

Avonline Network Services Limited
Annual report and financial statements
for the year ended 31 March 2024

Registered number 10201726



Avonline Network Services Limited

Annual report and financial statements for the year ended 31 March 2024

Contents	Page
Company Information.....	1
Strategic report for the year ended 31 March 2024.....	2
Directors' report for the year ended 31 March 2024.....	7
Independent auditor's report to the members of Avonline Network Services Limited.....	12
Statement of comprehensive income for the year ended 31 March 2024.....	16
Balance sheet as at 31 March 2024.....	17
Statement of changes in equity for the year ended 31 March 2024.....	18
Notes to the financial statements for the year ended 31 March 2024.....	19

Avonline Network Services Limited

Company Information

Directors	A R Findlay C Keen A Loosveld M A Turner K M Fuller R P Hale J Yarr
Company secretary	A N Badel B N Morrill
Registered office	Abel Smith House Gunnels Wood Road Stevenage Hertfordshire SG1 2ST
Registered number	10201726
Independent auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ

Avonline Network Services Limited

Strategic report for the year ended 31 March 2024

The Directors present their strategic report together with the audited financial statements of the Company for the year ended 31 March 2024.

Principal activities

The principal activity of the Company is the provision of telecommunication network services.

Business review

Avonline Network Services Limited ("Avonline") continues to operate under long term framework agreements with its client base within the Telecoms industry. We take pride in having valued long - term relationships with our portfolio of clients by investing in our contracts and people to ensure we deliver superior services to all our customers.

Company turnover for the year ended 31 March 2024 was £213.8m (2023: £173.9m) and operating profit was £10.5m (2023: £9.4m).

The net assets of the Company as at 31 March 2024 were £24.2m (2023: £16.4m).

With the support of M Group Services (the Group), Avonline has continued to build on its relationships with existing clients, successfully delivering significant, profitable growth in volumes under both existing and new frameworks over the last financial year through underpinning delivery excellence with strategic changes in our talent attraction programmes and service innovation. Business performance remains in line with our strategy, expanding service breadth and depth. As an established entity within the M Group Services Limited Telecom Division, we remain committed to delivering on our strategy and vision to be the leading Telecom services supplier, offering a complete end-to-end service portfolio across the UK.

The increase in scope and pace of nationwide fibre rollout plans continues to drive demand for our network service capabilities.

Key performance indicators (KPIs)

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

The following table provides a reconciliation from operating profit to EBITDA and the calculation of EBITDA:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Operating profit	10,462	9,371
Amortisation on intangible assets (Note 10)	193	102
Depreciation on tangible assets (Note 11)	239	126
EBITDA	10,894	9,599

Avonline Network Services Limited

Strategic report for the year ended 31 March 2024 (continued)

Principal risks and uncertainties

This Section of the strategic report has been adopted from the Group. The Group's risks are reviewed quarterly at the Group Risk Board, chaired by the CFO, and annually a formal review of the principal risks is completed. The updated principal risks are then shared with the Audit Committee. Below is a summary of the Group's principal risks, together with the mitigating actions being taken which have been considered for the company where applicable.

Business interruption

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

To mitigate these risks, the Company designs IT systems and infrastructure with built-in recoverability and redundancy, assessing them for loss of service impact and conducting periodic risk reviews and vulnerability testing. The UK-managed Security Operations Centre continuously monitors networks with advanced security solutions, including internet-based protections, active monitoring, Multi-Factor Authentication, and penetration testing. Additionally, the Group holds ISO 27001 accreditation and has established comprehensive crisis management and business continuity plans to address any business interruption events.

Contract management

The Company handles large, multi-year contracts with clients. In a highly competitive industry, there is a risk of failing to win or renew contracts, or securing them on unfavourable terms. Despite these challenges, the Company's robust internal processes help to manage these risks, maintaining a moderate risk rating.

To mitigate this risk, the Company has established Commercial Minimum Standards and tendering processes linked to the Scheme of Delegated Authority. These processes involve thorough reviews of contract terms by key departments during the tendering and contract award phases. Following the award, continuous management of contracts is ensured through monthly reviews by the Company Commercial team and maintaining effective communication and collaboration with clients.

Skills shortages

The Company requires skilled workforce, across the UK to deliver high-quality work on time for our clients. We operate in some markets and/or areas, where skill shortages prevail, creating a risk that we may be unable to obtain the skills needed to deliver for our clients. The Company has invested heavily in this area, which has resulted in this risk improving. However, there are still some markets and areas where skill shortages prevail across the industry, which is difficult to mitigate, and so creates a moderate risk for the Company.

The Company continues to invest heavily in training, development and succession planning to maximize employee potential and retention. We have also enhanced our Early Careers and our recruitment strategy which enables us to recruit candidates outside of the UK into technical roles and provide sponsorship to skilled workers, offering competitive reward packages to attract skilled workers both locally and internationally.

Health and safety

The Company's complex operations involve high-risk situations, such as working in confined spaces, at heights or with hazardous materials. Failure to manage these risks could result in road traffic incidents, customer, employee or third-party injury or fatality or operational incidents. The Company has maintained a low risk rating and continues to place significant focus on working safely.

Avonline Network Services Limited

Strategic report for the year ended 31 March 2024 (continued)

Principal risks and uncertainties (continued)

Health and safety (continued)

The Company promotes a safety first culture through established minimum standards, policies, procedures and safe working practices that must be followed by everyone working for, or on behalf of, the Company. Directors receive regular assurances that these measures are followed and health and safety risks are effectively managed via our in-house specialist Safety, Health, Environmental and Quality teams, who are embedded into every Division across the Group.

Reliance on supply chain

The Company relies on obtaining necessary materials and skilled labour to deliver its services, using both subcontractors and a directly employed workforce. Any disruption in the supply chain could lead to delays, increased costs, client penalties, and reputational damage. However, the Company maintains a low risk rating due to a robust supply chain that has continued to deliver the individuals and materials needed throughout challenging periods.

The Company reduces this risk by forming preferred supplier relationships with a select group of suppliers and subcontractors in key areas. This approach ensures supply chain continuity and stability, enabling the delivery of best value to clients. Suppliers are paid promptly, and performance of suppliers is regularly reviewed with actions taken as required.

Economic conditions

Economic conditions at both a macro and micro level can impact the amount of expenditure our clients can make. Given many of the Company's contracts are framework agreements which do not provide guaranteed levels of turnover, adverse economic conditions could impact the volume of work that we receive or may mean that clients extend payment terms to manage their cash resources.

If not carefully managed, this could lead to reduced turnover or liquidity risks for the Company. By having a diversified portfolio and ensuring regular dialogue with clients, the impact of this risk is low. We engage in regular dialogue with our clients to continually assess these risks and adjust our resources accordingly. The nature of the work performed by the Company ensures medium term revenue stability, and the diversity of our projects helps further reduce the risk.

Future developments

The current year financial performance of Avonline is in line with our growth strategy. We continue to build on existing relationships with large operators, supporting critical national infrastructure, as a preferred partner.

The Company is expecting to see further growth into the next financial year and beyond as the business continues to scale existing opportunities. This is achievable through the increasing strength and depth in our core business combined with Divisional and M Group Services relationships and end-to-end service offerings.

Section 172 statement

This Section of the strategic report has been adopted from the group. Section 172 of the Companies Act 2006 requires each Director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole but having regard to a range of factors set out in section 172(1)(a)-(f) in the Companies Act 2006. In discharging our section 172 duty, we have regard for these factors taking them into consideration when decisions are made.

In addition, we also have regard to other factors which we consider relevant to the decisions being made. Those factors for example include the interest and views of our clients and their end users, regulatory bodies, and our relationship with our lenders. We delegate authority for day-to-day management of the Company to the Executive Directors and engage management in setting, approving and overseeing execution of the business strategy and related policies.

Avonline Network Services Limited

Strategic report for the year ended 31 March 2024 (continued)

What our stakeholders have told us matters most to them

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. The Directors identify principal decisions as those with significant long-term implications for the Group and its stakeholders, distinct from routine business decisions. All principal decisions are made at Group level.

People

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

The Directors continue to engage and listen to all feedback to harness the talent within the Company and ensure a working environment that allows people to flourish. During the year a group wide People Opinion Survey took place enabling us to address areas for improvement to make the Company a better place to work. The feedback from this engagement has been considered by the Directors and has helped inform short-term actions and long-term people strategies.

Clients

We have long-term relationships with our clients across multiple contracts. We aim to meet the specific needs of each of our clients to deliver best in class solutions. During the year, we continued to have key account support and face-to-face meetings to continue to invest in these relationships. This extends from operational interfaces through to senior executive leadership.

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. During the year, we worked closely with our supply chain to ensure we can meet our business requirements in a sustainable way. Having key account support and face-to-face meetings helps to build trust and long-term relationships which is beneficial to both parties.

Our code of conduct sets out clear standards regarding our ways of working with our supply chain. The code of conduct emphasizes ethical business practices, transparency and integrity. The code of conduct applies to all employees within the Company, regardless of their role or level of seniority. Through our anonymous whistleblowing service, we also encourage employees to report any concerns about misconduct or wrongdoing. This commitment underlines our dedication to maintain exemplary high standards of business conduct and act fairly throughout our operations. The Directors consider the supply chain strategy and understand the key supply chain profile and any dependencies.

Communities and the environment

The Company with the support of the Group has implemented both mitigation and adaptation measures to address the climate emergency. We have developed strategic reduction pathways to meet near-term science-based targets (SBT) and reduce our climate impact. By considering two future climate scenarios, we have integrated climate risks into our risk management framework and business continuity plans. During the year, we expanded our focus to include climate scenario reviews, enhancing our approach to managing climate-related risks over time. We remain committed to minimizing our environmental impact and promoting sustainable practices. ESG metrics are presented to the Directors periodically.

Avonline Network Services Limited

Strategic report for the year ended 31 March 2024 (continued)

Stakeholders engagement (continued)

Shareholders

Minerva Equity Limited, a United Kingdom incorporated company serves as the ultimate parent entity of the Group. This entity is jointly 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. On 27 June 2024, a share purchase agreement to sell 100% of the share capital in Minerva Equity Limited Group has been signed by PAI Partners, the ultimate parent undertaking of the Group, other management shareholders and Midas Bidco I Limited, a company controlled by CVC Capital Partners, with completion expected by the end of September 2024.

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

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

On behalf of the board,



R P Hale
Director
30 July 2024

Registered Number: 10201726

Abel Smith House
Gunnels Wood Road
Stevenage
Hertfordshire
SG1 2ST

Avonline Network Services Limited

Directors' report for the year ended 31 March 2024

The Directors present their Annual report together with the audited financial statements of the Company for the year ended 31 March 2024.

Information disclosed within the Strategic report

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

Dividends

No dividends were paid in the year (2023: £nil). The Directors do not recommend the payment of a final dividend (2023: £nil).

Directors

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

A R Findlay
C Keen
A Loosveld
M A Turner
K M Fuller
R P Hale
J Yarr (appointed 23 June 2023)

Third party indemnity

All Directors are covered by qualifying third-party indemnity insurance as allowed by section 234 of the Companies Act 2006. These insurances were in force throughout the period to 31 March 2024 and continue to the date of signing the financial statements.

Going concern

The Company has access, if needed, to funding from its ultimate holding company Minerva Equity Limited ("the Group"), 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 have undertaken the going concern assessment for the Group for a minimum of 12 months from the date of signing these financial statements.

The Directors have taken into account the outlook for the Group including the resilient sectors in which it operates, the nature of the essential services that we provide to critical national infrastructure, and the strong long-term order book with blue-chip clients. The Directors have also taken into account uncertainties in preparing financial projections and assessing the future prospects of the Group.

The Directors have reviewed the Group's financial and liquidity projections and assessed the headroom on the banking covenants and cash headroom, including performing downside sensitivity scenario analysis by assessing the impact of slower volumes, reduced margins, and slower cash collection to miss the Group's budget and the downside that would be required in order to break the Group's covenants. EBITDA before exceptional and non-recurring items(1) would need to fall by 55% to lead to a breach of banking covenants. Cash flow has been and continues to be robust, in line with management's expectations.

The Group has significant levels of liquidity available. In November 2023, the Group successfully completed a refinancing of its senior debt facility. This replaced the previous £460.0 million senior term loan with a new £520.0 million senior term loan and gave the Group access to a further £100.0 million (2023: £nil) merger and acquisition facility (the "CAR"). The term on the new debt is 7 years starting from November 2023 and ending November 2030. The debt is portable for two years from the date of inception and follows the Group in case of a Permitted Change of Control.

(1) EBITDA before exceptional and non-recurring items is a non GAAP measure that is defined in the group consolidated accounts

Avonline Network Services Limited

Directors' report for the year ended 31 March 2024 (continued)

Going concern (continued)

The Group has access if needed to an undrawn revolving credit facility of £74.3 million (2023: £56.3 million) available until 2030.

The Group had net liabilities of £328.1 million on the balance sheet (2023: £247.7 million). In line with a typical structure for a private equity owned Group, the capital structure of the Group consists of net debt (comprising senior loan, preference shares, shareholder notes, finance leases after deducting cash at bank) and equity (comprising called up share capital, share premium account, profit and loss account).

On 27 June 2024, a share purchase agreement to sell 100% of the share capital in Minerva Equity Limited Group has been signed by PAI Partners, the ultimate parent undertaking of the Group, other management shareholders and Midas Bidco I Limited, a company controlled by CVC Capital Partners, with completion expected by the end of September 2024.

At the same date, the lenders to the Group confirmed this transaction to be a Permitted Change of Control and therefore the debt will continue to be available to the Group, upon completion of the above transaction.

The budget and business plan has remained unchanged post the sale transaction. This budget and business plan has been used to carry out the going concern review.

The Directors have considered two scenarios for the purpose of reaching their conclusion in respect of going concern; the scenario that the share purchase completes and the unlikely scenario where it does not. In both scenarios the group is deemed to be a going concern.

Accordingly, based on the Group's financial and liquidity projections, the maturity and portability of the long-term debt, the expectations of no significant changes to the business plan upon completion of the above shareholder event, and the current expectations of the Directors about the prospects of the Group, the financial statements have been prepared on the going concern basis.

Post balance sheet events

On 27 June 2024, a share purchase agreement to sell 100% of the share capital in Minerva Equity Limited Group has been signed by PAI Partners, the ultimate parent undertaking of the Group, other management shareholders and Midas Bidco I Limited, a company controlled by CVC Capital Partners, with completion expected by the end of September 2024.

Financial risk management objectives and policies

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

Liquidity risk

The company cash and short-term liabilities are managed centrally by the Group. The 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.

Avonline Network Services Limited

Directors' report for the year ended 31 March 2024 (continued)

Financial risk management objectives and policies (continued)

Market risk

The Company is exposed to various elements of market risk, which include interest rate risk and inflation risk. The Company 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 Company manages this risk mainly via framework agreements with a contractual allowance for annual inflationary uplift.

Credit risk

Credit risk represents the risk that a counterparty will not meet its obligations leading to a financial loss for the Company. Credit risk arises from cash at bank, and debtors. For cash at bank, the Company holds positions with an approved list of investment-grade rated counterparties. For debtors, the Company'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 Company's financial assets, cash at bank and debtors.

Employee engagement

Our statement describing how the Board has had regard to the matters set out in section 172 (1) (a) to (f) of the Companies Act 2006 when performing its duty under section 172 is set out on pages 4 to 6.

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

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

Modern Slavery and Human Rights

The Company supports and carries out its business in a manner compatible with the protection of individuals' human rights. The Company does this through its compliance with relevant legislation and through its insistence on ethical business practices. The Company 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 Company 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 4 and 6.

Avonline Network Services Limited

Directors' report for the year ended 31 March 2024 (continued)

Environmental Performance

Everyone in the Company provides a vital service or solution that ensures the essential infrastructure services of everyday life meets the needs of millions of people across the UK and Ireland. Our philosophy is to be 'for more than profit' and now, more than ever, we are driving an ethos that ensures our operations are responsible, sustainable, and beneficial to the environmental and communities in which we work. 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.

The Company is a subsidiary undertaking that is included in the consolidated NFSI statement of the ultimate parent entity Minerva Equity Limited. As such, it has taken the exemption from preparing a non-financial information statement.

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 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 company and the profit or loss of the 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 company will continue in business.

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

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

The Directors of the company 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 auditor

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

- so far as the director is aware, there is no relevant audit information of which the Group and parent company's auditor 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 auditor are aware of that information.

Avonline Network Services Limited

Directors' report for the year ended 31 March 2024 (continued)

Auditor

Deloitte LLP have expressed their willingness to continue as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

The Directors' report was approved and authorised for issue by the Board of Directors.

On behalf of the board,



R P Hale
Director
30 July 2024

Registered Number: 10201726

Abel Smith House
Gunnels Wood Road
Stevenage
Hertfordshire
SG1 2ST

Avonline Network Services Limited

Independent auditor's report to the members of Avonline Network Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Avonline Network Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

Conclusions relating to going concern

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

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

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

Avonline Network Services Limited

Independent auditor's report to the members of Avonline Network Services Limited (continued)

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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

Avonline Network Services Limited

Independent auditor's report to the members of Avonline Network Services Limited (continued)

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included employee laws, health and safety, environmental regulations, Data Protection 2018 and the Bribery Act.

We discussed among the audit engagement team including relevant internal specialists such as tax and IT 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 procedures performed to address them are described below:

- The accuracy of revenue recognised on unbilled, unagreed and uncertified WIP that remains outstanding at the year-end:
 - Evaluating management's assessment on the overall customer contract performance during the period to understand any key issues around the contract and challenge the rationale for material provisions, contract positions and judgements made by management;
 - Assessing the accuracy of the revenue recognised through testing on a sample basis and agreeing the revenue to be recognised on WIP to management reporting and confirmations from commercial teams; and
 - Obtaining an understanding from respective financial and Commercial Directors of the WIP position at year-end and any judgements around recoverability issues and evaluating residual balances that remain unpaid for collectability.

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

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house 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, reviewing internal audit reports, and reviewing correspondence with HMRC.

Avonline Network Services Limited

Independent auditor's report to the members of Avonline Network Services Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



Kate Darlison, FCA (Statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

30 July 2024

Avonline Network Services Limited

Statement of comprehensive income for the year ended 31 March 2024

		Year ended 31 March 2024	Year ended 31 March 2023
	Notes	£'000	£'000
Turnover	5	213,808	173,891
Cost of sales		(191,113)	(156,340)
Gross profit		22,695	17,551
Administrative expenses		(12,233)	(8,193)
Other operating income		-	13
EBITDA		10,894	9,599
Depreciation	6,11	(239)	(126)
Amortisation	6,10	(193)	(102)
Operating profit		10,462	9,371
Profit before interest and taxation		10,462	9,371
Finance income/(costs) - net	8	170	(2)
Profit before taxation		10,632	9,369
Tax on profit	9	(2,759)	(1,746)
Profit for the financial year		7,873	7,623
Other comprehensive income		-	-
Total comprehensive income for the financial year		7,873	7,623

The accompanying notes on pages 19 to 35 form part of these financial statements.

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

Avonline Network Services Limited

Balance sheet as at 31 March 2024

	Notes	At 31 March 2024 £'000	At 31 March 2023 £'000
Fixed assets			
Intangible assets	10	1,260	536
Tangible assets	11	1,062	625
Debtors: amounts due after more than one year	12	5,807	1,188
		8,129	2,349
Current assets			
Stocks	13	3,224	4,853
Debtors	14	47,559	38,359
Cash at bank and in hand		3,249	5,649
		54,032	48,861
Creditors: amounts falling due within one year	15	(37,927)	(34,849)
Net current assets		16,105	14,012
Total assets less current liabilities		24,234	16,361
Net assets		24,234	16,361
Capital and reserves			
Called up share capital	18	-	-
Share premium account	18	791	791
Profit and loss account	18	23,443	15,570
Shareholders' funds		24,234	16,361

The notes on pages 19 to 35 are an integral part of these financial statements.

The financial statements on pages 16 to 35 were approved and authorised for issue by the board of Directors on 30 July 2024 and were signed on its behalf by:

R P Hale
Director

K M Fuller
Director

Registered Number: 10201726

Avonline Network Services Limited

Statement of changes in equity for the year ended 31 March 2024

	Called up share capital	Share premium account	Profit and loss account	Shareholders' funds
	£'000	£'000	£'000	£'000
Balance as at 1 April 2022	-	791	7,947	8,738
Profit and total comprehensive income for the year	-	-	7,623	7,623
Balance as at 31 March 2023	-	791	15,570	16,361
Profit and total comprehensive income for the year	-	-	7,873	7,873
Balance as at 31 March 2024	-	791	23,443	24,234

The notes on pages 19 to 35 are an integral part of these financial statements.

Avonline Network Services Limited

Notes to the financial statements for the year ended 31 March 2024

1 General information

Avonline Network Services Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England. The address of its registered office is Abel Smith House, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2ST.

2 Statement of compliance

The individual financial statements of Avonline Network Services Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

Basis of preparation

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

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

Going concern

The Company has access, if needed, to funding from its ultimate holding company Minerva Equity Limited ("the Group"), 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 have undertaken the going concern assessment for the Group for a minimum of 12 months from the date of signing these financial statements.

The Directors have taken into account the outlook for the Group including the resilient sectors in which it operates, the nature of the essential services that we provide to critical national infrastructure, and the strong long-term order book with blue-chip clients. The Directors have also taken into account uncertainties in preparing financial projections and assessing the future prospects of the Group.

The Directors have reviewed the Group's financial and liquidity projections and assessed the headroom on the banking covenants and cash headroom, including performing downside sensitivity scenario analysis by assessing the impact of slower volumes, reduced margins, and slower cash collection to miss the Group's budget and the downside that would be required in order to break the Group's covenants. EBITDA before exceptional and non-recurring items⁽¹⁾ would need to fall by 55% to lead to a breach of banking covenants. Cash flow has been and continues to be robust, in line with management's expectations.

The Group has significant levels of liquidity available. In November 2023, the Group successfully completed a refinancing of its senior debt facility. This replaced the previous £460.0 million senior term loan with a new £520.0 million senior term loan and gave the Group access to a further £100.0 million (2023: £nil) merger and acquisition facility (the "CAR"). The term on the new debt is 7 years starting from November 2023 and ending November 2030. The debt is portable for two years from the date of inception and follows the Group in case of a Permitted Change of Control.

(1) EBITDA before exceptional and non-recurring items is a non GAAP measure that is defined in the group consolidated accounts

Avonline Network Services Limited

Notes to the financial statements for the year ended 31 March 2024 (continued)

3 Summary of significant accounting policies (continued)

Going concern (continued)

The Group has access if needed to an undrawn revolving credit facility of £74.3 million (2023: £56.3 million) available until 2030.

The Group had net liabilities of £328.1 million on the balance sheet (2023: £247.7 million). In line with a typical structure for a private equity owned Group, the capital structure of the Group consists of net debt (comprising senior loan, preference shares, shareholder notes, finance leases after deducting cash at bank) and equity (comprising called up share capital, share premium account, profit and loss account).

On 27 June 2024, a share purchase agreement to sell 100% of the share capital in Minerva Equity Limited Group has been signed by PAI Partners, the ultimate parent undertaking of the Group, other management shareholders and Midas Bidco I Limited, a company controlled by CVC Capital Partners, with completion expected by the end of September 2024.

At the same date, the lenders to the Group confirmed this transaction to be a Permitted Change of Control and therefore the debt will continue to be available to the Group, upon completion of the above transaction.

The budget and business plan has remained unchanged post the sale transaction. This budget and business plan has been used to carry out the going concern review.

The Directors have considered two scenarios for the purpose of reaching their conclusion in respect of going concern; the scenario that the share purchase completes and the unlikely scenario where it does not. In both scenarios the group is deemed to be a going concern.

Accordingly, based on the Group's financial and liquidity projections, the maturity and portability of the long-term debt, the expectations of no significant changes to the business plan upon completion of the above shareholder event, and the current expectations of the Directors about the prospects of the Group, the financial statements have been prepared on the going concern basis.

Exemptions for qualifying entities under FRS 102

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

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

- from preparing a statement of cash flows, as allowed by FRS 102 paragraph 1.12(b)
- from disclosing a table of financial instruments as allowed by FRS 102 paragraph 1.12(c)
- from disclosing transactions with entities that are part of the Minerva Equity Limited Group where 100% of the voting rights of these entities are controlled within the Group as required by FRS 102 paragraph 33.1A.
- from disclosing key management personnel compensation, as required by FRS 102 paragraph 33.7.

Foreign currencies

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.

Avonline Network Services Limited

Notes to the financial statements for the year ended 31 March 2024 (continued)

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Project contracts

For 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 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. 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..

Amounts recoverable on contracts are stated as accrued income less provision for losses and payments on account. Payments on account in excess of amounts recoverable on contracts are included in creditors.

Taxation

Taxation expense for the period 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 or prior years. Tax is calculated on the basis of tax rates and laws that have been substantively enacted by the period end.

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

Deferred tax

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

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

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

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

Intangible assets

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

Software - 3 to 10 years

Amortisation is charged to the profit and loss account.

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

Avonline Network Services Limited

Notes to the financial statements for the year ended 31 March 2024 (continued)

3 Summary of significant accounting policies (continued)

Tangible assets

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

Depreciation and residual values

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

Leasehold property	- Remaining life of the lease
Plant and machinery	- 1 to 15 years
Motor vehicles	- 1 to 15 years
Office equipment	- 1 to 15 years

Derecognition

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

Stock

Stocks are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately 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.

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 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.

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. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. If the effect is material, and where 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.

Avonline Network Services Limited

Notes to the financial statements for the year ended 31 March 2024 (continued)

3 Summary of significant accounting policies (continued)

Provisions and contingencies (continued)

Provisions (continued)

A provision for onerous contracts is recognised for contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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, amounts recoverable on contracts, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

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

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account.

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

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

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. 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.

Avonline Network Services Limited

Notes to the financial statements for the year ended 31 March 2024 (continued)

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities (continued)

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

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

Offsetting

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

Share capital

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

Distributions to equity holders

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

Related party transactions

The Company discloses transactions with related parties which are not wholly owned by the Minerva Equity Group. It does not disclose transactions with members of the Minerva Equity Group that are wholly owned.

4 Critical accounting judgements and estimation uncertainty

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

Critical judgements in applying the entity's accounting policies

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

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, there are no critical estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Other areas of judgement and accounting estimates

While these areas do not meet the definition of significant accounting estimates or critical accounting judgements, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer term uncertainties.

The other areas of judgement and accounting estimates are:

Avonline Network Services Limited

Notes to the financial statements for the year ended 31 March 2024 (continued)

4 Critical accounting judgements and estimation uncertainty (continued)

Other areas of judgement and accounting estimates (continued)

Amounts recoverable on contract provisioning and unbilled accrued work in progress (WIP) - Accounting estimate

The Company provides support services to blue-chip clients in the 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 14 for the net carrying amount of amounts recoverable on contracts.

5 Turnover

The Company had one class of business providing telecommunication network services. All turnover relates to activities in the United Kingdom.

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Third party turnover	210,379	173,891
Intercompany turnover	3,429	-
	213,808	173,891

6 Profit before taxation

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Profit before taxation is stated after charging:		
Depreciation (Note 11)	239	126
Amortisation (Note 10)	193	102
Operating lease payments	786	624
Loss on sale of fixed assets	15	16
Services provided by the Company's auditor		
Fees payable to the Company's auditor for the audit of the financial statements	163	148

Avonline Network Services Limited

Notes to the financial statements for the year ended 31 March 2024 (continued)

7 Employees and directors

The aggregate remuneration comprised:

	Year to 31 March 2024	Year to 31 March 2023
	£'000	£'000
Wages and salaries	40,284	33,150
Social security costs	3,456	3,043
Other pension costs (Note 16)	1,055	803
Staff costs	44,795	36,996

The average monthly number of employees (Including executive Directors):

	Year to 31 March 2024	Year to 31 March 2023*
	Number	Number
Management and supervisory	236	155
Operational	668	682
	904	837

*During the year, the Directors reviewed the method in which they determine the group's categorisation of staff. Accordingly, the 2023 average monthly number of full-time equivalent staff has been updated to reflect the same method to ensure comparability of the data.

Directors' remuneration

	Year to 31 March 2024	Year to 31 March 2023
	£'000	£'000
Aggregate emoluments	358	333
Pension contributions	11	16
	369	349
Highest paid director		
Aggregate emoluments	358	333
Pension contributions	11	16
	369	349

Retirement benefits are accruing to one director under a defined contribution scheme (2023: one).

Avonline Network Services Limited

Notes to the financial statements for the year ended 31 March 2024 (continued)

7 Employees and directors (continued)

Certain Directors are remunerated for services across a number of Group entities and the cost is borne by the entity in which they are employed, hence there are no costs to include in these financial statements. No recharges have been made in the current year in respect of Directors' services to this Company.

8 Finance income/(costs) - net

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Interest payable and similar expenses		
Finance costs	(28)	(2)
Total interest payable and similar expenses	(28)	(2)
Interest receivable	198	-
Finance income/(costs) - net	170	(2)

9 Tax on profit

Tax expense included in profit or loss	Year to 31 March 2024 £'000	Year to 31 March 2023 £'000
Current tax:		
UK Corporation tax	2,760	1,801
Adjustments in respect of prior years	(159)	81
Total current tax	2,601	1,882
Deferred tax:		
Origination and reversal of timing differences	(46)	(2)
Adjustments in respect of prior years	204	(134)
Total deferred tax	158	(136)
Tax on profit	2,759	1,746

Avonline Network Services Limited

Notes to the financial statements for the year ended 31 March 2024 (continued)

9 Tax on profit (continued)

Reconciliation of tax expense

The tax assessed for the year is higher than (2023: lower than) the standard rate of corporation tax in the UK 25% (2023: 19%). The differences are explained below:

	Year to 31 March 2024	Year to 31 March 2023
	£'000	£'000
Profit before tax	10,632	9,369
Profit multiplied by the standard UK rate of tax 25% (2023: 19%)	2,658	1,780
Effects of:		
Expenses not deductible for tax purposes	50	20
Effects of change in tax rates	-	(1)
Transfer pricing adjustments	5	-
Adjustments in respect of prior years	46	(53)
Total tax expense for the year	2,759	1,746

The main rate of UK corporation tax increased from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using 25%, which is the enacted rate applicable in the reporting periods when the timing differences reverse.

Avonline Network Services Limited

Notes to the financial statements for the year ended 31 March 2024 (continued)

10 Intangible assets

	Software
	£'000
Cost at 1 April 2023	720
Additions	779
Transfers	180
Cost at 31 March 2024	1,679
Accumulated amortisation at 1 April 2023	(184)
Charge for the year	(193)
Transfers	(42)
Accumulated amortisation at 31 March 2024	(419)
Net book value at 31 March 2024	1,260
Net book value at 31 March 2023	536

Avonline Network Services Limited

Notes to the financial statements for the year ended 31 March 2024 (continued)

11 Tangible assets

	Leasehold improvements	Plant and machinery	Motor vehicles	Office equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost at 1 April 2023	114	359	294	557	1,324
Additions	-	308	-	133	441
Disposals	-	-	(142)	-	(142)
Transfers	-	380	-	-	380
Cost at 31 March 2024	114	1,047	152	690	2,003
Accumulated depreciation at 1 April 2023	(31)	(359)	(187)	(122)	(699)
Charge for the year	(54)	(32)	(67)	(86)	(239)
Disposals	-	-	102	-	102
Transfers	-	(105)	-	-	(105)
Accumulated depreciation at 31 March 2024	(85)	(496)	(152)	(208)	(941)
Net book value at 31 March 2024	29	551	-	482	1,062
Net book value at 31 March 2023	83	-	107	435	625

12 Debtors: amounts due after more than one year

	At 31 March 2024	At 31 March 2023
	£'000	£'000
Amounts owed by group undertakings	5,751	1,125
Prepayments	56	63
	5,807	1,188

Amounts owed by Group undertakings are unsecured with an interest rate of 12% per annum and due for repayment by 31 March 2029. (2023: Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand).

Avonline Network Services Limited

Notes to the financial statements for the year ended 31 March 2024 (continued)

13 Stocks

	At 31 March 2024	At 31 March 2023
	£'000	£'000
Raw materials	3,224	4,853

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

The amount of stock recognised as an expense during the year was £12,122k (2023: £9,591k).

14 Debtors

	At 31 March 2024	At 31 March 2023
	£'000	£'000
Amounts falling due within one year	£'000	£'000
Trade debtors	4,237	5,820
Amounts recoverable on contracts – external	25,120	31,830
Amounts recoverable on contracts – internal	1,345	-
Amounts owed by group undertakings	16,136	27
Deferred tax asset (Note 17)	91	249
Other debtors	18	-
Prepayments and accrued income	612	433
	47,559	38,359

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

Avonline Network Services Limited

Notes to the financial statements for the year ended 31 March 2024 (continued)

15 Creditors: amounts falling due within one year

	At 31 March 2024	At 31 March 2023
	£'000	£'000
Trade creditors	2,563	2,781
Amounts owed to group undertakings	4,410	3,392
Corporation tax	2,760	2,337
Other taxation and social security	1,010	844
VAT liability	3,119	6,537
Other creditors	2,476	1,970
Accruals – external	18,333	16,988
Accruals - internal	3,256	-
	37,927	34,849

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

Corporation tax has been included within amounts owed to group undertakings.

16 Pensions and similar obligations

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

	Year to 31 March 2024	Year to 31 March 2023
	£'000	£'000
Current year contributions	1,055	803

Contributions amounting to £178k were outstanding at the year-end (2023: £159k).

Avonline Network Services Limited

Notes to the financial statements for the year ended 31 March 2024 (continued)

17 Deferred tax asset

	At 31 March 2024 £'000	At 31 March 2023 £'000
Brought forward at 1 April	249	113
Adjustment in respect of prior years	(204)	-
Credit to the profit & loss for the year (Note 9)	46	136
Carried forward at 31 March	91	249

The deferred tax asset consists of the following:

	At 31 March 2024 £'000	At 31 March 2023 £'000
Fixed asset timing differences	29	44
Short term timing differences	62	205
Total deferred tax asset	91	249

The amount of deferred tax expected to be recovered in the next 12 months is £62k (2023: £205k).

Avonline Network Services Limited

Notes to the financial statements for the year ended 31 March 2024 (continued)

18 Called up share capital and other reserves

	At 31 March 2024	At 31 March 2023
	£'000	£'000
Allotted and fully paid share capital		
2 (2023: 2) ordinary shares of £1 each	-	-
	-	-

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

The share premium account represents the price paid for the shares in excess of the nominal value of the shares. The profit and loss reserve represents cumulative profit or losses.

The profit and loss reserve represents cumulative profits or losses, including net of dividends paid and other adjustments.

19 Contingent liabilities

There exist cross guarantees under a Group banking arrangement whereby Group companies have guaranteed the liabilities of other Group companies to their clearing banks. Net indebtedness under this arrangement at 31 March 2024 was £nil (2023: £nil). M Group bank debt is disclosed in the financial statements of Minerva Equity Limited.

20 Operating lease commitments

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

	At 31 March 2024	At 31 March 2023
	£'000	£'000
Payments due		
Within one year	666	663
Between one and five years	1,400	1,810
After five years	-	52
	2,066	2,525

There were no capital commitments for the company for year ended 31 March 2024 (2023: £nil)

21 Related party transactions

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

Avonline Network Services Limited

Notes to the financial statements for the year ended 31 March 2024 (continued)

22 Immediate and ultimate parent undertaking and controlling party

At 31 March 2024, the Company's immediate parent undertaking was M Group Services Limited, a company registered in England and Wales.

During the year, the ultimate parent undertaking was Minerva Equity Limited, a company registered in England and Wales, whose ultimate controlling party was PAI Partners a private equity firm registered in France. On 27 June 2024, a share purchase agreement to sell 100% of the share capital in Minerva Equity Limited Group has been signed by PAI Partners, the ultimate parent undertaking of the Group, other management shareholders and Midas Bidco I Limited, a company controlled by CVC Capital Partners, with completion expected by the end of September 2024.

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

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

23 Post balance sheet events

On 27 June 2024, a share purchase agreement to sell 100% of the share capital in Minerva Equity Limited Group has been signed by PAI Partners, the ultimate parent undertaking of the Group, other management shareholders and Midas Bidco I Limited, a company controlled by CVC Capital Partners, with completion expected by the end of September 2024.