delivering services to our clients and achieve our vision to be the leading service provider to essential infrastructure sectors in the UK and Ireland.

Strategic Development

The Group delivers through a unique operating model aligned to clients' needs, creating a clear sector and service-delivery focus. In the four divisions of Energy, Water, Telecom and Transport, the highly experienced divisional leadership teams own the client relationships and are supported by robust Group-wide back office systems and teams including Plant & Fleet Solutions, M&A, risk management, insurance, ESG and best practice sharing.

The strategy of the Group is to grow organically and through acquisition. I am pleased to confirm that the Group has made good progress in both.

Organically the Group has been successful in securing new framework contracts and extending existing contracts. The Group had an orderbook (including extensions) of £5.8 billion at 31 March 2022 compared with £3.9 billion at 31 March 2021. Of this total, the secured element of work, i.e. excluding extensions, increased from £2.6 billion at 31 March 2021 to £4.1 billion at 31 March 2022. The increase in the secured element reflects the significant contract wins during the year across the divisions.

The strategy of seeking accretive bolt-on acquisitions to augment existing organic opportunities has also continued during the year, enabling us to continue to broaden our capabilities within the sectors in which we operate, and diversify our service offering. In the year the Group completed four acquisitions which sit across multiple sectors and help to further enhance our offering to clients and support future growth.

On 30th April the Group completed the acquisition of Skanska UK's infrastructure services business (renamed Milestone Infrastructure Limited). Milestone is a successful infrastructure maintenance business that serves the transport sector including highways maintenance, street lighting, and highways projects. The acquisition forms part of the Transport Division, broadening our capability and adding further momentum to our ongoing growth plans in this sector.

On the 15th July Waldon Telecom was acquired which works across the wider mobile telecom market and provides Acquisition, Design, and Construction (ADC) services. The acquisition allows M Group Services to further enhance its mobile offering and capitalise on the ongoing 5G rollout.

On 16th December Z-Tech Control Systems was acquired which provides design, project management, commissioning, repair and maintenance services primarily to the UK's water, energy and rail industries. Z-Tech is the latest addition to the growing number of technically enabled businesses within the Group, meaning we are increasingly able to provide services to clients which includes complete end-to-end delivery of technical and complex projects.

On 23rd December Babcock's Overhead Line Power business was acquired which is a leading operator in the niche, technically-challenging, overhead line electric transmission and distribution industry that lies at the heart of the UK's transition to Net-Zero. Its addition to the Group as a part of Morrison Energy Services enhances the existing electricity, gas and net-zero capabilities, supporting clients by delivering a greater breadth of electricity transmission services.

M Group Services Limited

Chief Executive's review (continued)

Financial performance

Turnover for the year was £1.5 billion (2021: £1.3 billion) and EBITDA (earnings before interest, tax, depreciation and amortisation excluding exceptional items) was £94.4 million (2021: £49.9 million). On a proforma basis (i.e. assuming Milestone, Waldon, Z-Tech and Babcock Overhead Power Line had been acquired for the full year ended 31 March 2022), turnover was £1.7 billion and EBITDA was £102.6 million.

Cash flow is a key measure for the Group and this has been in line with our expectations, reflecting a focus on working capital management throughout the Group. Our focus on cash remained consistent throughout the year and the Group maintained a high level of liquidity and delivered strong operating cash flows.

The financial review on pages 11 to 13 summarises our financial performance in more detail.

Operational performance and business development

The Group's businesses typically operate under long-term framework contracts secured in regulated markets for asset owners and operators such as Thames Water, Cadent, National Grid, Network Rail, Heathrow Airport, EON, British Gas, EDF, Openreach and Virgin Media. We take pride in having long standing relationships with our clients and aim to ensure that we invest in our contracts and business relationships to deliver an excellent service to our client and our client's customers.

Each division has made good progress in developing new business for the Group during the year. This has enabled a strong orderbook to be maintained, equivalent to over three years' turnover. The key developments are summarised below.

Energy

The Energy Division provides essential services within the gas, electricity and net-zero sectors with activities ranging from asset replacement and maintenance in the infrastructure sector to data collection, management and Smart Meter installation services in the energy retail sector.

Divisional turnover reduced by £83 million from £378 million in 2021 to £295m in 2022 predominantly driven by the planned conclusion of the tRIIO joint venture (gas distribution) in March 2021 – this alone contributed £149m to the year-on-year reduction in revenue. Conversely, we saw a recovery in Energy Retail with additional turnover of £37m, primarily the post covid recovery in data collection volumes. In addition, in December 2021 we acquired the Transmission Overhead Power Line business of Babcock International which had a pro forma turnover of £81.8m in year ended 31 March 2022 with £20.3m contributing to the Energy division turnover.

During the year the division continued to grow its portfolio of works with renewal of existing contracts and a number of new contract wins in the energy retail market, adding Southern Water meter reading as a new client and with the renewal of the British Gas contract in data collection, helping to offset the loss of a number of smaller Energy clients who ceased to trade in the year.

Within the energy infrastructure market, work commenced on the Cadent CMO and SGN contracts within the Gas sector and National Grid within the Electric sector and we renewed our contract with Scottish Power.

The division is well positioned to benefit from investment in the net-zero sector with immediate focus on distributed generation and EV charging opportunities. We will continue to selectively tender in any of the emerging areas where we feel we have the required skills to be successful.

Water

The Water Division provides services for water companies throughout the UK and to clients in adjacent markets. Services include asset health surveys, reactive maintenance and the refurbishment and renewal of a broad range of critical water and wastewater infrastructure.

M Group Services Limited

Chief Executive's review (continued)

Operational performance and business development (continued)

Water (continued)

Divisional turnover grew by c. £10m from £443 million in the year ended 31 March 2021 to £453 million in 2022, predominantly due to additional works for Thames Water and Welsh Water.

The acquisition of Z-Tech, Electrical Control & Instrumentation ("EC&I") specialists, who provide essential services to the UK's water, energy and rail sectors, further enhances the divisional capability in specialist MEICA services. Their clients include asset owners such as Thames Water, Anglian Water, Southern Water, Uniper and Transport for London. Z-Tech had a pro forma turnover of £17.7m in year ended 31 March 2022 with £5.6m contributing to the annual Water division turnover

The division secured a wide range of new frameworks with several key clients including asset health surveys for Southern Water, MEICA capital maintenance and reactive/planned works for Scottish Water, wastewater infrastructure renovation for Anglian Water and an innovation framework for Yorkshire Water. We were also pleased to renew existing frameworks with long standing clients United Utilities and Yorkshire Water delivering specialist MEICA services.

In addition the division also secured several key projects including a major wastewater pumping station improvement programme for United Utilities, a significant wastewater treatment works cleansing project for Thames Water and two innovative specialist pipeline refurbishment projects, one at Heathrow Airport and the other with Cadent gas working alongside the Energy Division.

Telecoms

The Telecom Division consists of four operating entities delivering infrastructure build, repair, maintenance and technology services to major clients across the Fixed, Mobile and Private Network sector. We are engaged in the large-scale deployment of new fibre networks in urban and rural environments. We work with utility clients to build and operate private telecom networks and optimise the running of their infrastructure assets, supporting the migration towards a 'Green Energy' agenda.

We have expanded our scope of services to include the rollout of 5G mobile networks and broadcasting services through the acquisition of Waldon Ltd in July 2021. Waldon had a pro forma turnover of £18.7m in year ended 31 March 2022 with £14.5m contributing to the annual Telecom division turnover

Divisional turnover grew by c. £50million in the year, from £259 million in the year ended 31 March 2021 to £309 million in 2022, reflecting the mobilisation of new contracts in fixed and private network sectors together with the acquisition of Waldon. Our view of the medium term is an expectation of further growth for the division as the markets we operate in mature in line with the deployment of fibre build networks and other telecoms programmes.

Transport

The transport division consists of four operating entities, each business uses their individual capabilities to focus on different aspects of the transport network, that together provide essential infrastructure services to the sector.

Divisional turnover increased by c. £308 million, from £181 million in the year ended 31 March 2021 to £489 million in 2022. The completion of the acquisition of Skanska UK's Highway Maintenance and Street Lighting business (renamed Milestone Infrastructure) on 30 April 2021 added over £300 million to the total.

The market for services in the Transport sectors remains buoyant, driven by the need to invest in national transport infrastructure to increase capacity and improve services.

This is reflective in the activity in the year with new contracts awarded within Rail with clients such as Network Rail, Abellio and TfL.

With the addition of Milestone Infrastructure, Highways saw a number of contract wins, including Highways England which awarded a national framework for delivering small-medium civils works for the next six years.

M Group Services Limited

Chief Executive's review (continued)

Operational performance and business development (continued)

The Aviation sector remains impacted by the COVID-19 pandemic but the Group secured a place on the Gatwick airport maintenance framework contract. We continue to invest in our people and in maintaining strong client relationships to effectively support our clients when demand improves.

Overall the division is in a strong place to build on its position in the Highways maintenance market, along with growing its share in the rail and aviation sector.

ESG: Environmental, Social and Governance

As part of last year's review, we confirmed that we remain committed to our communities, promoting inclusion, diversity and social equality and protecting the environment. In pursuit of this commitment, over the last twelve months we have benchmarked our approach and performance relative to our peers and wider global sectors. During the winter of 2021 our organisation embarked on a detailed external assessment of our ESG performance as judged by one of the world's leading ESG ratings agencies, Sustainalytics.

Following a full and detailed disclosure cycle with ESG analysts from Sustainalytics, our organisation was credited with the highest ESG rating in our sub-industry (Business Support Services). With a formal risk exposure score of 9.6 (out of a total risk exposure number of 100) M Group Services is considered to be carrying 'negligible risk' of financial shock due to ESG factors.

By achieving a sub-industry leading (1st of 166 as at December 2021) score we see increasing focus and interest in ESG and Innovation by our clients, people, and stakeholders as representing a considerable opportunity across the Group. While current core indices include monitoring and controlling greenhouse gas emissions, key social indicators, and good governance practices; the growing scale and scope of expertise offered by the Group means we are well placed to accelerate our ESG & Innovation ambition. Having obtained a formal ESG rating we can now underscore over fifty competency areas where the stage is now set for a systematic enhancement of our ESG & Innovation position.

Our ESG rating represents a deepening of our understanding and commitment to the topic, to which other achievements in the reporting year which are worthy of note. For instance, the Group has been accepted onto the globally recognised Science Based Targets Initiative (SBTI) and with a dedicated in-house expertise we are now busy building detailed greenhouse gas reduction plans which we aim to have verified with quantitative targets in place and published, in time for the next financial reporting cycle. These will stretch out, in detail, to 2030 and ultimately carbon net zero by 2050 or sooner. ESG targets will become part of our upper senior management's remuneration programme going forward.

In addition to our active participation with the SBTi, we are also accepted onto the United Nations Global Compact (UNGC) which aids us to contextualise and position our human capital and environmental commitments with a global rather than just domestic perspective. To this end we are also delighted to say that over eighty of our innovations and best practice initiatives are aligned with seven of the key UN Sustainability Goals.

With specific reference to climate change, work continues to assess and comply with the upcoming TCFD (Task Force on Climate related Financial Disclosure) requirements. Our focus is on ensuring that our business strategy and risk governance practices are agile and robust enough to manage both physical and transitional risks and that our metrics and measurement protocols align. We consider our approach to SBTi and our adoption of external ESG risk rating methodologies as central to our debut TCFD disclosure next year.

Environmental

As we become a key exponent of ESG and innovation in the essential infrastructure services sector we will continue to promote good environmental practice across all our operations. Through our quality and environmental management systems and active ISO accreditation we continually look to develop and introduce sustainable processes and behaviours across each of our businesses, as well as with our clients and supply chains. As part of the global SBTi community and commitment to SBTi 'near term' target setting, we are developing specific business decarbonisation policies and practices.

M Group Services Limited

Chief Executive's review (continued)

ESG: Environmental, Social and Governance (continued)

Page 22 to 28 details our Greenhouse Gas emission and energy usage, including our ongoing energy efficiency actions across the Group. To ensure our thinking and approach follows best practice we have joined the UK Supply Chain Sustainability School to develop a Sustainability Supply Chain Charter which amongst other benefits, will help inform our approach to Scope 3 emissions in particular.

Health and Safety

We are fully committed to the health, safety and wellbeing of our people and all those who come into contact with our business. Safety is one of the Group's core values; putting health, safety and wellbeing of people first. Our ethos runs through the heart of our Group and we continue to strive to improve health and safety performance across all operational areas.

As at 31 March 2022, the low Accident Frequency Rate (AFR i.e. No. of RIDDOR incidents and accidents x 100,000hrs / No. of hours worked) demonstrates that we are maintaining good safety performance across the Group:

| Accident Frequency Rate (AFR) | | | | | | | | | |
|-------------------------------|--------|-------|----------|-----------|---------|--------|-------|----------|-----------|
| 2021/22 | | | | | 2020/21 | | | | |
| Group | Energy | Water | Telecoms | Transport | Group | Energy | Water | Telecoms | Transport |
| 0.06 | 0.18 | 0.00 | 0.00 | 0.0 | 0.08 | 0.25 | 0.07 | 0.03 | 0.11 |

With regard to Health and Wellbeing, during the last year the Group has provided regular Health and Wellbeing communications across its operating divisions to support our people. Topics covered included mental health issues, financial wellbeing, cancer awareness and improving physical fitness.

As testament to our core values, our consistent safety performance resulted in an outstanding 12 RoSPA awards across the Group:

- Morrison Water Services received a Gold award
- Morrison Energy Services received the Construction Sector Award (ninth award in 13 years) and the RoSPA Gold Award
- M Group Services Plant & Fleet Solutions was awarded its sixth consecutive Gold Award and its second consecutive Gold Medal Award for Fleet Safety
- Dyer & Butler has received three Order of Distinction awards, including the RoSPA Order of Distinction award, and the RoSPA President's Award
- A Gold Award was presented to Morrison Data Services
- Within the Telecom Division, Morrison Telecom Services, Magdalene and Avonline all received their second consecutive Gold Award with Waldon Telecom securing a Silver Award

Community Engagement

Investing in the communities we work in through local employment and community engagement is important to us. We create relationships with our clients, local councils, community groups, schools and colleges to deliver long-term benefits for our communities and ourselves.

For example, encouraging an interest in STEM (science, technology, engineering and maths) subjects among school students helps us to raise awareness of careers in our sector. Across the Group we have c.150 STEM Ambassadors that engage with schools to bring the world of work to life.

As a Group our people have also supported numerous charities with various endeavours and have raised over £60,000 for charitable causes (this includes company matched funding, individuals and team donations).

M Group Services Limited

Chief Executive's review (continued)

ESG: Environmental, Social and Governance (continued)

Developing our People

M Group Services Limited is a trusted employer to over 10,500 skilled individuals, working from over 250 locations across the UK and Ireland.

Our workforce is distributed across the Group and consists of field operatives, support services, technical, managerial and leadership personnel working within our operational divisions plus Group Support and M Group Services Plant & Fleet Solutions.

We are committed to creating and maintaining inclusive environments for our people that enables the diversity of our people to influence our business and empower everyone to deliver, develop and achieve both for the Group and themselves. We are committed to creating environments in which our people feel valued, empowered, supported and fulfilled. We benefit from an engaged and motivated community as we listen and respond to feedback.

Across each of our operating divisions, a broad range of recognition and reward schemes are designed to highlight the achievements and successes of our people and to thank them for their hard work and dedication. The 'Beyond Expectations Awards' recognise the endeavours, innovation and commitment of our people and enable us to celebrate success across the Group.

Developing and retaining the workforce of the future, which is resilient to change and sustainable as our business grows is at the heart of our Employee Development Strategy, our training and development programmes are key to our success. Attracting, developing and retaining the next generation of highly skilled forward-thinking, customer-focused and technically competent people who can help us to continually develop the scope of our core capabilities is imperative. Our Apprenticeship programmes have received industry recognition for their excellence.

We continue to develop strategies which support exceptional career and training opportunities across the Group, and which facilitate our long-term growth. Our Talent and Succession programmes are embedded within the divisions and facilitate the growth and promotion of our people as well as creating new opportunities for innovative and targeted recruitment solutions. Apprenticeships and graduate programmes offer a targeted and tailored way to do this. Across the Group we now have over 250 apprentices in training covering various operating sectors.

We continue to expand our apprentice and graduate intake as well as creating new programmes for the long-term unemployed, ex-offenders and service leavers. Our intention is to continue to build our sustainable and resilient workforce and help to address the skills shortage across the UK.

The Group continue to develop targeted recruitment solutions and in addition to our work with the Defence Employer Recognition Scheme ("ERS"), which recognises commitment and support from UK employers for current and former defence personnel, the Group have been working with Her Majesty's Prison Service to create opportunities for ex-offenders to forge a new career within our Group.

It is key that we continue to engage and listen to all feedback to harness the talent that we already have within the Group and also ensure a working environment exists that allows people to flourish. In order to increase people engagement, our people are encouraged to participate in the confidential annual Group People Opinion survey. We have continued to run our Annual People Opinion Survey which achieved record participation rates in 2021. Our employee communications are supported by our new Oracle ERP system and our employee communications platform 'Stay Connected' which continues to encourage our people to share best practice and create two-way dialogue.

M Group Services Limited

Chief Executive's review (continued)

Equality and Diversity

The following table sets out our Group gender diversity position at 31 March 2022.

| | 31 March 2022 | | | 31 March 2021 | | |
|-----------------|---------------|--------------|---------------|---------------|--------------|--------------|
| | Female | Male | Total | Female | Male | Total |
| Director | 17 | 162 | 179 | 10 | 117 | 127 |
| Senior Managers | 127 | 824 | 951 | 175 | 452 | 627 |
| Employees | 1,671 | 7,607 | 9,278 | 1,183 | 6,673 | 7,856 |
| Total | 1,815 | 8,593 | 10,408 | 1,368 | 7,242 | 8,610 |

The Group recognises that harnessing diversity and applying the experiences, abilities and unique qualities of all our people will enhance our business. We are committed to promoting equal opportunities and inclusivity as part of creating a diverse working environment that attracts, develops and retains the best people.

Governance and compliance

The Group has a business code of conduct which is aligned with our vision and values which all employees must adhere to. We are committed to complying with all legal requirements applicable to operations within our industry and sectors. Our people must undertake online training courses in regard to: Anti-bribery and Corruption, Inclusion and Diversity, Modern Slavery, Information Security and GDPR.

The board meets regularly and leads the strategic direction of the Group (page 20 details board experience). Regular Executive, Operational Board and Divisional Board meetings are scheduled throughout the year in which health and safety, environmental, financial, commercial and strategic initiatives are reviewed at every meeting, including the review of risks and associated mitigations, supported by reports and presentations from the divisional Managing Directors and their leadership teams. Through the ongoing review of suitably detailed management information the Board ensures that risks are appropriately monitored and managed.

The Board has formally established Audit and Remuneration Committees. The key responsibilities of each committee are set out below.

Audit Committee

To monitor the integrity of the Group's accounts, and the adequacy and effectiveness of the systems of internal control. To monitor the effectiveness and independence of the internal and external auditors.

Remuneration Committee

To set remuneration for all Directors including pension and any compensation payments.

Tax Strategy

The Group approaches tax matters with integrity, in line with the Group's values. The Group is committed to complying with tax laws in a responsible manner and to having open and constructive relationships with tax authorities based on the principles of mutual transparency and trust. A full tax strategy is disclosed on the M Group Services website.

Outlook

The resilient sectors in which we operate, the nature of the essential services that we provide to critical, national infrastructure, our strong long-term order book with blue-chip clients and the commitment and determination of our people provide a solid platform to further develop the Group and deliver continued growth.

We continue to seek strategic acquisitions to augment existing organic opportunities and add capabilities to the Group. This provides multiple sources of opportunity for future development. We remain focused on delivering quality services for our clients that also drives profitable growth for our

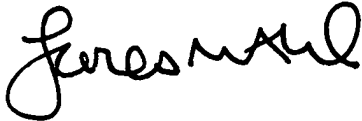
M Group Services Limited

Chief Executive's review (continued)

Governance and compliance (continued)

shareholders whilst ensuring we maintain our ethos which has safety, service delivery, integrity and people at the heart of our business.

Our industry leading public ESG rating and outstanding, award-winning safety record recognises the on-going commitment of everyone in our Group to continually review and improve our work to ensure it is as sustainable and safe as possible. We have grown rapidly over recent years, through organic growth and acquisition, and proactively chose to benchmark against the best in the world. Our ambition to be one of the very best ESG performing businesses underpins our ability to be a leader in the UK's infrastructure services sector and supports our clients' plans to deliver their own net-zero targets.



J M Arnold
Chief Executive Officer
28 July 2022

M Group Services Limited

Financial review

Introduction

The Group's trading results to 31 March 2022 and are set out below.

Trading performance

| Consolidated profit and loss account | Year ended 31 March 2022 | Year ended 31 March 2021 |
|--|---|---|
| | £ million | £ million |
| Turnover | 1,545.3 | 1,260.5 |
| Cost of sales & other operating income and expenses | (1,450.9) | (1,210.6) |
| EBITDA before exceptional items | 94.4 | 49.9 |
| Depreciation & amortisation of software | (16.3) | (13.3) |
| Operating profit (before exceptional items, goodwill and other intangible amortisation) | 78.1 | 36.6 |
| Exceptional items | (1.7) | (3.6) |
| Amortisation of other intangible assets and goodwill arising on consolidation | (44.2) | (41.0) |
| Operating profit / (loss) | 32.2 | (8.0) |
| EBITDA margin | 6.1% | 4.0% |

Turnover

The Group delivered turnover of £1.55 billion in the year, ahead of the prior year of £1.26 billion. Activity remained strong and the Group recorded turnover growth in Water, Telecoms and Transport. Energy turnover declined predominantly driven by the planned conclusion of the tRiIO joint venture (gas distribution) in March 2021. Organic growth reflected the mobilisation of new contracts such as in fixed and private network sectors in Telecoms. Turnover grew through M&A activity, including the acquisition of Milestone Infrastructure which added over £300 million to the total turnover for Transport.

Divisional performance is discussed in the Chief Executive's report whilst the segmental reporting note (note 6) also shows the divisions in which turnover was generated.

Profitability

EBITDA before exceptional items increased to £94.4 million compared to £49.9 million in the prior year, when the results of the Group were impacted by additional costs and inefficiencies relating to the COVID-19 pandemic. Exceptional costs are detailed in note 9.

Similarly, EBITDA (before exceptional items) margin of 6.1% (2021: 4.0%) increased compared to the prior year primarily due to the impact in the Covid-affected prior period of reduced turnover, temporary operating inefficiency and under-absorbed overhead costs (largely during the first half of the year), mitigated by cost management activities undertaken by the Group and Coronavirus Job Retention Scheme (CJRS) grants received in relation to furloughed staff.

M Group Services Limited

Financial review (continued)

Bank financing and interest

Intercompany loans are in place with the parent company to finance the Group. Detail on external debt can be found in the consolidated financial statements of Minerva Bidco Limited.

The Group had cash and cash equivalents of £100.7 million (2021: £115.4 million), providing substantial liquidity for the Group. Finance leases of £9.2 million (2021: £9.4 million) gave net third party debt (i.e. gross debt less cash) at £91.5 million (2021: £106.0 million).

The net interest cost in the year amounted to £0.9 million (2021: £1.0 million)

Taxation

The tax charge is £14.4 million (2021: credit of £5.5 million) on profit before taxation of £31.3 million (2021: loss of £9.0 million). The analysis of the tax charge and tax reconciliation is set out in note 12 to the financial statements.

Cash flows

| Consolidated cash flow | Year ended 31 March 2022 £ million | Year ended 31 March 2021 £ million |
|--|--|--|
| Net cash inflow from operating activities (see note 27) | 80.7 | 101.0 |
| Tax paid | (9.4) | (0.8) |
| Net capital expenditure | (22.6) | (12.4) |
| Net cash flow before acquisitions and financing | 48.7 | 87.8 |
| Net cash expended on acquisitions | (120.9) | (5.4) |
| Net cash inflow / (outflow) from financing activities | 57.5 | (92.5) |
| Net (decrease) in cash | (14.7) | (10.1) |
| Cash and cash equivalents at beginning of year | 115.4 | 125.5 |
| Cash and cash equivalents at end of year | 100.7 | 115.4 |

The Group has a strong track record of converting EBITDA before exceptional items to operating cash flow and this has continued in the current year with cash conversion of 86% (2021: 174% excluding costs relating to the COVID-19 pandemic totalling £8.1 million). The Group had c. £29 million of deferred VAT outstanding at the end of the previous financial year which was repaid during the year ended 31 March 2022. Adjusting for this item, operating cash flow conversion would have been 116% (2021: 124% excluding costs relating to the COVID-19 pandemic of £8.1 million), a strong result reflecting our continued focus on working capital throughout the Group.

Corporation tax paid in the year totalled £9.4 million (2021: £0.8 million), reflecting the forecast tax due on the Group's profits net of recovery of overpayments made in prior years.

External interest paid decreased to £0.9 million (2021: £1.0 million).

The purchase during the year of Milestone Infrastructure, Waldon Telecom Limited, Morrison Energy Services (Transmission Networks) Limited, and Z-Tech Control Systems Ltd was from increased bank loans and the company's cash reserves. In addition, contingent consideration of £nil (2021: £4.8 million) was paid in respect of previous acquisitions where profit thresholds have been achieved. Details of the acquisitions are summarised in note 34.

M Group Services Limited

Financial review (continued)

Company Performance

The result of the Company for the year was a profit of £3.7 million (2021 restated: £6.3 million).

Pensions

The Group operates defined benefit and defined contribution schemes. The only material defined benefit scheme is operated by Morrison Water Services Limited. This defined benefit scheme ('MCARE') is closed to future accrual. The most recent triennial valuation of the MCARE scheme took place at 31 March 2020. The accounting surplus at 31 March 2022 in relation to the MCARE scheme was £0.9 million (2021: deficit of £0.3 million) net of deferred tax. The Group also operates some other limited defined benefit arrangements for staff who have transferred to the Group with protected rights. Further details on pension arrangements are provided in note 22 to the financial statements.

Going concern

The directors have taken into account uncertainties in preparing financial projections and assessing the future prospects of 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, the financial statements have been prepared on the going concern basis. The Group also has access if needed to funding from its ultimate holding company Minerva Equity 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 both the Company and the Group 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.

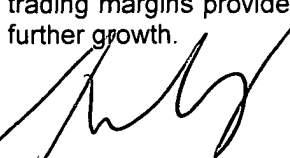
Acquisition of Seeka

On 29 April 2022, the Group completed the purchase of Seeka (previously, a component of Ovo Energy), a c10 million revenue protection service business. The purchase was financed using the increased bank loan facility available to the Group.

Seeka's revenue protection service business unit offers a full end-to-end revenue protection service including energy theft investigation. With around 100 people operating long-term contracts with energy supply businesses and DNOs, this acquisition helps to enhance our capabilities and offering to our clients.

Outlook

The Group has made good progress in the year to 31 March 2022 and the directors are confident in the resilience and future prospects for the Group. Its cash generation, substantial order book (providing good visibility of future revenue and earnings), diversifying customer base, and sound underlying trading margins provide a robust set of financial indicators and give the Group a strong platform for further growth.



A R Findlay
Chief Financial Officer
28 July 2022

M Group Services Limited

Strategic Report for the year ended 31 March 2022

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

Review of the Business

Details of the operational performance is summarised in the Chief Executive's review on pages 3-10, and the Financial review on pages 11-13 summarises our financial performance for the year ended 31 March 2022. Additional information has been provided in accordance with the Walker Guidelines, which sets out best practice disclosures for large Portfolio Companies owned by private equity investors.

As at the year end the company had net assets of £116.6 million (2021 restated: £112.9 million).

Principal activities

The Group provides specialist services to blue-chip clients in the Water, Energy, Telecom and Transport markets in the UK and Ireland. Its services range from implementing planned capital investment schemes to reactive repair and maintenance. The principal activity of the Company is that of a holding company.

Strategy

Our vision is to be the leading service provider for essential infrastructure in the UK and Ireland.

Our strategy aims to achieve this vision by providing long-term services to blue-chip, often independently regulated clients. Through these long-term relationships we will deliver reliable and stable revenue streams, margins and cash flow. We target long term profitable growth, both organically and through acquisitions that enable a broadening of the Group's service offering. We will maximise the scale efficiencies of being a group by coordinating common functions, sharing best practice and implementing strong commercial and financial controls.

Business model

The Group's core values are fundamental for sustainable growth:

- **Health and Safety** - putting health, safety and wellbeing of our people first.
- **Service Delivery Ethos** - helping deliver our clients' business needs.
- **Invest in People** - engaging and empowering everyone to deliver and grow.
- **Integrity** – behaving respectfully and in a sustainable manner to the individual, our communities and the environment, maintaining accountability and honesty in the way we work.

Our differentiated business model builds on these foundations and focuses the Group on safety, service delivery and quality in order that we create and maintain long-term, mutually beneficial relationships with our clients. The key components of our business model are:

Service Delivery Ethos

Each division is dedicated to its individual sector and aligned to respective clients' business goals and objectives.

Focused Strategy

We are focused on essential, sustainable markets across national infrastructure, aligned with our core business capabilities.

Proactive Account Ownership

We understand our clients' needs through focused client ownership and deliver solutions utilising capability from across the Group.

M Group Services Limited

Strategic Report

for the year ended 31 March 2022 (continued)

Business model (continued)

Bespoke Innovative Business Solutions

Our established and proven teams support the bespoke development of systems and processes to meet the needs of our individual clients across our portfolio of contracts, delivering best-in-class solutions.

Long-term Relationships

We have long-term relationships with our clients across many contracts, including multi-year frameworks.

Award-Winning Safety Track Record

First-class health and safety performance is a prerequisite when working across essential infrastructure sectors, and our consistent and award-winning health and safety track record fulfils this fundamental requirement.

Excellent People

A skilled and dedicated workforce in excess of 9,500 people with significant expertise within their respective markets.

Commercial Discipline

Proven cost-effective control measures in place to ensure effective risk management and accurate and reliable financial reporting.

Key performance indicators (KPIs)

The Board monitors progress on the overall Group strategy and trading by reference to KPIs, the principal measures being turnover, EBITDA, order book, cash flow and accident frequency rate. These measures are discussed in the Chief Executive's review and the Financial review.

Principal business risks

Economic conditions

Much of the Group'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, whilst recognising the essential nature of our work which ensures the spend in the medium term is resilient.

Business interruption

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

Throughout the COVID-19 pandemic the Group continued to deliver essential services across the UK from its four divisions within the limitations set by the government. The impact on operational activity varied by division and our overall objective was to protect the safety of our people and all those who we come into contact. The Group works in resilient markets where demand remains strong.

M Group Services Limited

Strategic Report

for the year ended 31 March 2022 (continued)

Principal business risks (continued)

Economic regulation

Many of the Group's contracts are with major blue-chip clients who operate in regulated industries. Both the funding of programmes and the political support for private involvement may be subject to change. The regulatory risks for the Group's clients are associated with control periods set by the regulators. In the water, electricity distribution, gas distribution and rail industries, prices and capital investment programmes are set every five to eight years. There is a risk that the operating cost targets and capital investment programmes approved by Regulators will impact our turnover and profitability. However, once final determinations are announced, our clients have considerable visibility of workload. We engage in regular dialogue with our clients to continually assess these risks and adjust our resources accordingly.

Contract renewals

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

Skills shortages

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

Reliance on supply chain

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

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 Group's operational practices and the Group promotes a culture that puts safety first. The Group operates safe and reliable working practices through a policy of honesty, trust and sharing best practices across all business operations.

New Business

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

M Group Services Limited

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

Stakeholder 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 stakeholders assist in shaping our strategy and business model set out on pages 14-15. 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 Group'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 Group and also ensure there exists a working environment that allows people to flourish. A group wide People Opinion Survey takes place annually enabling us to address areas for improvement to make the Group a better place to work. The feedback from this engagement is considered by the board which helps to inform short-term actions and long-term people strategies.

Clients

Each division is dedicated to an individual market. We have long-term relationships with our clients across multiple contracts. We aim to meet the specific need 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 and the environment

Collaborations with local schools in order to encourage an interest in STEM (science, technology, engineering and maths) subjects among school students helps to raise awareness of careers in our sector.

Through our workshops many students get a taste of the challenges our staff face and an understanding of the practical application of STEM subjects. Our aim is to increase the number of school workshops that are delivered, and reach a larger audience of students. This will support our future talent recruitment and ensure young people gain meaningful employment.

Additionally, we actively partner with the armed forces to provide employment to suitable ex services personnel seeking a career after their time in the services. We continue to expand our apprentice and graduate intake as well as creating new programmes for the long-term unemployed.

As set out on page 6, we are committed to minimising our environmental impact, promoting good environmental practice across all our operations.

M Group Services Limited

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

Stakeholder 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. Shareholders are represented on the board of directors of Minerva Equity Limited. Strategic direction and regular monitoring and reporting of financial and operational information is discussed in these meetings.

Our shareholders aim to increase the long-term strategic value of the Group in partnership with the management team. We target long term profitable growth, both organically and through acquisitions that enable a broadening of the Group's service offering.

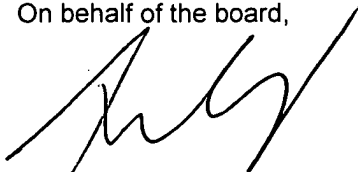
Lenders

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 key stakeholders 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,



A R Findlay
Director
28 July 2022

Registered Number: 10260164

Abel Smith House
Gunnels Wood Road
Stevenage
Hertfordshire
SG1 2ST

M Group Services Limited

Directors' report for the year ended 31 March 2022

The directors present their report together with the audited financial statements of the Group and Company for the year 31 March 2022.

Ownership

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. PAI Partners is a leading pan-European private equity investment firm with over c.£18.9 billion (€22.4 billion) of assets under management.

PAI acquire majority stakes in medium to large European companies who are leading brands in their market. PAI invest in five core sectors and are particularly focused on consolidating sectors and on markets where growth can be sustained through economic and financial market cycles. PAI aim to increase the profitability and long-term strategic value for the businesses they own in partnership with the management teams.

Development of the business

The performance, development and outlook for the business is summarised in the Chief Executive's review and the Financial review on pages 3 to 13.

Financial risk

Financial risks faced by the Group include funding, interest rate and contractual risks. The Group regularly reviews these risks on an ongoing basis. Financing and financial risks are discussed in the Financial review and note 21 to the financial statements.

Dividends

No dividends were paid in the year (2021: £nil). The directors do not recommend the payment of a dividend (2021: £nil).

Political donations

The Group made no donations to a registered political party during the year (2021: £nil).

Board of Directors

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

| | |
|-------------------------|--|
| Chief Executive Officer | J M Arnold |
| Chief Financial Officer | M G Beesley (resigned 22 October 2021) |
| Chief Financial Officer | A R Findlay (appointed 18 August 2021) |
| Executive Director | A Silonov |
| Executive Director | J R Winnicott |
| Director | W J Cooper |

Auditors

A resolution to reappoint Deloitte LLP as auditors will be proposed at the forthcoming Annual General Meeting.

M Group Services Limited

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

Board of Directors

Jim Arnold (Chief Executive Officer)

Jim was appointed Chief Executive Officer of M Group Services Limited in 2016. As Chief Executive of M Group Services Limited, Jim has overall responsibility for the operation and performance of the Group and its four divisions, Water, Transport, Energy and Telecom. He has worked in the utility and infrastructure sector for 30 years. Jim is a Chartered Director and Fellow of the Institute of Civil Engineers.

Martin Beesley (Chief Financial Officer)

Martin was appointed Chief Financial Officer of M Group Services Limited in 2016, having previously been Chief Financial Officer for Morrison Utility Services Limited since 2008. Prior to 2008, Martin spent 12 years with United Utilities in a number of senior finance and strategy roles. Martin trained and qualified as a Chartered Accountant with KPMG where he worked with clients across audit, tax, corporate finance and advisory services. Martin resigned on 22 October 2021.

Andrew Findlay (Chief Financial Officer)

Andrew was appointed Chief Financial Officer of M Group Services Limited on 18 August 2021. He was previously Chief Financial Officer of easyJet and prior to that held senior roles with Halfords, M&S and Cable & Wireless. Andrew qualified as a Chartered Accountant with Coopers & Lybrand. Andrew is a Non-Exec Director and Chair of the Audit Committee at Rightmove PLC.

Artem Silonov (Executive Director)

Artem was appointed Executive Director, M&A, of M Group Services Limited in August 2017 and is the lead for all mergers and acquisitions undertaken within the Group. Artem joined from First Reserve, where he worked on a number of platform and add-on investments in European industrial sectors, including investment in M Group Services Limited in September 2016. Prior to First Reserve Artem spent four years with J.P. Morgan's Investment Banking division.

Will Cooper (Director)

Will was appointed Director of Financial Control and Accounting of M Group Services Limited in June 2019, having previously been at Inmarsat PLC where he was Group Financial Controller. Will has broad financial experience that has been developed within listed and privately owned companies. Will is a qualified Chartered Accountant.

Jim Winnicott (Executive Director)

Jim was appointed Executive Director, Support Services, of M Group Services Limited in 2016. Jim is responsible for the Support Services function of M Group Services Limited which includes Group Procurement, Information Systems, Assurance, Risk Management and Governance. Jim also supports the acquisition and integration process of any new businesses into the M Group Services Limited portfolio.

Third party indemnity

The Group maintains qualifying third party indemnity insurance for all directors as required by section 234 of the Companies Act 2006. These insurances were in force throughout the period to 31 March 2022 and continue to the date of signing the financial statements.

M Group Services Limited

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

Research and development

The Group continues to drive performance improvement, create value adding and innovative solutions to client issues across each of our sector businesses. Activities are broad and diverse, such as the customisation of applications, technological advances to mobile apps, automated detection systems and virtual mapping platforms.

Post balance sheet events

On 29 April 2022, the Group completed the purchase of Seeka (previously, a component of Ovo Energy), a c10 million revenue protection service business. The purchase was financed using the increased bank loan facility available to the Group.

Seeka's revenue protection service business unit offers a full end-to-end revenue protection service including energy theft investigation. With around 100 people operating long-term contracts with energy supply businesses and DNOs, this acquisition helps to enhance our capabilities and offering to our clients.

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 17 to 18. Employees are kept informed on matters affecting them. The Group communicates through regular briefings, presentations, electronic mailings, an intranet and the wide circulation of magazines, to achieve awareness of all employees in relation to the financial and economic factors that affect the performance of the Group. Reward and recognition schemes are in place to encourage participation in the Group's performance, highlight the achievements and successes of our people and to thank them for their hard work and dedication. Employees are encouraged to participate in a confidential opinion survey carried out annually.

The Group 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.

Modern Slavery and Human Rights

The Group supports and carries out its business in a manner compatible with the protection of individuals' human rights. The Group does this through its compliance with relevant legislation and through its insistence on ethical business practices. The Group has policies that reflect the rights granted to individuals under the Human Rights Act 1998, such as the areas of non-discrimination, data protection, dignity at work and health and wellbeing. Furthermore, the Group is committed to preventing modern slavery and human trafficking in all its activities and ensures that its supply chains are free from slavery and human trafficking, as set out in our most recent Modern Slavery Statement available here: www.mgroupservices.com/corporate-responsibility/modern-slavery-human-trafficking-statement/.

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 17 to 18.

M Group Services Limited

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

Environmental performance

Our people work in every environment from the busiest towns and cities through to the remotest areas. In all that we do, we aim to minimise our environmental impact. It is our responsibility to share good environmental practice while continuing to develop sustainable processes and behaviours across our business and to our clients' and supply chain. Page 28 details energy efficiency actions undertaken by the Group.

GHG emissions and energy use data for year 1 April 2021 to 31 March 2022

The following tables report the UK energy use and associated greenhouse gas emissions in order to comply with the reporting required under The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2018.

Greenhouse Gas Emissions and Energy Use

The Group consolidated energy consumption and associated greenhouse gas emissions are summarised by activity and Greenhouse Gas Protocol Scope in the tables below.

Consolidated Energy Consumption

| Energy Consumption | 2021/2022 | 2020/2021 |
|-------------------------------------|--------------------|--------------------|
| | kWh | kWh |
| Sites (gas and electricity) | 8,901,730 | 3,795,355 |
| Mobile Plant (gas oil, LPG and HVO) | 29,376,305 | 24,348,213 |
| Transport (diesel and petrol) | 199,913,681 | 160,889,454 |
| TOTAL energy use / kWh | 238,191,716 | 189,033,022 |

Consolidated Greenhouse Gas Emissions

| Greenhouse Gas Emissions | 2021/2022 | 2020/2021 |
|--|--------------------|--------------------|
| | tCO ₂ e | tCO ₂ e |
| Scope 1 Emission Sources | | |
| Sites, combustion of gas | 527 | 221 |
| Fuel use for mobile plant | 7,366 | 6,207 |
| Emissions from fuel use for travel and transport | 49,405 | 37,981 |
| Scope 2 Emission Sources | | |
| Purchased electricity | 1,339 | 632 |
| Scope 3 Emission Sources | | |
| Employee owned vehicles used for business travel | 651 | 2,941 |
| Total GHG emissions / tCO₂e | 59,288 | 47,982 |

Consolidated Emissions Intensity

| | | |
|---|-------|-------|
| GHG emission intensity / tCO ₂ e/£ million of turnover | 36.45 | 37.98 |
|---|-------|-------|

M Group Services Limited

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

Greenhouse Gas Emissions and Energy Use (continued)

Energy use, greenhouse gas emissions and emissions intensities for the nine largest Group companies are summarised in the tables below.

a) Morrison Water Services Limited (Company Registration Number: 04530602)

There is no data for 2020/2021 because this company was newly formed in 2021 (from Morrison Utility Services).

| Energy Consumption | 2021/2022 | 2020/2021 |
|---|-------------------|------------------|
| Total energy use for sites / kWh | 667,438 | - |
| Total energy use for mobile plant / kWh | 10,208,939 | - |
| Total energy use for transport / kWh | 50,025,747 | - |
| TOTAL energy consumption / kWh | 60,902,124 | - |

GHG Emissions

| | | |
|--|---------------|----------|
| Emissions from combustion of gas / tCO ₂ e | 30 | - |
| Emissions from purchased electricity / tCO ₂ e | 110 | - |
| Emissions from mobile plant / tCO ₂ e | 2,553 | - |
| Emissions from combustion of fuel for transport / tCO ₂ e | 12,495 | - |
| Emissions from employee owned vehicles used for business travel / tCO ₂ e | 79 | - |
| TOTAL Reported GHG emissions / tCO₂e | 15,267 | - |

Emissions Intensity

| | | |
|--|------|---|
| GHG emissions / tCO ₂ e/£m turnover | 37.8 | - |
|--|------|---|

b) Morrison Telecom Services Limited (Company Registration Number: 07563201)

| Energy Consumption | 2021/2022 | 2020/2021 |
|---|-------------------|------------------|
| Total energy use for sites / kWh | 262,633 | 69,065 |
| Total energy use for mobile plant / kWh | 456,424 | 412,411 |
| Total energy use for transport / kWh | 11,526,430 | 8,713,753 |
| TOTAL energy consumption used to calculate GHG emissions / kWh | 12,245,487 | 9,195,229 |

GHG Emissions

| | | |
|--|--------------|--------------|
| Emissions from combustion of gas / tCO ₂ e | 31 | 2 |
| Emissions from purchased electricity / tCO ₂ e | 23 | 14 |
| Emissions from mobile plant / tCO ₂ e | 110 | 97 |
| Emissions from combustion of fuel for transport / tCO ₂ e | 2,894 | 2,217 |
| Emissions from employee owned vehicles used for business travel / tCO ₂ e | 2 | 6 |
| TOTAL Reported GHG emissions / tCO₂e | 3,060 | 2,336 |

Emissions Intensity

| | | |
|--|------|------|
| GHG emissions / tCO ₂ e/£m turnover | 18.4 | 13.5 |
|--|------|------|

M Group Services Limited

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

Greenhouse Gas Emissions and Energy Use (continued)

Energy Use and Greenhouse Gas Emissions for Group Companies (continued)

c) Dyer and Butler Limited (Company Registration Number: 01450372)

| Energy Consumption | 2021/2022 | 2020/2021 |
|---|-------------------|-------------------|
| Total energy use for sites / kWh | 402,852 | 249,417 |
| Total energy use for mobile plant / kWh | 4,153,630 | 8,690,450 |
| Total energy use for transport / kWh | 9,093,232 | 7,349,695 |
| TOTAL energy consumption used to calculate GHG emissions / kWh | 13,649,714 | 16,289,562 |

GHG Emissions

| | | |
|--|--------------|--------------|
| Emissions from combustion of gas / tCO ₂ e | 55 | 3 |
| Emissions from purchased electricity / tCO ₂ e | 28 | 55 |
| Emissions from mobile plant / tCO ₂ e | 1,045 | 2,222 |
| Emissions from combustion of fuel for transport / tCO ₂ e | 1,854 | 1,877 |
| Emissions from employee owned vehicles used for business travel / tCO ₂ e | 433 | 0.00 |
| TOTAL Reported GHG emissions / tCO₂e | 3,415 | 4,157 |

Emissions Intensity

| | | |
|--|------|------|
| GHG emissions / tCO ₂ e/£m turnover | 21.3 | 24.8 |
|--|------|------|

d) Morrison Data Services Limited (Company Registration Number: 03076187)

| Energy Consumption | 2021/2022 | 2020/2021 |
|---|-------------------|-------------------|
| Total energy use for sites / kWh | 429,293 | 353,253 |
| Total energy use for mobile plant / kWh | 360,641 | 2,408 |
| Total energy use for transport / kWh | 27,549,976 | 17,467,811 |
| TOTAL energy consumption used to calculate GHG emissions / kWh | 28,339,910 | 17,823,472 |

GHG Emissions

| | | |
|--|--------------|--------------|
| Emissions from combustion of gas / tCO ₂ e | 11 | 15 |
| Emissions from purchased electricity / tCO ₂ e | 80 | 65 |
| Emissions from mobile plant / tCO ₂ e | 91 | - |
| Emissions from combustion of fuel for transport / tCO ₂ e | 6,740 | 4,211 |
| Emissions from employee owned vehicles used for business travel / tCO ₂ e | - | 81 |
| TOTAL Reported GHG emissions / tCO₂e | 6,922 | 4,372 |

Emissions Intensity

| | | |
|--|----|------|
| GHG emissions / tCO ₂ e/£m turnover | 72 | 60.3 |
|--|----|------|

M Group Services Limited

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

Greenhouse Gas Emissions and Energy Use (continued)

e) Morrison Energy Services Ltd (Company Registration Number: 12291202)

There is no data for 2020/2021 because this company was newly formed in 2021 (from Morrison Utility Services).

| Energy Consumption | 2021/2022 | 2020/2021 |
|---|-------------------|------------------|
| Total energy use for sites / kWh | 140,679 | - |
| Total energy use for mobile plant / kWh | 624,689 | - |
| Total energy use for transport / kWh | 17,443,975 | - |
| TOTAL energy consumption used to calculate GHG emissions / kWh | 18,209,343 | - |

GHG Emissions

| | | |
|--|--------------|----------|
| Emissions from combustion of gas / tCO ₂ e | 21 | - |
| Emissions from purchased electricity / tCO ₂ e | 7 | - |
| Emissions from mobile plant / tCO ₂ e | 156 | - |
| Emissions from combustion of fuel for transport / tCO ₂ e | 4,305 | - |
| Emissions from employee owned vehicles used for business travel / tCO ₂ e | 72 | - |
| TOTAL Reported GHG emissions / tCO₂e | 4,561 | - |

Emissions Intensity

| | | |
|--|------|---|
| GHG emissions / tCO ₂ e/£m turnover | 37.9 | - |
|--|------|---|

f) Milestone Infrastructure Ltd (Company Registration Number: 13007933)

There is no data for 2020/2021 because this company began trading in May 2021.

| Energy Consumption | 2021/2022 | 2020/2021 |
|---|-------------------|------------------|
| Total energy use for sites / kWh | 2,919,914 | - |
| Total energy use for mobile plant / kWh | 7,800,135 | - |
| Total energy use for transport / kWh | 16,072,582 | - |
| TOTAL energy consumption used to calculate GHG emissions / kWh | 26,792,631 | - |

GHG Emissions

| | | |
|--|--------------|----------|
| Emissions from combustion of gas / tCO ₂ e | - | - |
| Emissions from purchased electricity / tCO ₂ e | 620 | - |
| Emissions from mobile plant / tCO ₂ e | 1,963 | - |
| Emissions from combustion of fuel for transport / tCO ₂ e | 4,034 | - |
| Emissions from employee owned vehicles used for business travel / tCO ₂ e | - | - |
| TOTAL Reported GHG emissions / tCO₂e | 6,617 | - |

Emissions Intensity

| | | |
|--|------|---|
| GHG emissions / tCO ₂ e/£m turnover | 21.2 | - |
|--|------|---|

M Group Services Limited

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

Greenhouse Gas Emissions and Energy Use (continued)

g) Avonline Network Services Ltd (Company Registration Number: 10201726)

| Energy Consumption | 2021/2022 | 2020/2021 |
|---|------------------|------------------|
| Total energy use for sites / kWh | 349,512 | 56,895 |
| Total energy use for mobile plant / kWh | 289,134 | 57,909 |
| Total energy use for transport / kWh | 8,998,686 | 6,974,417 |
| TOTAL energy consumption used to calculate GHG emissions / kWh | 9,637,332 | 7,089,221 |

GHG Emissions

| | | |
|--|--------------|--------------|
| Emissions from combustion of gas / tCO ₂ e | 48 | 12 |
| Emissions from purchased electricity / tCO ₂ e | 24 | 0 |
| Emissions from mobile plant / tCO ₂ e | 69 | 13 |
| Emissions from combustion of fuel for transport / tCO ₂ e | 2,242 | 1,754 |
| Emissions from employee owned vehicles used for business travel / tCO ₂ e | 20 | 27 |
| TOTAL Reported GHG emissions / tCO₂e | 2,402 | 1,806 |

Emissions Intensity

| | | |
|--|------|------|
| GHG emissions / tCO ₂ e/£m turnover | 27.2 | 28.9 |
|--|------|------|

h) Morrison Energy Services (Transmission Networks) Limited (Company Registration Number: 00245626)

There is no data for 2020/2021 because this company was acquired in December 2021.

| Energy Consumption | 2021/2022 | 2020/2021 |
|---|-------------------|------------------|
| Total energy use for sites / kWh | 297,408 | - |
| Total energy use for mobile plant / kWh | 1,592,477 | - |
| Total energy use for transport / kWh | 10,550,498 | - |
| TOTAL energy consumption used to calculate GHG emissions / kWh | 12,440,383 | - |

GHG Emissions

| | | |
|--|--------------|----------|
| Emissions from combustion of gas / tCO ₂ e | 19 | - |
| Emissions from purchased electricity / tCO ₂ e | 43 | - |
| Emissions from mobile plant / tCO ₂ e | 401 | - |
| Emissions from combustion of fuel for transport / tCO ₂ e | 2,653 | - |
| Emissions from employee owned vehicles used for business travel / tCO ₂ e | - | - |
| TOTAL Reported GHG emissions / tCO₂e | 3,116 | - |

Emissions Intensity

| | | |
|--|------|---|
| GHG emissions / tCO ₂ e/£m turnover | 38.1 | - |
|--|------|---|

M Group Services Limited

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

Greenhouse Gas Emissions and Energy Use (continued)

i) Magdalene Limited (Company Registration Number: 03198823)

| Energy Consumption | 2021/2022 | 2020/2021 |
|---|------------------|------------------|
| Total energy use for sites / kWh | 1,194,658 | 621,414 |
| Total energy use for mobile plant / kWh | 43,638 | 1,191 |
| Total energy use for transport / kWh | 3,566,224 | 1,517,837 |
| TOTAL energy consumption used to calculate GHG emissions / kWh | 4,804,520 | 2,140,442 |

GHG Emissions

| | | |
|--|--------------|------------|
| Emissions from combustion of gas / tCO ₂ e | 157 | 48 |
| Emissions from purchased electricity / tCO ₂ e | 89 | 90 |
| Emissions from mobile plant / tCO ₂ e | 11 | 0 |
| Emissions from combustion of fuel for transport / tCO ₂ e | 881 | 369 |
| Emissions from employee owned vehicles used for business travel / tCO ₂ e | 15 | 19 |
| TOTAL Reported GHG emissions / tCO₂e | 1,153 | 526 |

Emissions Intensity

| | | |
|--|------|------|
| GHG emissions / tCO ₂ e/£m turnover | 27.7 | 23.1 |
|--|------|------|

Methodology and Scope of Reporting

i) The scope of reporting encompasses UK based sites and activities. Whilst Group turnover includes a small contribution from activities outside the UK, these are not significant from the perspective of energy use or greenhouse gas emissions.

ii) Reported activity and greenhouse gas emissions are for the 12 months, 01 April 2021 to 31 March 2022. For companies acquired during the reporting year, the full year turnover and greenhouse gas emissions have been stated.

iii) Greenhouse gas emissions are calculated and presented in accordance with the GHG Reporting Protocol – Corporate Accounting & Reporting Standard and the UK Government's Environmental Reporting Guidelines, March 2019.

iv) Greenhouse gas emissions are calculated using UK Government's 2021 conversion factors and reported as tonnes of carbon dioxide equivalent (tCO₂e).

v) Greenhouse gas emissions are reported in the GHG Protocol scopes.

Scope 1 sources comprise: energy used for buildings (natural gas), transport vehicles (white diesel and petrol) and mobile plant (gas oil, Liquefied Petroleum Gas (LPG) and HVO Biodiesel (Hydrotreated Vegetable Oil).

Scope 2 emissions are emissions associated with imported grid electricity used in M Group Services' offices and depots. Scope 2 emissions have been reported using the location-based methodology. This approach uses the UK Government 2021 Grid electricity conversion factor.

Scope 3 Business travel by employee car is reported under Scope 3.

vi) Other Scope 3 emission sources; business travel by air, rail, taxi and ferry collectively account for less than 1% of reported emissions and are therefore considered to be de minimis.

vii) M Group Services' energy use and associated greenhouse gas emissions, have been calculated by in-house specialist staff and has not been independently verified.

M Group Services Limited

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

Greenhouse Gas Emissions and Energy Use (continued)

Energy Efficiency Actions undertaken by the Group during 2021/2022

M Group Services has a number of on-going activities to improve energy efficiency. This includes the efficient use of current resources, appropriate technology selection and investing in innovation.

We continue to implement and develop our Green Fleet Strategy.

Travel and Transport are our main sources of GHG emissions in Scope 1 and 2.

We own and operate over 8,000 vehicles. This has increased as the business has grown. Our criteria for selecting vehicles for our asset list includes the requirement to be fuel efficient.

We facilitate eco-efficient driving through the use of specialist software that monitors driver behaviours and fuel efficiency. Coaching is provided, where necessary, to drivers in order to improve safety and fuel efficiency.

We have also redesigned and optimised our Headquarters at Stevenage and this is predicted to save 35 MWh of electricity per year. The electricity that we procure is 100% renewable backed. As well as addressing energy efficiency we are focused on reducing our greenhouse gas emissions.

Currently of all new car orders 54% are electric vehicles and 38% are plug-in hybrids.

For our commercial vehicles, we are actively working with our supply chain in order to switch to low emission, efficient vehicles when the technology becomes mature and available.

We have also introduced electrical and solar powered plant and tools across our companies where viable. These include electric hand tools and excavators and solar PV pods (which provide energy storage) and solar powered accommodation units.

In addition, we are utilising HVO (Hydrotreated Vegetable Oil) biodiesel for use on our mobile plant. This fuel has around 85% less Scope 1 emissions than conventional gas oil fuel.

The recovery of our business activities following the impact of the Covid-19 pandemic has resulted in an increase in our greenhouse gas emissions and energy usage.

M Group Services Limited

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

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that year. In preparing the financial statements, the directors are required to:

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

The directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors of the Group are responsible for the maintenance and integrity of the Corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

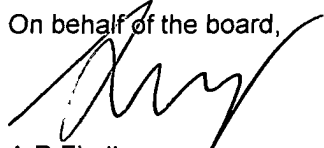
Statement of disclosure of information to auditors

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 Group and parent company's auditors are 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 Group and parent company's auditors are aware of that information.

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

On behalf of the board,



A R Findlay
Director
28 July 2022

Registered Number: 10260164

Abel Smith House
Gunnels Wood Road
Stevenage
Hertfordshire
SG1 2ST

M Group Services Limited

Independent auditors' report to the members of M Group Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of M Group Services Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of the group's 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 consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 36.

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 group and the parent 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.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- challenge of assumptions used in the forecasts
- consideration of amount of headroom in the forecasts (cash and covenants)
- sensitivity analysis
- sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management

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 group's and parent 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.

M Group Services Limited

Independent auditor's report to the members of M Group Services Limited (continued)

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

Other information

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

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

We have nothing to report in this regard.

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

M Group Services Limited

Independent auditor's report to the members of M Group Services Limited (continued)

We obtained an understanding of the legal and regulatory frameworks that the group 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 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These include the Bribery Act, employee laws, carbon reduction regulations as well as health, safety and environment matters.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, pensions, IT, and industry 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 following areas, and our specific procedures performed to address them are described below:

- The judgements and estimates involved in accounting for different aspects of revenue 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 revenue recognition in the year;
 - Understanding the basis of revenue recognition for each type of contractual arrangement, including by reference to contractual documentation;
 - Challenging the judgements made on the key contracts;
 - Recalculating the revenue recognised in the year on a substantive sample of contracts;
 - Performing a reconciliation of cash collections to revenue within the financial year; and
 - Confirming the cut-off of revenue by ensuring that 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. The procedures performed to address this risk included:
 - Documenting our understanding of the design of the key controls surrounding WIP valuation and recoverability;
 - Obtaining an understanding from the commercial teams as to the composition of the WIP, 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 WIP 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.

M Group Services Limited

Independent auditor's report to the members of M Group Services Limited (continued)

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 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.

In the light of the knowledge and understanding of the group and of the parent company and their 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Simon Letts, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, UK

28 July 2022

M Group Services Limited

Consolidated profit and loss account for the year ended 31 March 2022

| | | Year ended 31 March 2022 | Year ended 31 March 2021 |
|---|-------|-----------------------------|-----------------------------|
| | Notes | £m | £m |
| Turnover | 5,6 | 1,545.3 | 1,260.5 |
| Cost of sales | | (1,379.3) | (1,182.1) |
| Gross profit | | 166.0 | 78.4 |
| Administrative expenses | | (134.9) | (110.0) |
| Other operating income | 7 | 1.1 | 23.6 |
| EBITDA (excluding exceptional items) | | 94.4 | 49.9 |
| Exceptional items | 8,9 | (1.7) | (3.6) |
| Depreciation | 8,14 | (13.1) | (11.1) |
| Amortisation | 8,13 | (47.4) | (43.2) |
| Operating profit / (loss) | 8 | 32.2 | (8.0) |
| Interest payable and similar expenses | 11 | (0.9) | (1.0) |
| Profit / (loss) before taxation | | 31.3 | (9.0) |
| Tax (charge) / credit on profit | 12 | (14.4) | 5.5 |
| Profit / (loss) for the financial year | | 16.9 | (3.5) |
| Profit / (loss) attributable to: | | | |
| - Owners of the parent | | 16.9 | (3.5) |

The accompanying notes on pages 41 to 84 form part of these financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account.

The above results all relate to continuing operations.

M Group Services Limited

Consolidated statement of comprehensive income for the year ended 31 March 2022

| | | Year ended 31 March 2022 | Year ended 31 March 2021 |
|--|------|-----------------------------|-----------------------------|
| | Note | £m | £m |
| Profit / (loss) for the financial year | | 16.9 | (3.5) |
| Other comprehensive income: | | | |
| Remeasurements of net defined benefit obligation | 22 | 0.6 | 0.1 |
| Total tax income on components of other comprehensive income | | - | - |
| Other comprehensive income for the year, net of tax | | 0.6 | 0.1 |
| Total comprehensive income / (expense) for the year | | 17.5 | (3.4) |
| Total comprehensive income / (expense) attributable to: | | | |
| - Owners of the parent | | 17.5 | (3.4) |

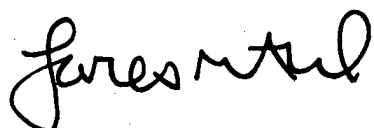
M Group Services Limited

Consolidated balance sheet as at 31 March 2022

| | Note | At 31 March 2022 £m | Restated At 31 March 2021 £m |
|---|------|---------------------------|---------------------------------------|
| Fixed assets | | | |
| Intangible assets | 13 | 386.2 | 290.6 |
| Tangible assets | 14 | 50.1 | 38.3 |
| Loans to Group Undertakings | 16 | 80.4 | 38.7 |
| | | 516.7 | 367.6 |
| Current assets | | | |
| Stocks | 17 | 9.3 | 2.3 |
| Debtors | 18 | 331.4 | 293.3 |
| Cash at bank and in hand | | 186.4 | 131.0 |
| | | 527.1 | 426.6 |
| Creditors: amounts falling due within one year | 19 | (848.2) | (629.5) |
| Net current (liabilities) | | (321.1) | (202.9) |
| Total assets less current liabilities | | 195.6 | 164.7 |
| Creditors: amounts falling due after more than one year | 20 | (18.3) | (7.6) |
| Provisions for liabilities | | | |
| Pensions and similar obligations | 22 | - | (0.5) |
| Provisions for liabilities | 23 | (35.6) | (32.4) |
| | | (35.6) | (32.9) |
| Net assets | | 141.7 | 124.2 |
| Capital and reserves | | | |
| Called up share capital | 25 | - | - |
| Share premium account | 26 | 110.3 | 110.3 |
| Profit and loss account | | 31.4 | 13.9 |
| Total equity | | 141.7 | 124.2 |

The notes on pages 41 to 84 are an integral part of these financial statements. Note 33 details the prior year restatement.

The financial statements on pages 34 to 84 were approved and authorised for issue by the board of directors on 28 July 2022 and were signed in its behalf by:



J M Arnold
Director



A R Findlay
Director

Registered Number: 10260164

M Group Services Limited

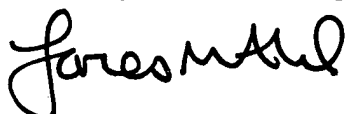
Company balance sheet as at 31 March 2022

| | Note | At 31 March 2022 £m | Restated At 31 March 2021 £m |
|--|------|---------------------------|---------------------------------------|
| Fixed assets | | | |
| Intangible assets | 13 | 12.0 | 6.4 |
| Investments | 15 | 213.8 | 214.0 |
| Loans to Group undertakings | 16 | 441.9 | 283.1 |
| | | 667.7 | 503.5 |
| Current assets | | | |
| Debtors | 18 | 58.8 | 22.2 |
| Cash at bank and in hand | | - | - |
| | | 58.8 | 22.2 |
| Creditors: amounts falling due within one year | 19 | (609.4) | (412.8) |
| Net current liabilities | | (550.6) | (390.6) |
| Total assets less current liabilities | | 117.1 | 112.9 |
| Provisions for liabilities | | | |
| Provisions for liabilities | 23 | (0.5) | - |
| Net assets | | 116.6 | 112.9 |
| Capital and reserves | | | |
| Called up share capital | 25 | - | - |
| Share premium account | 26 | 110.3 | 110.3 |
| Profit and loss account | | 6.3 | 2.6 |
| Total equity | | 116.6 | 112.9 |

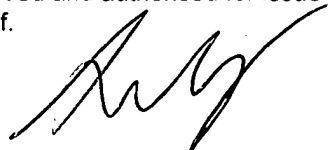
The result for the Company for the year was a profit of £3.7 million (2021 Restated: Profit of £6.3 million).

The notes on pages 41 to 84 are an integral part of these financial statements. Note 33 details the prior year restatement.

The financial statements on pages 34 to 84 were approved and authorised for issue by the board of directors on 28 July 2022 and were signed on its behalf.



J M Arnold
Director



A R Findlay
Director

Registered Number: 10260164

M Group Services Limited

Consolidated statement of changes in equity for the year ended 31 March 2022

| | Share capital | Share premium account | Profit and loss account | Total equity |
|---|---------------|-----------------------|-------------------------|--------------|
| | £m | £m | £m | £m |
| Balance as at 1 April 2020 | - | 110.3 | 17.3 | 127.6 |
| Loss for the financial year | - | - | (3.5) | (3.5) |
| Other comprehensive income for the financial year | - | - | 0.1 | 0.1 |
| Total comprehensive expense for the year | - | - | (3.4) | (3.4) |
| Balance as at 31 March 2021 | - | 110.3 | 13.9 | 124.2 |
| Profit for the financial year | - | - | 16.9 | 16.9 |
| Other comprehensive income for the financial year | - | - | 0.6 | 0.6 |
| Total comprehensive income for the year | - | - | 17.5 | 17.5 |
| Balance as at 31 March 2022 | - | 110.3 | 31.4 | 141.7 |

M Group Services Limited

Company statement of changes in equity for the year ended 31 March 2022

| | Share capital | Share premium account | <i>Restated</i> Profit and loss account | <i>Restated</i> Total equity |
|--|---------------|-----------------------|--|---------------------------------|
| | £m | £m | £m | £m |
| Balance as at 1 April 2020 | - | 110.3 | (3.7) | 106.6 |
| Profit and total comprehensive income for the financial year | - | - | 6.3 | 6.3 |
| Balance at 31 March 2021 | - | 110.3 | 2.6 | 112.9 |
| Profit and total comprehensive income for the financial year | - | - | 3.7 | 3.7 |
| Balance as at 31 March 2022 | - | 110.3 | 6.3 | 116.6 |

M Group Services Limited

Consolidated statement of cash flows for the year ended 31 March 2022

| | Note | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|------|-----------------------------------|-----------------------------------|
| Net cash inflow from operating activities | 27 | 80.7 | 101.0 |
| Taxation paid | | (9.4) | (0.8) |
| Net cash generated from operating activities | | 71.3 | 100.2 |
| Cash flow from investing activities | | | |
| Payments to acquire fixed assets | | (24.8) | (12.6) |
| Proceeds on disposal of fixed assets | | 6.7 | 1.5 |
| Investments | 34 | (120.9) | (5.4) |
| Net cash used in investing activities | | (139.0) | (16.5) |
| Cash flows from financing activities | | | |
| Repayment of finance lease | | (4.7) | (6.5) |
| Loans from parent companies | | 58.6 | (86.3) |
| Interest paid | | (0.9) | (1.0) |
| Net cash generated from / (used in) financing activities | | 53.0 | (93.8) |
| Net decrease in cash and cash equivalents | | (14.7) | (10.1) |
| Cash and cash equivalents at the beginning of the year | | 115.4 | 125.5 |
| Cash and cash equivalents at the end of year | 27 | 100.7 | 115.4 |

M Group Services Limited

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

1 General Information

M Group Services Limited ("the Company") and its subsidiaries (together "the Group") provide repair and maintenance, refurbishment, enhancement and data services to blue-chip clients in essential infrastructure sectors in the UK.

The Company is a private company limited by shares incorporated in England and domiciled in the UK. The address of its registered office is Abel Smith House, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2ST.

2 Statement of compliance

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

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied, unless otherwise stated. The Company has adopted FRS 102 in these financial statements.

Basis of preparation

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

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

The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

Going concern

The directors have taken into account uncertainties in preparing financial projections and assessing the future prospects of 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, the financial statements have been prepared on the going concern basis. The Group also has access if needed to funding from its ultimate holding company Minerva Equity 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 both the Company and the Group 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.

M Group Services Limited

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

3 Summary of significant accounting policies (continued)

Exemptions for qualifying entities under FRS 102 (continued)

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the exemption from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.

The Group 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.

The Company has taken exemption from disclosing share based payment arrangements, required under FRS102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23, concerning its own equity instruments.

Consolidated financial statements

The Group financial statements comprise a consolidation of the financial statements of the Company and all its subsidiary undertakings as at 31 March 2022. The accounting policies are uniformly applied across the Group. The results of companies acquired or disposed of are consolidated from the effective date of acquisition or to the effective date of disposal. Intra-group sales and profit are eliminated on consolidation.

Foreign currencies

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

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and that these benefits can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided and net of discounts and value added taxes.

The Group has identified four operating segments, being Water, Energy, Telecoms and Transport. These are consistent with the way the Group reports financial information internally.

Contract income

The activities of the Group are largely undertaken through long-term framework contracts. Under these contracts revenue is recognised in line with each separate supply of goods and services completed. Where losses are foreseeable in respect of future supplies committed under these framework contracts, appropriate provisions are made. In addition, an accrual is maintained for future remedial works that may be required in respect of supplies already made.

For long-term project contracts where the outcome of the contract can be measured reliably, revenue is recognised by reference to the stage of completion of the contract activity at the balance sheet date (e.g. on a costs incurred or milestone reached basis). Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately in the profit and loss account.

M Group Services Limited

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

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Contract income (continued)

Where the outcome of a contract cannot be measured reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable that these costs will be recovered.

Where contracts exhibit characteristics of both framework and long-term project contracts, the company applies the appropriate recognition criteria to the separate components of the contract.

Amounts recoverable on contracts are stated at cost plus attributable profits less provision for losses and payments on account. Payments on account in excess of amounts recoverable on contracts are included in creditors.

On target cost contracts with a pain/gain mechanism the gain is recognised when there is a higher degree of confidence it will be received and the pain is recognised to the extent incurred on activities to date and as soon as that pain is foreseeable.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value where there is reasonable assurance that the grant will be received. Amounts received are recognised over the period in which the related costs are recognised. In the current year, grant accounting has been applied to the amounts received under the Job Retention Scheme launched as part of HM Governments response to the COVID-19 pandemic and the amounts received under the R&D expenditure credit scheme providing corporation tax relief on research and development costs. These amounts are shown within Other Operating Income.

Exceptional items

Where it is considered that items of income or expense are material and are considered non-recurring or because 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 Group's financial performance.

Employee Benefits

Short term benefits

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

Defined contribution pension plans

The Group operates defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group 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.

Defined benefit pension plan

The Group operates defined benefit scheme arrangements for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The defined benefit scheme arrangements are funded separately, with the assets of the scheme held separately from those of the Group in a trustee administered fund.

M Group Services Limited

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

3 Summary of significant accounting policies (continued)

Employee Benefits (continued)

Defined benefit pension plan (continued)

The liabilities recognised in the balance sheet in respect of the defined benefit plan arrangements are the present value of the defined benefit obligations at the end of the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit liabilities, net of the related deferred tax, are presented separately on the face of the balance sheet.

The fair value of the plan assets are measured in accordance with FRS 102 and in accordance with the Group's policy for similarly held assets.

The cost of the defined benefit plan, recognised in profit and loss as employee costs comprises:

- (a) The increase in pension benefit liability arising from the employee service during the year; and
- (b) The cost of the plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligations and the fair value of plan assets. These costs are recognised in profit or loss as 'Net interest expense on post-employment benefits'.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurements of net defined benefit liability' in the consolidated statement of comprehensive income.

Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. 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 year. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year 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 year end and that are expected to apply to the reversal of the timing difference.

M Group Services Limited

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

3 Summary of significant accounting policies (continued)

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured, they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units (CGU) that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life, which is estimated to be ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

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 - 8 years |
| Client relationships | - 5 - 15 years |
| Brands | - 5 - 20 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.

Separately acquired brands and non-contractual customer relationships are shown at historical cost. Brands and customer relationships have a finite useful life and are carried at cost less accumulated amortisation.

M Group Services Limited

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

3 Summary of significant accounting policies (continued)

Tangible assets

Tangible assets are included at historical 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.

Vehicles, plant, fixtures, fittings, and equipment

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

Depreciation and residual values

Depreciation of assets is calculated at rates expected to write off cost less the estimated residual value of the relevant assets over their expected economic lives.

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

The expected economic lives used are principally as follows:

| | |
|---|-------------------------------|
| Vehicles, plant, fixtures, fittings and equipment | - 1 to 15 years |
| Leasehold property | - Remaining life of the lease |

Assets under construction are not depreciated until they are ready for use.

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

Leased assets

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

Finance leased assets

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

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

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

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

M Group Services Limited

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

3 Summary of significant accounting policies (continued)

Leased assets (continued)

Operating leased assets

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

Lease incentives

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

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

Investments

Investments in subsidiary companies are stated at historical cost less accumulated impairment losses.

Stocks

Stocks are stated at the lower of historical cost and estimated selling price less costs to complete and sell. Stocks are recognised as an expense in the period in which the related revenue is recognised. Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition.

Cash and cash equivalents

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

Provisions and contingencies

Provisions

A provision is recognised when the Group 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 and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes

M Group Services 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)

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 year 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, loans from fellow group companies and preference shares, 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. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and as subsequently remeasured at their fair value. Changes in the fair value of derivatives are recognised in the profit and loss account in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

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.

M Group Services Limited

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

3 Summary of significant accounting policies (continued)

Joint ventures

Jointly controlled assets

Each venture apportions its share of revenues, expenses, assets and liabilities. The joint venture activities are carried out by the venture's employees alongside the venture's similar activities.

The joint ventures are proportionally consolidated into the Group financial statements. That is, the balances that are recorded are the share of the assets that the joint venture controls and the share of the liabilities that the joint venture incurs. The profit recognised from the joint venture activities reflects the Group's share of the net income that the joint venture earns from the sale of goods or provision of services by the joint venture.

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 Group's shareholders are recognised as a liability in the financial statements in the year 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 Group discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

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

Amounts recoverable on contract

The Company provides support services to blue-chip clients in the essential infrastructure sectors in the UK and typically via framework contracts. 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 18 for the net carrying amount of amounts recoverable on contracts.

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.

M Group Services Limited

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

5 Turnover

At 31 March 2022, the Group has four classes of business – Energy, Water, Telecoms and Transport. The Group provides repair and maintenance, refurbishment, enhancement and data retrieval and management services to blue-chip clients in essential infrastructure sectors.

6 Segmental information

By geographical origin

Turnover related to activities in the United Kingdom was £1,542.8 million, Ireland £2.3 million, Rest of world £0.1 million and Europe £0.1 million (2021: United Kingdom £1,258.0 million, Ireland £2.2 million, Rest of World £0.2 million and Europe £0.1 million).

By category

| | Turnover Year ended 31 March 2022 | Turnover Year ended 31 March 2021 |
|-----------------------|---|---|
| | £m | £m |
| Energy | 294.6 | 377.6 |
| Water | 453.3 | 443.3 |
| Telecoms | 308.8 | 258.6 |
| Transport | 488.6 | 181.0 |
| Total turnover | 1,545.3 | 1,260.5 |

7 Other operating income

| | Year ended 31 March 2022 | Year ended 31 March 2021 |
|---|-----------------------------|-----------------------------|
| | £m | £m |
| Grants received under COVID-19 Job Retention Scheme | 0.1 | 23.6 |
| R&D expenditure credit | 1.0 | - |
| | 1.1 | 23.6 |

M Group Services Limited

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

8 Operating profit / (loss)

| Group | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|--|-----------------------------------|-----------------------------------|
| Operating profit / (loss) is stated after (charging)/crediting: | | |
| Depreciation – owned assets (see note 14) | (11.0) | (9.4) |
| Depreciation – leased assets (see note 14) | (2.1) | (1.7) |
| Amortisation (see note 13) | (47.4) | (43.2) |
| Hire of plant and machinery | (43.8) | (45.8) |
| Operating lease rentals – plant and machinery | (30.9) | (21.2) |
| Operating lease rentals – other | (5.2) | (6.1) |
| Stranded related to COVID-19 | - | (8.1) |
| Exceptional items (see note 9) | (1.7) | (3.6) |
| Profit on sale of tangible assets | 2.1 | 0.7 |
| Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements | (0.1) | (0.1) |
| Fees payable to the Company's auditors and their associates for other services: | | |
| - The audit of the Company's subsidiaries pursuant to legislation | (1.5) | (0.6) |
| Total amount payable to the Company's auditors and their associates | (1.6) | (0.7) |

M Group Services Limited

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

9 Exceptional items

| Group | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|------------------------------------|-----------------------------------|-----------------------------------|
| COVID-19 incremental costs | (0.2) | (1.1) |
| Restructuring | (0.8) | (1.0) |
| Costs associated with acquisitions | (0.8) | (0.2) |
| Redundancy | (0.1) | (1.3) |
| Profit on disposal of investment | 0.2 | - |
| | (1.7) | (3.6) |

COVID-19 incremental costs include demobilisation and remobilisation costs, personal protective equipment and other related costs. The restructuring costs are non-recurring associated with the refinement of the group organisation.

10 Employees and directors

| Group | Year ended 31 March 2022 Number | Year ended 31 March 2021 Number |
|---|---------------------------------------|---------------------------------------|
| Average monthly number of full time equivalent management and supervisory staff employed (including executive directors) were as follows: | 4,577 | 3,799 |
| Average monthly number of full time equivalent operational persons employed (including executive directors) were as follows: | 4,940 | 4,765 |
| | 9,517 | 8,564 |

| Group | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|-----------------------|-----------------------------------|-----------------------------------|
| Wages and salaries | 410.2 | 320.8 |
| Social security costs | 29.2 | 32.2 |
| Other pension costs | 11.5 | 10.9 |
| Staff costs | 450.9 | 363.9 |

M Group Services Limited

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

10 Employees and directors (continued)

| Company | Year ended 31 March 2022 Number | Year ended 31 March 2021 Number |
|---|---------------------------------------|---------------------------------------|
| Average monthly number of full time equivalent management and supervisory staff employed (including executive directors) were as follows: | 172 | 148 |
| | 172 | 148 |

| Company | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|-----------------------|-----------------------------------|-----------------------------------|
| Wages and salaries | 11.9 | 7.2 |
| Social security costs | 0.9 | 0.7 |
| Other pension costs | 0.5 | 0.3 |
| Staff costs | 13.3 | 8.2 |

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:

| Company | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|----------------------|-----------------------------------|-----------------------------------|
| Aggregate emoluments | 2.2 | 2.1 |

Directors' remuneration

| Company | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|----------------------|-----------------------------------|-----------------------------------|
| Aggregate emoluments | 2.2 | 2.1 |

Highest paid director

| | | |
|------------|-----|-----|
| Emoluments | 0.8 | 0.7 |
|------------|-----|-----|

The directors are remunerated for services to the Group as a whole and the cost is borne by all subsidiary undertakings by a recharge.

No directors participated in a defined benefit pension scheme during the year (2021: none).

M Group Services Limited

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

11 Interest payable and similar expenses

| | Year ended 31 March 2022 | Year ended 31 March 2021 |
|--|-----------------------------|-----------------------------|
| | £m | £m |
| Interest payable and similar expenses | | |
| Interest payable on overdrafts and bank loans | (0.4) | (0.3) |
| Finance lease interest | (0.5) | (0.7) |
| Total interest payable and similar expenses | (0.9) | (1.0) |

12 Tax on profit

| Tax expense included in profit and loss account | Year ended 31 March 2022 | Year ended 31 March 2021 |
|--|-----------------------------|-----------------------------|
| | £m | £m |
| Current tax: | | |
| UK Corporation tax on profit / (loss) for the year | 10.6 | 2.0 |
| Adjustment in respect of previous period | 0.9 | (3.1) |
| Total current tax charge / (credit) | 11.5 | (1.1) |
| Deferred tax: | | |
| Origination and reversal of timing differences | (4.3) | (4.4) |
| Adjustment in respect of previous period | (0.3) | - |
| Change in tax rate | 7.5 | - |
| Total deferred tax charge / (credit) | 2.9 | (4.4) |
| Tax on profit / (loss) | 14.4 | (5.5) |

M Group Services Limited

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

12 Tax on profit (continued)

Reconciliation of tax charge:

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

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|--|-----------------------------------|-----------------------------------|
| Profit / (loss) before taxation | 31.3 | (9.0) |
| Profit multiplied by the standard UK rate of tax 19% (2021: 19%) | 5.9 | (1.7) |
| Effects of: | | |
| Expenses not deductible for tax purposes | (0.6) | (0.2) |
| Adjustment in respect of previous period | 0.6 | (3.1) |
| Tax rate changes | 7.5 | - |
| Amortisation of goodwill | 4.5 | 3.6 |
| Movement in deferred tax not recognised | - | (0.6) |
| Adjustment in respect of transfer pricing | (3.5) | (3.5) |
| Tax charge / (credit) for the year | 14.4 | (5.5) |

An increase to the UK corporation tax rate to 25% with effect from 1 April 2023 was enacted by Finance Act 2021 on 14 May 2021. Deferred tax is provided at the rates timing differences are expected to reverse in accordance with FRS102. The impact on deferred tax is to increase the year end liability by £7.5m.

M Group Services Limited

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

13 Intangible assets

| | Client relation- ships | Brands | Goodwill | Other including software | Total |
|--|------------------------------|---------------|---------------|--------------------------------|----------------|
| Group | £m | £m | £m | £m | £m |
| Cost at 1 April 2021 | 227.5 | 42.1 | 156.4 | 17.6 | 443.6 |
| Acquisitions | - | - | 131.3 | 1.1 | 132.4 |
| Additions | - | - | - | 10.7 | 10.7 |
| Disposals | (0.6) | - | (1.0) | (0.1) | (1.7) |
| Cost at 31 March 2022 | 226.9 | 42.1 | 286.7 | 29.3 | 585.0 |
| Accumulated amortisation at 1 April 2021 | (79.5) | (10.7) | (56.6) | (6.2) | (153.0) |
| Charge for the year | (18.5) | (2.5) | (23.2) | (3.2) | (47.4) |
| Eliminated on disposal | 0.5 | - | 1.0 | 0.1 | 1.6 |
| Accumulated amortisation at 31 March 2022 | (97.5) | (13.2) | (78.8) | (9.3) | (198.8) |
| Net book value at 31 March 2022 | 129.4 | 28.9 | 207.9 | 20.0 | 386.2 |
| Net book value at 31 March 2021 | 148.0 | 31.4 | 99.8 | 11.4 | 290.6 |

M Group Services Limited

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

13 Intangible assets (continued)

| Company | Other including software |
|--|---|
| | £m |
| Cost at 1 April 2021 | 6.6 |
| Additions | 6.4 |
| Cost at 31 March 2022 | 13.0 |
| Accumulated amortisation at 1 April 2021 | (0.2) |
| Charge for the year | (0.8) |
| Accumulated amortisation at 31 March 2022 | (1.0) |
| Net book value at 31 March 2022 | 12.0 |
| Net book value at 31 March 2021 | 6.4 |

M Group Services Limited

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

14 Tangible assets

| Group | Vehicles, plant, fixtures, fittings and equipment £m |
|---|---|
| Cost at 1 April 2021 | 56.7 |
| Acquisitions (note 34) | 10.8 |
| Additions | 18.6 |
| Disposals | (14.3) |
| At 31 March 2022 | 71.8 |
| Accumulated depreciation at 1 April 2021 | (18.4) |
| Charge for the year | (13.1) |
| On disposals | 9.8 |
| At 31 March 2022 | (21.7) |
| Net book value at 31 March 2022 | 50.1 |
| Net book value at 31 March 2021 | 38.3 |

The net book value of the Group's tangible fixed assets held under finance leases at 31 March 2022 is £11.2 million (2021: £8.9 million).

The Company had no tangible assets during the year (2021: nil).

15 Investments

| Company | Restated £m |
|---------------------------------|------------------------|
| Cost as at 1 April 2021 | 214.0 |
| Disposal of investment | (0.2) |
| Cost as at 31 March 2022 | 213.8 |

See note 32 for additional narrative regarding Company investments in subsidiaries.

See note 35 for details of the investment disposal.

M Group Services Limited

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

16 Loans to group undertakings

| | Group At 31 March 2022 | Group At 31 March 2021 | Company At 31 March 2022 | Company At 31 March 2021 |
|------------------------------------|---|---|---|---|
| | £m | £m | £m | £m |
| Loans to group undertakings | 80.4 | 38.7 | 441.9 | 283.1 |

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

Loans to group undertakings have been reclassified from debtors to fixed assets (note 33).

17 Stocks

| | At 31 March 2022 | At 31 March 2021 |
|--------------------------------------|-----------------------------------|-----------------------------------|
| Group | £m | £m |
| Raw materials and consumables | 9.3 | 2.3 |

There is no material difference between the balance sheet value of stock and its replacement cost (2021: nil).

The Company had no stock during the year (2021: nil).

M Group Services Limited

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

18 Debtors

| | Group | <i>Restated</i> Group | Company | Company |
|---|-----------------------------|--------------------------|-----------------------------|---------------------|
| | At 31 March 2022 | At 31 March 2021 | At 31 March 2022 | At 31 March 2021 |
| | £m | £m | £m | £m |
| Amounts falling due within one year: | | | | |
| Trade debtors | 74.6 | 45.2 | - | - |
| Amounts recoverable on contracts | 188.0 | 177.1 | - | - |
| Amounts owed by group undertakings | 9.3 | 25.7 | 26.7 | 12.7 |
| Other debtors | 7.8 | 5.7 | 17.3 | 6.2 |
| Pension scheme surplus (Note 22) | 0.8 | - | - | - |
| Corporation tax | 3.0 | 3.4 | 11.5 | - |
| Amounts owed by joint ventures | - | 3.2 | - | - |
| Prepayments and accrued income | 47.9 | 33.0 | 3.3 | 3.3 |
| | 331.4 | 293.3 | 58.8 | 22.2 |

Group trade debtors are stated after provisions for impairment of £2.4 million (2021: £1.7 million).

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

Loans to group undertakings have been reclassified from debtors to fixed assets (note 33).

M Group Services Limited

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

19 Creditors: amounts falling due within one year

| | <i>Restated</i> | | | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Group | Group | Company | Company |
| | At 31 March 2022 | At 31 March 2021 | At 31 March 2022 | At 31 March 2021 |
| | £m | £m | £m | £m |
| Obligations under finance leases (note 21) | (3.9) | (4.4) | - | - |
| Bank overdrafts | (85.7) | (15.6) | (81.8) | (15.6) |
| Short-term borrowings | (89.6) | (20.0) | (81.8) | (15.6) |
| Payments received on account | (2.3) | (0.3) | - | - |
| Trade creditors | (92.2) | (118.6) | (1.2) | (1.5) |
| Amounts owed to group undertakings | (391.5) | (291.3) | (516.6) | (372.0) |
| Other taxation and social security | (10.2) | (9.4) | (0.4) | (0.2) |
| Other creditors | (73.9) | (79.7) | (2.4) | (18.6) |
| Amounts owed to joint ventures | (3.1) | (18.1) | - | - |
| Contingent consideration | - | (1.1) | - | - |
| Accruals and deferred income | (185.4) | (91.0) | (7.0) | (4.9) |
| | (848.2) | (629.5) | (609.4) | (412.8) |

As at 31 March 2022 there was an outstanding liability of £2.2 million (2021: £1.3 million) in respect of pension contributions.

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

20 Creditors: amounts falling due after more than one year

| | Group | Group | Company | Company |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | At 31 March 2022 | At 31 March 2021 | At 31 March 2022 | At 31 March 2021 |
| | £m | £m | £m | £m |
| Obligations under finance leases (note 21) | (5.3) | (5.0) | - | - |
| Contingent consideration (note 34) | (9.3) | (2.4) | - | - |
| Accruals and deferred income | (3.7) | (0.2) | - | - |
| | (18.3) | (7.6) | - | - |

M Group Services Limited

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

21 Loans and other borrowings

Finance leases

| | | |
|---|-----------------------------|---------------------|
| The future minimum finance lease payments are as follows: | At 31 March 2022 | At 31 March 2021 |
| | £m | £m |
| Less than one year | (3.9) | (4.4) |
| Between two and five years | (5.3) | (5.0) |
| After five years | - | - |
| Carrying amount of liability | (9.2) | (9.4) |

The finance leases relate to plant and machinery and secondhand light commercial vehicles (LCVs) primarily used in the waste water contracts. They are secured by fixed charges on the assets concerned.

22 Pensions and similar obligations

Defined benefit schemes

The Group operates one material defined benefit scheme, which is closed to future accrual, within Morrison Water Services Limited ('MWS') formerly Morrison Utility Services Limited ('MUS') - the Morrison CARE Pension Scheme ('MCARE' or 'the Scheme').

Additionally, the Group operates a smaller defined benefit scheme within Morrison Data Services Limited ('MDS').

The schemes provide retirement benefits on the basis of members' average salary over their working life with the company. The plans are administered by an independent trustee. Contributions are agreed with the trustee to reduce the funding deficit where necessary.

A full actuarial valuation of the MWS scheme, was carried out at 01 April 2020 by an independent actuary. A full actuarial valuation of the MDS scheme, was carried out at 5 April 2019 and updated to 31 March 2021 by an independent actuary.

Adjustments to the valuation at that date have been made based on current market conditions and the following assumptions:

| | 2022 | | 2021 | |
|---|-------------|-------------|-------------|------------|
| | % pa | | % pa | |
| | MDS | MWS | MDS | MWS |
| Discount rate | 2.80 | 2.60 | 2.10 | 2.00 |
| Inflation rate | 3.80 | 3.55 | 3.40 | 3.25 |
| Increase to deferred benefits during deferment | 3.80 | 3.55 | 3.40 | 3.25 |
| Increases to inflation related pension in payment | 3.80 | 3.45 | 3.40 | 3.15 |

M Group Services Limited

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

22 Pensions and similar obligations (continued)

At 31 March 2022, the surplus / (deficit) recognised in the balance sheet was as follows:

| Amounts recognised in the balance sheet | As at 31 March 2022 | | | As at 31 March 2021 | | |
|--|---------------------|------------|------------|---------------------|--------------|--------------|
| | MDS | MWS | Total | MDS | MWS | Total |
| | £m | £m | £m | £m | £m | £m |
| Present value of funded obligations | (0.9) | (13.3) | (14.2) | (0.8) | (14.0) | (14.8) |
| Fair value of scheme assets | 0.8 | 14.2 | 15.0 | 0.6 | 13.7 | 14.3 |
| Net asset / (liability) at the end of the year excluding deferred tax | (0.1) | 0.9 | 0.8 | (0.2) | (0.3) | (0.5) |
| Related deferred tax asset (note 23) | - | - | - | - | - | - |
| Net pension surplus / (liability) | (0.1) | 0.9 | 0.8 | (0.2) | (0.3) | (0.5) |

Changes in scheme assets

| | Year ended 31 March 2022 | | | Year ended 31 March 2021 | | |
|--|--------------------------|-------------|-------------|--------------------------|-------------|-------------|
| | MDS | MWS | Total | MDS | MWS | Total |
| | £m | £m | £m | £m | £m | £m |
| Balance as at 1 April 2021 / 1 April 2020 | 0.6 | 13.7 | 14.3 | 0.5 | 10.6 | 11.1 |
| Expected return on scheme assets | - | 0.3 | 0.3 | - | 0.3 | 0.3 |
| Employer contributions | 0.2 | 0.8 | 1.0 | 0.1 | 0.8 | 0.9 |
| Benefits paid | - | (0.2) | (0.2) | (0.1) | (0.2) | (0.3) |
| Administration cost | - | (0.1) | (0.1) | - | (0.1) | (0.1) |
| Actuarial (loss) / gain | - | (0.3) | (0.3) | 0.1 | 2.3 | 2.4 |
| Balance as at 31 March 2022 / 31 March 2021 | 0.8 | 14.2 | 15.0 | 0.6 | 13.7 | 14.3 |
| Actual return on scheme assets | 0.0 | 0.1 | 0.1 | 0.1 | 2.6 | 2.7 |

M Group Services Limited

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

22 Pensions and similar obligations (continued)

Changes in scheme liabilities

| | Year ended 31 March 2022 | | | Year ended 31 March 2021 | | |
|--|--------------------------|---------------|---------------|--------------------------|---------------|---------------|
| | MDS | MWS | Total | MDS | MWS | Total |
| | £m | £m | £m | £m | £m | £m |
| Balance as at 1 April 2021 / 1 April 2020 | (0.8) | (14.0) | (14.8) | (0.6) | (11.7) | (12.3) |
| Interest cost | - | (0.3) | (0.3) | - | (0.3) | (0.3) |
| Administration cost | - | - | - | (0.2) | - | (0.2) |
| Benefits paid | - | 0.2 | 0.2 | 0.1 | 0.2 | 0.3 |
| Actuarial gain / (loss) | (0.1) | 0.8 | 0.7 | (0.1) | (2.2) | (2.3) |
| Balance as at 31 March 2022 / 31 March 2021 | (0.9) | (13.3) | (14.2) | (0.8) | (14.0) | (14.8) |

The overall surplus / (deficit) movement may be summarised as follows:

| Movements in balance sheet net liability | Year ended 31 March 2022 | | | Year ended 31 March 2021 | | |
|---|--------------------------|------------|------------|--------------------------|--------------|--------------|
| | MDS | MWS | Total | MDS | MWS | Total |
| | £m | £m | £m | £m | £m | £m |
| Balance as at 1 April 2021 / 1 April 2020 | (0.2) | (0.3) | (0.5) | (0.1) | (1.1) | (1.2) |
| Administration cost | (0.2) | (0.1) | (0.3) | (0.2) | (0.1) | (0.3) |
| Contributions | 0.2 | 0.8 | 1.0 | 0.1 | 0.8 | 0.9 |
| Actuarial gain | 0.1 | 0.5 | 0.6 | - | 0.1 | 0.1 |
| Balance as at 31 March 2022 / 31 March 2021 (excluding deferred tax) | (0.1) | 0.9 | 0.8 | (0.2) | (0.3) | (0.5) |

M Group Services Limited

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

22 Pensions and similar obligations (continued)

The cost of the defined benefit scheme is recognised in the Profit and Loss Account, and the impact of actuarial gains and losses recognised in the Statement of Comprehensive Income, was as follows:

| Expense recognised in the profit and loss account | Year ended 31 March 2022 | | | Year ended 31 March 2021 | | |
|--|--------------------------|--------------|--------------|--------------------------|--------------|--------------|
| | MDS | MWS | Total | MDS | MWS | Total |
| | £m | £m | £m | £m | £m | £m |
| Service cost | (0.2) | - | (0.2) | (0.1) | - | (0.1) |
| Administration cost – scheme expenses | - | (0.1) | (0.1) | (0.1) | (0.1) | (0.2) |
| Charge to operating profit | (0.2) | (0.1) | (0.3) | (0.2) | (0.1) | (0.3) |
| Expected return on pension scheme assets | - | 0.3 | 0.3 | - | 0.3 | 0.3 |
| Interest on pension scheme liabilities | - | (0.3) | (0.3) | - | (0.3) | (0.3) |
| Amount charged to other finance expense | - | - | - | - | - | - |
| Expense recognised in the profit and loss account | (0.2) | (0.1) | (0.3) | (0.2) | (0.1) | (0.3) |

| Analysis of amounts recognised in the Statement of Comprehensive income | Year ended 31 March 2022 | | | Year ended 31 March 2021 | | |
|---|--------------------------|------------|------------|--------------------------|------------|------------|
| | MDS | MWS | Total | MDS | MWS | Total |
| | £m | £m | £m | £m | £m | £m |
| Difference between expected and actual returns on scheme assets | - | (0.2) | (0.2) | 0.1 | 2.3 | 2.4 |
| Changes in assumptions underlying the present value of the schemes' liabilities | 0.1 | 0.7 | 0.8 | (0.1) | (2.2) | (2.3) |
| Actuarial gains in schemes | 0.1 | 0.5 | 0.6 | - | 0.1 | 0.1 |

M Group Services Limited

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

22 Pensions and similar obligations (continued)

| Details of experience gains and losses | Year ended 31 March 2022 | | | Year ended 31 March 2021 | | |
|--|--------------------------|--------|--------|--------------------------|--------|--------|
| | MDS | MWS | Total | MDS | MWS | Total |
| | £m | £m | £m | £m | £m | £m |
| Defined benefit obligation | (0.9) | (13.3) | (14.2) | (0.8) | (14.0) | (14.8) |
| Plan assets | 0.8 | 14.2 | 15.0 | 0.6 | 13.7 | 14.3 |
| Surplus / (deficit) | (0.1) | 0.9 | 0.8 | (0.2) | (0.3) | (0.5) |
| Experience adjustment on plan assets | - | (0.2) | (0.2) | 0.1 | 2.3 | 2.4 |
| Experience adjustment on plan liabilities | (0.1) | 0.8 | 0.7 | (0.1) | (2.2) | (2.3) |
| Total amount recognised in the Statement of comprehensive income | (0.1) | 0.6 | 0.5 | - | 0.1 | 0.1 |

The fair value of the plan assets was:

| | At 31 March 2022 | | | At 31 March 2021 | | |
|---------------------|------------------|-------------|-------------|------------------|-------------|-------------|
| | MDS | MWS | Total | MDS | MWS | Total |
| | £m | £m | £m | £m | £m | £m |
| Equities | 0.3 | 2.1 | 2.4 | 0.1 | 6.6 | 6.7 |
| Other | 0.5 | 12.1 | 12.6 | 0.5 | 7.1 | 7.6 |
| Total assets | 0.8 | 14.2 | 15.0 | 0.6 | 13.7 | 14.3 |

The values of the assets have been taken at bid value.

The Group operates a number of defined contribution schemes for its employees. The amount recognised as an expense for the defined contribution schemes was £11.2 million (2021: £10.6 million)

M Group Services Limited

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

23 Provisions for liabilities

Group

| | 2022 Deferred tax £m | 2021 Deferred tax £m |
|--|----------------------------|----------------------------|
| Brought forward as at 1 April 2021 / 2020 | 32.4 | 37.0 |
| Acquisitions (note 34) | 0.3 | (0.2) |
| Adjustment in respect of prior years | (0.3) | - |
| Charge/(credit) for the year (note 12) | 3.2 | (4.4) |
| Carried forward at 31 March 2022 / 2021 | 35.6 | 32.4 |

Deferred tax

The provision for deferred tax consists of the following deferred tax liabilities/(assets):

| | At 31 March 2022 £m | At 31 March 2021 £m |
|-------------------------------------|------------------------------|------------------------------|
| Acquired intangible assets | 38.3 | 34.0 |
| Fixed asset timing differences | (0.1) | (0.6) |
| Pensions | (0.4) | - |
| Short term timing provisions | (2.2) | (1.0) |
| Total deferred tax provision | 35.6 | 32.4 |

The amount of deferred tax expected to be reversed in the next 12 months is the deferred tax liability of £4.0 million (2021: £4.2 million).

M Group Services Limited

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

23 Provisions for liabilities (continued)

Company

| | 2022 Deferred tax £m | 2021 Deferred tax £m |
|---|----------------------------|----------------------------|
| Brought forward as at 1 April 2021 | - | - |
| Adjustment in respect of prior years | 0.4 | - |
| Charge for the year | 0.1 | - |
| Carried forward at 31 March 2022 | 0.5 | - |

Deferred tax

The provision for deferred tax consists of the following deferred tax liabilities/(assets):

| | At 31 March 2022 £m | At 31 March 2021 £m |
|-------------------------------------|------------------------------|------------------------------|
| Fixed asset timing differences | 0.5 | - |
| Total deferred tax provision | 0.5 | - |

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

M Group Services Limited

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

24 Financial instruments

| Group | Note | At 31 March | <i>Restated</i> |
|---|-------|--------------|---------------------|
| | | 2022 | At 31 March 2021 |
| | | £m | £m |
| The Group has the following financial instruments: | | | |
| <hr/> | | | |
| Financial assets that are debt instruments measured at amortised cost | | | |
| <hr/> | | | |
| Loans to group undertakings | 16 | 80.4 | 38.7 |
| Trade debtors | 18 | 74.6 | 45.2 |
| Other debtors | 18 | 8.6 | 8.9 |
| Amounts owed by group undertakings | 18 | 9.3 | 25.7 |
| Amounts recoverable on contracts | 18 | 188.0 | 177.1 |
| | | 360.9 | 295.6 |
| <hr/> | | | |
| Financial liabilities measured at amortised cost | | | |
| Bank overdrafts | 19 | 85.7 | 15.6 |
| Finance leases | 21 | 9.2 | 9.4 |
| Trade creditors | 19 | 92.2 | 118.6 |
| Accruals | 19,20 | 189.1 | 91.2 |
| Payments received on account | 19 | 2.3 | 0.3 |
| Amounts owed to group undertakings | 19 | 391.5 | 291.3 |
| Contingent consideration | 19,20 | 9.3 | 3.5 |
| Other creditors | 19 | 87.2 | 107.2 |
| | | 866.5 | 637.1 |
| <hr/> | | | |

M Group Services Limited

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

24 Financial instruments (continued)

| Company | Note | At 31 March | <i>Restated</i> |
|---|------|--------------|-----------------|
| | | 2022 | At 31 March |
| | | £m | 2021 |
| | | | £m |
| The Company has the following financial instruments: | | | |
| Financial assets that are debt instruments measured at amortised cost | | | |
| Loans to group undertakings | 16 | 441.9 | 283.1 |
| Other debtors | 18 | 17.3 | 6.2 |
| Amounts owed by group undertakings | 18 | 26.7 | 12.7 |
| | | 485.9 | 302.0 |
| Financial liabilities measured at amortised cost | | | |
| Bank overdrafts | 19 | 81.8 | 15.6 |
| Trade creditors | 19 | 1.2 | 1.5 |
| Accruals | 19 | 7.0 | 4.9 |
| Amounts owed to group undertakings | 19 | 516.6 | 372.0 |
| Other creditors | 19 | 2.8 | 18.8 |
| | | 609.4 | 412.8 |

25 Called up share capital

| Group and Company | At | At |
|---|----------|----------|
| | 31 March | 31 March |
| | 2022 | 2021 |
| | £m | £m |
| Allotted and fully paid share capital can be split as follows: | | |
| 1,008 Ordinary shares (2021: 1,008) shares of £1.00 each | - | - |

The share capital consists of one class of share – ordinary. Each share has equal voting rights, equal dividend rights and equal rights to capital. The shares in issue are not redeemable but the Company may issue redeemable shares.

M Group Services Limited

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

26 Share premium account

Group and Company

| | At 31 March 2022 | At 31 March 2021 |
|-------------|---------------------|---------------------|
| | £m | £m |
| At 31 March | 110.3 | 110.3 |

27 Note to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities:

| | Note | Year ended 31 March 2022 | Year ended 31 March 2021 |
|---|------|-----------------------------------|-----------------------------------|
| | | £m | £m |
| Profit / (loss) for the year | | 16.9 | (3.5) |
| Tax on profit / (loss) | | 14.4 | (5.5) |
| Net interest expense | | 0.9 | 1.0 |
| Operating profit / (loss) | | 32.2 | (8.0) |
| Profit on disposal of fixed assets | 8 | (2.1) | (0.7) |
| Depreciation | 8,14 | 13.1 | 11.1 |
| Amortisation | 8,13 | 47.4 | 43.2 |
| (Increase) / decrease in working capital including pensions | | (9.9) | 55.4 |
| Net cash inflow from operating activities | | 80.7 | 101.0 |

Analysis of changes in net debt

| | At 1 April 2021 | Cash flows | Acquired | At 31 March 2022 |
|-----------------|-----------------|---------------|------------|---------------------|
| | £m | £m | £m | £m |
| Cash at bank | 131.0 | 49.9 | 5.5 | 186.4 |
| Bank overdrafts | (15.6) | (70.1) | - | (85.7) |
| Finance leases | (9.4) | 0.2 | - | (9.2) |
| Total | 106.0 | (20.0) | 5.5 | 91.5 |

M Group Services Limited

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

27 Note to the cash flow statement (continued)

Cash and cash equivalents

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|--|---|---|
| Cash at bank and in hand in the consolidated balance sheet | 186.4 | 131.0 |
| Bank overdrafts | (85.7) | (15.6) |
| Cash and cash equivalents in the consolidated cash flow statement | 100.7 | 115.4 |

Cash and cash equivalents in the consolidated cash flow statement include overdrafts repayable on demand as they form an integral part of the Group's cash management.

28 Contingent liabilities

Group

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.

Group and company

There are contingent liabilities in respect of performance bonds, guarantees and claims under contracting and other agreements, entered into in the normal course of business. The value of the performance bonds in issue at 31 March 2022 was £14.0 million (2021: £5.6 million).

M Group Services Limited

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

29 Capital commitments

As at 31 March 2022, the Group had placed contracts for the purchase of assets to the value of £0.9 million (2021: £2.1 million), which were not provided for in the financial statements.

As at 31 March 2022, the Company had the following future minimum lease payments under non-cancellable operating leases for each of the following years:

| | At 31 March 2022 | | | At 31 March 2021 | | |
|-------------------------------|------------------|----------------------------|-------------|------------------|----------------------------|-------------|
| | Buildings £m | Plant & Machinery £m | Total £m | Buildings £m | Plant & Machinery £m | Total £m |
| Payments due | | | | | | |
| Within one year | 4.7 | 19.9 | 24.6 | 3.9 | 14.8 | 18.7 |
| Between one and five years | 10.7 | 27.5 | 38.2 | 8.8 | 22.9 | 31.7 |
| After five years | 3.1 | - | 3.1 | 3.9 | - | 3.9 |
| | 18.5 | 47.4 | 65.9 | 16.6 | 37.7 | 54.3 |

Additionally there are limited instances where the Group takes advantage of customers' arrangements to receive earlier payment of invoices for a discount with no recourse to the Group.

The company had no other off-balance sheet arrangements (2021: nil).

30 Related party transactions

The Group has taken advantage of the exemption under FRS 102.33.1A, and has not disclosed transactions with entities that are part of the Minerva Equity Limited group, where 100% of the voting rights of these entities are controlled within the Group. During the year the Company did not have any transactions with entities that are part of the Minerva Equity Limited Group.

31 Immediate and ultimate parent undertaking and controlling party

At 31 March 2022, the Company's immediate parent undertaking was Thor Holdco 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 a private equity firm registered in France, PAI Partners. M Group Services Limited is the smallest group to consolidate the financial statements. Minerva Equity Limited is the parent undertaking of the largest group to consolidate these financial statements.

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

M Group Services Limited

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

32 Subsidiary and related undertakings

The Group's subsidiary and related undertakings at 31 March 2021 (set out below) are wholly owned subsidiaries, unless otherwise stated, with an accounting year end of 31 March. These undertakings principally operate in their country of incorporation.

| Company | Registered country | Company's equity shareholding at 31 March 2022 | Principal business |
|--|--------------------|--|--|
| Protect My Property Services Limited | England (1) | 100% | Security repair and installation |
| Morrison Data Services Limited | England (1) | 100% | Data handling and processing |
| Morrison Data Services (Water) Limited | England (1) | 100% * | Data handling and processing |
| Callisto Data Limited | England (1) | 100% * | Data handling and processing |
| M Group Utilities Limited | England (1) | 100% * | Holding company |
| Morrison Water Services Limited (formerly Morrison Utility Services Limited) | England (1) | 100% * | Utility contracting |
| M Group Services Plant & Fleet Solutions Limited | England (1) | 100% * | Renting and leasing of machinery and equipment |
| Morrison Energy Services Limited | England (1) | 100% * | Holding company |
| Morrison Utility Technologies Limited | England (1) | 100% * | Technology services |
| Morrison Telecom Services Limited | England (1) | 100% * | Telecom services |
| Dyer & Butler 2014 Limited | England (1) | 100% | Holding company |
| Milestone Infrastructure Limited | England (1) | 100%* | Civil engineering |
| M Group Transport Limited | England (1) | 100% * | Holding company |
| Dyer and Butler Limited | England (1) | 100% * | Civil engineering |
| Dyer & Butler Electrical Ltd | England (1) | 100% * | Electrical engineering |
| Antagrade Holdings Limited | England (1) | 100% * | Electrical engineering |
| Antagrade Electrical Limited | England (1) | 100% * | Electrical engineering |
| KH Engineering Holdings Limited | England (1) | 100% * | Holding company |
| KH Engineering Services Limited | England (1) | 100% * | Civil engineering |
| Pipe Restoration Services Limited | England (1) | 50% ** | Pipe restoration services |
| M Group Telecoms Limited | England (1) | 100% | Holding company |

M Group Services Limited

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

32 Subsidiary and related undertakings (continued)

| Company | Registered country | Company's equity shareholding at 31 March 2022 | Principal business |
|--|--------------------|--|--|
| Magdalene Limited | England (1) | 100% * | Telecommunications services and consultancy |
| Magdalene Telecom Limited | England (1) | 100% * | Dormant |
| Avonline Network Services Holdings Limited | England (1) | 100% * | Holding company |
| Avonline Network Services Limited | England (1) | 100% * | Telecommunications network build and installation services |
| PMP Utilities Limited | England (1) | 100% | Holding company |
| Planned Maintenance (Pennine) Limited | England (1) | 100% * | Pipeline leakage, engineering and rescue services |
| PMP Support Services Limited | England (1) | 100% * | Pipeline leakage, engineering and rescue services |
| Industrial Water Jetting Systems Group Limited | England (1) | 100% | Waste water network services |
| Industrial Water Jetting Systems Limited | England (1) | 100% * | Waste water network services |
| Industrial Water Training Services Limited | England (1) | 100% * | Waste water network services |
| IWJS Specialist Services Limited | England (1) | 100% * | Waste water network services |
| IDS Holdings Limited | Scotland (2) | 100%* | Holding company |
| I&C Process Solutions Limited | Scotland (2) | 100%* | Technical testing & analysis |
| ID Systems UK Limited | Scotland (2) | 100%* | Electrical installations |
| A1ba Control Solutions Limited | Scotland (2) | 50%** | Dormant |
| IDS (Integration) Limited | Scotland (2) | 100%* | Dormant |
| IDS (Special Projects) Limited | Scotland (2) | 100%* | Dormant |
| Waldon Telecom Limited | England (1) | 100% * | Mobile telecoms infrastructure |

M Group Services Limited

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

32 Subsidiary and related undertakings (continued)

| Company | Registered country | Company's equity shareholding at 31 March 2022 | Principal business |
|--|--------------------|--|--|
| Z- Tech Control Systems Limited | England (1) | 100% * | Supply & design of instrumentation & control systems |
| MGS Energy Limited | England (1) | 100% * | Holding Company |
| Seeka Limited | England (1) | 100% * | Dormant |
| Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited) | England (1) | 100% * | Overhead line services |

* denotes indirectly held

** denotes a 50/50 joint venture indirectly held

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

(2) Company's registered office is: Unit 1, Axis Park Orchardton Road, Cumbernauld, Glasgow, Scotland, G68 9LB

Subsidiary audit exemptions

The following UK subsidiary undertakings are exempt from the requirements of the Companies Act 2006 (the Act) relating to the audit of individual accounts by virtue of section 479A of the Act, in accordance with which, Minerva Equity Limited provides a guarantee for liabilities.

| |
|---|
| Antagrade Holdings Limited (12043641) |
| Avonline Network Services Holdings Limited (10177313) |
| Dyer & Butler 2014 Limited (09286713) |
| KH Engineering Services Holdings Limited (11723788) |
| PMP Utilities Limited (06833969) |
| Thor Holdco Limited (10259437) |
| Thor Midco Limited (10287007) |
| Morrison Utility Technologies Limited (07342344) |

M Group Services Limited

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

33 Prior year restatements

Group

The Group's Loans to group undertakings of £38.7m have been reclassified from Debtors to Fixed Assets. This represents the fact that these amounts are intended for the continuing use of the borrowing companies as part of the capital structure of those companies. As such they represent Fixed Assets of M Group Services group. The prior year ended 31 March 2021 has been restated to reflect the above.

Additionally, in the prior year ended 31 March 2021 overdrafts under the Group pooling arrangement of £15.6m were offset against Cash and cash equivalents. As the intention to net settle cannot be clearly demonstrated, in line with the requirements of FRS 102, the prior year has been restated to disclose overdrafts within Creditors: amounts falling due within one year, resulting in the prior year comparatives grossing up cash at bank and creditors balances. There is no impact on the prior year income statement or net debt, and the right of set-off arrangements between the cash balances and overdrafts remain unchanged and in place.

| | As originally presented at 31 March 2021 | Restated at 31 March 2021 | Variance |
|---------------------------------|---|---------------------------------|----------|
| | £m | £m | £m |
| Balance Sheet | | | |
| Cash at bank and in hand | 115.4 | 131.0 | 15.6 |
| Fixed Assets | 328.9 | 367.6 | 38.7 |
| Debtors | 332.0 | 293.3 | (38.7) |
| Creditors: amounts due < 1 year | (613.9) | (629.5) | (15.6) |

Company

During the year ended 31 March 2021 management decided to put M Assessment Services Ltd, its 100% owned subsidiary, up for sale. The agreed sale price was £250,000 and the sale completed on 4 May 2021. The carrying value of the investment at 31 March 2021 in the Company's accounts was £3,470,000. This reduction in recoverable value, along with the decline in M Assessment Services' trading performance in the prior year were indications of impairment.

The prior year accounts have been restated to recognise an impairment loss of £3,230,000 reducing the carrying value of the investment in M Assessment Services Ltd to £240,000

| | As originally presented at 31 March 2021 | Restated at 31 March 2021 | Variance |
|-----------------------------|---|---------------------------------|--------------|
| | £m | £m | £m |
| Balance Sheet | | | |
| Investments | 217.2 | 214.0 | (3.2) |
| Net Assets | 116.1 | 112.9 | (3.2) |
| Profit and loss account | 5.8 | 2.6 | (3.2) |
| Shareholders' Equity | 116.1 | 112.9 | (3.2) |

M Group Services Limited

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

34 Business combinations

Group

Acquisition of the infrastructure services business of Skanska Construction (UK) Limited

On 30 April 2021, the Group acquired the infrastructure services business of Skanska Construction (UK) Ltd which delivers complex infrastructure projects to both public and private sectors in the UK. Consideration provided for the acquisition amounted to £56.6m

Management have estimated the useful economic life of the goodwill to be 10 years.

Consideration at 30 April 2021

| | £m |
|-----------------------------|-------------|
| Cash | 54.4 |
| Directly attributable costs | 2.2 |
| Total consideration | 56.6 |

For cash flow disclosure purposes, the amounts are disclosed as follows:

| | £m |
|------------------------------------|-------------|
| Cash consideration paid | 54.4 |
| Directly attributable costs | 2.2 |
| Cash outflow on acquisition | 56.6 |
| Less: cash acquired | - |
| Net cash outflow | 56.6 |

M Group Services Limited

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

34 Business combinations (continued)

Group

Acquisition of the infrastructure services business of Skanska Construction (UK) Limited (continued)

Below is a summary of recognised amounts of identifiable assets acquired and liabilities assumed:

| | Book values | Adjustments | Fair value |
|------------------------------------|-------------|-------------|-------------|
| | £m | £m | £m |
| Intangible assets | 1.1 | - | 1.1 |
| Tangible assets | 1.7 | - | 1.7 |
| Inventories | 2.6 | - | 2.6 |
| Trade and other receivables | 24.4 | 8.8 | 33.2 |
| Cash and cash equivalents | - | - | - |
| Trade and other payables | (60.0) | 18.3 | (41.7) |
| Provisions | (4.8) | - | (4.8) |
| Total identifiable net liabilities | (35.0) | 27.1 | (7.9) |
| Goodwill | | | 64.5 |
| Total | | | 56.6 |

Adjustments relate to changes in accounting from IFRS to FRS102 as well as fair value adjustments. Included in the consolidated income statement for the year ended 31 March 2022 were revenues of £324.0 million and profits of £5.9m in respect of the infrastructure services business of Skanska Ltd.

Acquisition of Waldon Telecom Limited

On 15 July 2021, the Group acquired 100% of the ordinary share capital of Waldon Telecom Limited for total consideration of £7.1m. Waldon Telecom Limited are an infrastructure service provider with acquisition, design and construction capabilities required for the ongoing 5G rollout and will form part of M Group Services' telecom division.

Management have estimated the useful economic life of the goodwill to be 10 years.

Consideration at 15 July 2021

| | £m |
|-----------------------------|------------|
| Cash | 3.8 |
| Deferred consideration | 2.3 |
| Loans acquired | 0.1 |
| Directly attributable costs | 0.9 |
| Total consideration | 7.1 |

M Group Services Limited

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

34 Business combinations (continued)

Group

Acquisition of Waldon Telecom Limited (continued)

For cash flow disclosure purposes, the amounts are disclosed as follows:

| | £m |
|-----------------------------|------------|
| Cash consideration paid | 3.8 |
| Directly attributable costs | 0.9 |
| Cash outflow on acquisition | 4.7 |
| Less: cash acquired | (0.7) |
| Net cash outflow | 4.0 |

Below is a summary of recognised amounts of identifiable assets acquired and liabilities assumed:

| | Book values | Adjustments | Fair value |
|-------------------------------|-------------|-------------|------------|
| | £m | £m | £m |
| Tangible assets | 1.5 | 0.8 | 2.3 |
| Cash and cash equivalents | 0.7 | - | 0.7 |
| Inventories | 1.7 | - | 1.7 |
| Trade and other receivables | 3.2 | - | 3.2 |
| Trade and other payables | (5.8) | - | (5.8) |
| Total identifiable net assets | 1.3 | 0.8 | 2.1 |
| Goodwill | | | 5.0 |
| Total | | | 7.1 |

The revenue from Waldon Telecom Limited included in the consolidated profit and loss account for the year ended 31 March 2022 was £14.5m. It also contributed £1.8m of profit over the same period.

A contingent consideration agreement was entered into as part of the acquisition which is based on the performance of the company over the first year period post acquisition.

M Group Services Limited

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

34 Business combinations (continued)

Group

Acquisition of Z-Tech Control Systems Limited

On 16 December 2021, the Group acquired 100% of the ordinary share capital of Z-Tech Control Systems Limited ("Z-Tech") for total consideration of £22.3m. Z-Tech are an electrical control and instrumentation specialist, providing mission-critical services to the UK's water, energy, and rail industries.

Management have estimated the useful economic life of the goodwill to be 10 years.

Consideration at 16 December 2021

| | £m |
|-----------------------------|-------------|
| Cash | 13.6 |
| Contingent consideration | 7.1 |
| Deferred consideration | 0.9 |
| Loans acquired | 0.2 |
| Directly attributable costs | 0.5 |
| Total consideration | 22.3 |

For cash flow disclosure purposes, the amounts are disclosed as follows:

| | £m |
|------------------------------------|-------------|
| Cash consideration paid | 13.6 |
| Directly attributable costs | 0.5 |
| Cash outflow on acquisition | 14.1 |
| Add: cash acquired | (0.3) |
| Net-cash outflow | 13.8 |

M Group Services Limited

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

34 Business combinations (continued)

Acquisition of Z-Tech Control Systems Limited (continued)

Group

Below is a summary of recognised amounts of identifiable assets acquired and liabilities assumed:

| | Book values | Adjustments | Fair value |
|-------------------------------|-------------|-------------|-------------|
| | £m | £m | £m |
| Tangible assets | 2.1 | 0.2 | 2.3 |
| Inventories | 2.0 | - | 2.0 |
| Trade and other receivables | 3.6 | - | 3.6 |
| Cash and cash equivalents | 0.3 | - | 0.3 |
| Trade and other payables | (2.5) | - | (2.5) |
| Provisions | (0.2) | - | (0.2) |
| Deferred tax liability | (0.3) | - | (0.3) |
| Loans | (1.3) | - | (1.3) |
| Total identifiable net assets | 3.7 | 0.2 | 3.9 |
| Goodwill | | | 18.4 |
| Total | | | 22.3 |

The revenue from Z-Tech included in the consolidated profit and loss account for the year ended 31 March 2022 was £5.6m. It also contributed £0.8m of profit over the same period.

A contingent consideration agreement was entered into as part of the acquisition which is based on the performance of the company over the 2-year period post acquisition.

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

On 23 December 2021, the Group acquired 100% of the ordinary share capital of Morrison Energy Services (Transmission Networks) Limited ("MES(TN)"), formerly known as Babcock Networks Limited, for total consideration of £51.3m. MES(TN) are a leading provider of engineering services in the UK overhead electric transmission and distribution industry. The company will form part of M Group Services' Morrison Energy Services division.

Management have estimated the useful economic life of the goodwill to be 10 years.

Consideration at 23 December 2021

| | £m |
|-----------------------------|-------------|
| Cash | 49.7 |
| Loan acquired | 0.3 |
| Directly attributable costs | 1.3 |
| Total consideration | 51.3 |

M Group Services Limited

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

34 Business combinations (continued)

Group

Acquisition of Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited) (continued)

For cash flow disclosure purposes, the amounts are disclosed as follows:

| | £m |
|-----------------------------|-------------|
| Cash consideration paid | 49.7 |
| Directly attributable costs | 1.3 |
| Cash outflow on acquisition | 51.0 |
| Add: cash acquired | (4.2) |
| Net cash outflow | 46.8 |

Below is a summary of recognised amounts of identifiable assets acquired and liabilities assumed:

| | Book values | Adjustments | Fair value |
|-------------------------------|-------------|-------------|-------------|
| | £m | £m | £m |
| Tangible assets | 4.5 | - | 4.5 |
| Cash and cash equivalents | 4.2 | - | 4.2 |
| Inventories | 0.1 | - | 0.1 |
| Trade and other receivables | 9.2 | - | 9.2 |
| Trade and other payables | (10.3) | - | (10.3) |
| Provisions | (0.6) | - | (0.6) |
| Deferred tax liability | (0.3) | - | (0.3) |
| Total identifiable net assets | 6.8 | - | 6.8 |
| Goodwill | | | 44.5 |
| Total | | | 51.3 |

The revenue from MES(TN) included in the consolidated profit and loss account for the year ended 31 March 2022 was £20.3m. It also contributed £1.0m of profit over the same period.

M Group Services Limited

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

34 Business combinations (continued)

Contingent consideration

Contingent consideration is paid on acquisitions that have occurred in prior years as the acquired entities meet the performance obligations for the consideration to be paid. This has resulted in a decrease to goodwill of £1.1m (2021: increase of £2.4m) during the year in relation to the acquisition of Antagrade Holdings Limited which was acquired on 28 June 2019.

35 Sale of subsidiary undertaking

On 4 May 2021 the Group sold its 100% interest in the ordinary share capital of M Assessment Services Ltd and recognised a profit on sale of £173,000. The loss of M Assessment Services Ltd up to the date of disposal was £19,000 and for the last financial year was a profit of £35,000.

36 Post balance sheet event

On 29 April 2022, the Group completed the acquisition of OVO Energy's revenue protection service business. With a revenue of c. £10 million in 2020, the business offers a full end-to-end revenue protection service to a number of energy suppliers in the UK.

This acquisition enhances our capabilities and offering to our clients, recognising the increased focus on revenue protection.

M Group Services Limited

Appendix – Alternative performance measures

In the reporting of financial information, the Directors have adopted proforma turnover and proforma EBITDA (excluding exceptional items) as alternative performance measures (APMs). These measures are not defined by the Financial Reporting Standard 102 (FRS 102) and therefore may not be directly comparable with other companies' APMs. The Directors believe that these APMs assist in providing additional useful information on the performance of the Group and enhance the comparability of information between reporting periods:

Proforma turnover is defined as the statutory turnover adjusted to include the turnover generated by businesses acquired during the financial year as if they had been part of the Group since the first day of the financial year.

Proforma EBITDA (excluding exceptional items) is defined as the earnings before interest, tax, depreciation and amortisation excluding exceptional items adjusted to include the EBITDA (excluding exceptional items) generated by businesses acquired during the financial year as if they had been part of the Group since the first day of the financial year.

| | Statutory | Proforma |
|---|----------------------|----------------------|
| | Year ended | Year ended |
| | 31 March 2022 | 31 March 2022 |
| | £m | £m |
| Energy | 294.6 | 356.1 |
| Water | 453.3 | 465.4 |
| Telecoms | 308.8 | 313.0 |
| Transport | 488.6 | 522.3 |
| Total Turnover | 1,545.3 | 1,656.8 |
| Total EBITDA (excluding exceptional items) | 94.3 | 102.6 |

M Group Services Limited

Addendum to disclosure note 21

Financial risk management

Financial risk faced by the Group include liquidity and funding risk, market risk including interest rate risk, and credit risk. The Group reviews these risks on an ongoing basis in accordance with internal policies.

(a) Liquidity risk

Liquidity and funding risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The Group finances its liquidity position and its operations by a combination of retained profits, bank borrowings and leases. The Group policy is to maintain a level of cash together with sufficient committed bank facilities to meet liquidity needs and to fund acquisition opportunities as they arise, to maintain a smooth debt profile and to ensure senior bank debt does not exceed the covenants ratios set in the senior facility agreement.

(b) Market risk

The Group is exposed to various elements of market risk, which include interest rate risk and inflation risk. The Group is not exposed to significant foreign exchange risk as it operates in the UK and has no overseas subsidiaries. Interest rate risk is the risk that debt issued at variable interest rates will give rise to cash flow risk, management reviews debt commitments and cash flow forecasts on a regular basis to manage this risk. Inflation risk is the risk that inflationary uplifts in rates will give rise to cash flow risk, the Group manages this risk mainly via framework agreements with a contractual allowance for annual inflationary uplift.

(c) Credit risk

Credit risk represents the risk that a counterparty will not meet its obligations leading to a financial loss for the Group. Credit risk arises from cash at bank, and debtors. For cash at bank, the Group holds positions with an approved list of investment-grade rated counterparties. For debtors, the Group's credit risk is managed by engaging with a diverse portfolio of blue-chip clients. Maximum exposure to credit risk at the end of the reporting period reflects the carrying amount of the Group's financial assets, cash at bank and debtors.

Addendum to disclosure note 31

There are three representatives of PAI Partners who are Board Directors of the Company's ultimate parent undertaking Minerva Equity Limited: Maximilian Harrington, Neil McIlroy, and Colm O'Sullivan. Further information is included in the Minerva Equity Limited Directors' Report for the year ended 31 March 2022.