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OPERATIONAL MARGIN COCKPIT™ · BOARD REPORTING NARRATIVE

Monthly Board Report

Structured narrative for the board meeting covering margin, WIP, CNI, variation recovery, key risks, actions and decisions required. Period ending 30 April 2026.

CLIENT	PERIOD	PREPARED BY	BOARD DATE
Meridian M&E Ltd	April 2026	Built AI Ltd	06 May 2026

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01

Executive Summary

BLENDED MARGIN

21.4%

+0.6pp vs Mar

AGED WIP

£387k

+£42k vs Mar

CNI

£214k

7 blockers

OPEN ACTIONS

14

3 overdue

April was the first month of positive margin movement in three periods. Portfolio margin improved from **20.8%** to **21.4%**, driven primarily by the approval of the £62.4k Whitmore Tower asbestos variation. The blended rate remains 0.6 percentage points below the 22.0% target but is now trending in the right direction.

Against this positive margin movement, the board should note two areas of growing concern. Aged WIP has risen for the fifth consecutive month, reaching **£387k** — a 78% increase since November. This is concentrated in two contracts with identifiable, resolvable blockers. Completed-not-invoiced value stands at **£214k**, representing cash that has been earned but cannot be collected until administrative and commercial blockers are cleared.

Three decisions are required from the board this period, the most urgent being approval of the Mersey Gateway re-measure claim (£31k) before the client deadline of 15 May. A full briefing on each decision is set out in Section 07.

02

Margin Performance

Portfolio margin moved from **£1,204k** (20.8%) to **£1,268k** (21.4%) — a net improvement of **+£64k**. The margin bridge for the period breaks down as follows:

POSITIVE DRIVERS — +£104K

Variation recovery +£68k — Whitmore Tower asbestos scope (£62.4k approved at 92% of submitted value), plus minor adjustments on Docklands and Mersey Gateway. **Subcontract outturn +£24k** — Docklands steelwork re-tender saving and Alderley/Whitmore final account adjustments. **Other net +£12k** — Pennine material credit, Trafford cost reclassification, Cathedral accrual release.

NEGATIVE DRIVERS — −£40K

Prelim overrun −£18k — Cathedral Quarter programme slippage (2 weeks, £12.4k) and Trafford welfare extension (£3.6k). A time claim on Cathedral is under review which could recover £8k. **Labour reallocation −£14k** — cross-charging to Pennine and Trafford, one-off costs not expected to recur. **FM deductions −£8k** — Riverside FM SLA penalties, both currently disputed.

Four of the eight contracts are performing at or above target margin. One contract — **Riverside FM at 14.8%** — is significantly below target and is the subject of a board-level decision request (see Section 07). The remaining three contracts (Cathedral Quarter, Pennine Pkg C, Trafford Retail) are within 3 percentage points of target and have identifiable recovery paths.

BOARD OBSERVATION

Without the Whitmore variation approval, margin would have declined for a fourth consecutive period. The April improvement is event-driven rather than structural. Sustaining this trajectory requires resolving the WIP and CNI issues outlined in Section 03 and converting the variation pipeline described in Section 05.

03

WIP & Cash Position

Aged WIP increased by £42k to `£387k`. This is the highest level recorded in the past six months and represents a **78% increase** since November 2025. The average age of WIP items has risen to 52 days, up from 46 days in March.

The concentration risk is acute: two contracts account for 54% of total WIP. **Riverside FM** carries £124.6k of aged WIP (all relating to rejected application format) and **Cathedral Quarter** carries £86.2k (QS rate queries on three consecutive valuations). Both blockers have been present for multiple periods and are not self-resolving.

Of the total £387k WIP, `£62k sits beyond 90 days`. If the Riverside FM and Cathedral Quarter blockers are not resolved before the May review, both will breach the 90-day threshold — which under the company's financial controls would require formal board escalation and potential provision.

CASH IMPACT

The combined WIP and CNI exposure is **£601k** of revenue that is either in progress or completed but not yet invoiceable. At a 5% borrowing rate, this represents an estimated financing cost of £2,500 per month. More significantly, the management time spent chasing resolution is displacing commercial focus from new opportunities and variation recovery.

04

Invoice Readiness

Completed-not-invoiced value stands at **£214k** across five contracts with seven individual blockers. The largest single item is the Riverside FM monthly application (£87.4k), rejected due to application format mismatch — the same root cause that is driving the WIP position on that contract.

The Invoice Blocker Taxonomy identifies **five categories** of recurring blocker. The top two — application format (35% of blocked value) and QS delay (21%) — account for 56% of the total exposure. Three of the five categories are repeat blockers that have occurred in two or more consecutive periods.

Critically, **68% of blocked value is preventable** through process improvements within Meridian's control. A master template register, pre-valuation rates alignment and same-day evidence capture would address the top three categories. The estimated annualised prevention value exceeds £1.2m in accelerated cash collection.

RECOVERY POTENTIAL

If all current blockers are resolved by mid-May, CNI would reduce from £214k to £0 and aged WIP would fall from £387k to approximately £176k. Combined, this would release **£425k into the invoicing pipeline** within the next billing cycle.

05

Variation Recovery

The variation pipeline totals £482k across 26 items and six contracts. The pipeline structure is healthy: 30% is approved, 28% submitted and a further 18% under client review. Only 6% (£28k) is disputed.

The period's headline is the **Whitmore Tower asbestos variation** — £62.4k approved after a two-month negotiation with CBRE. The notice was issued within 48 hours of discovery using the Commercial Control Kit™ workflow. The 92% recovery rate against the submitted value compares favourably with the portfolio average of 82%.

The most time-sensitive item is the **Mersey Gateway re-measure claim** (£31k). The client's contractual deadline for resubmission is 15 May. The Commercial Director must approve the revised narrative by 9 May to allow preparation time. Missing this deadline would result in permanent loss of entitlement.

A notable performance gap exists between contracts using the Commercial Control Kit™ and those that are not. Contracts with the Kit deployed (Whitmore, Mersey Gateway, Pennine) achieve an average **87% recovery rate**. Riverside FM, where it is not deployed, achieves 56%. The board may wish to consider extending the Kit to the Riverside FM contract.

06

Key Risks

#	RISK	IMPACT	LIKELIHOOD	MITIGATION
R1	**Riverside FM margin continues to deteriorate**	Contract margin falls below 12% by year-end, triggering loss-making threshold	High	Resolve application format, dispute deductions, deploy Commercial Control Kit™
R2	**Mersey Gateway entitlement window expires**	£31k claim permanently lost if not resubmitted by 15 May	Medium	Commercial Director to approve by 9 May — action is within Meridian's control
R3	**WIP breaches 90-day threshold on two contracts**	Board escalation required, potential provision, auditor queries	Medium	Resubmit Riverside FM application and resolve Cathedral Quarter QS query before May review
R4	**Cathedral Quarter programme slips further**	Additional prelim overrun of £6–8k per week. Margin drops below 17%.	Medium	Time claim under review. Review prelim assumptions with ISG at next site meeting.

07

Actions & Decisions Required

Fourteen actions are open across the portfolio. Three are overdue and have been escalated to the Commercial Director. The following three items require board-level decision or approval:

DECISION 1 — URGENT

Approve Mersey Gateway re-measure claim for resubmission. £31k claim requires Commercial Director sign-off by 9 May. Client contractual deadline is 15 May. Delay risks permanent loss of entitlement. The revised narrative includes additional measurement evidence addressing the client's original query. *Recommendation: approve.*

DECISION 2 — BOARD DISCUSSION

Riverside FM — continue current approach or escalate? Contract margin at 14.8% against 22% target. Two consecutive monthly applications rejected. £8k in disputed deductions. Combined WIP and CNI exposure of £212k on a £980k contract. Options: (a) resolve format issue and continue, (b) escalate formally through the contract dispute mechanism with Mitie, (c) accept trajectory and manage to minimise further loss. *Recommendation: resolve format issue first (by 5 May), then reassess. If no improvement by June, escalate.*

DECISION 3 — OPPORTUNITY

Alderley Park — accept BMS scope change from AstraZeneca. Client has requested additional BMS integration work. Estimated value £42k at 24% margin — consistent with contract performance. Requires confirmation from Operations Director that labour resource is available without impacting other contracts. *Recommendation: accept, subject to resource confirmation by 16 May.*

In addition to these decisions, the board is asked to note the following management actions already in progress: Riverside FM application reformat (K. Hughes, target 2 May), Cathedral Quarter QS query escalation (J. Palmer, target 9 May), Pennine Pkg C daywork evidence recovery (R. Barker, target 9 May), and the creation of a standardised FM application template (K. Hughes, target 23 May).

08

Next Period Priorities

The management team's priorities for the May reporting period are:

PRIORITY 1

Reduce WIP below £300k

Resolve Riverside FM format and Cathedral Quarter QS blockers. Target: £176k if both cleared.

PRIORITY 2

Convert variation pipeline

Submit Mersey Gateway + Cathedral Quarter variations. Target: lift margin to 21.8%.

PRIORITY 3

Implement process fixes

Template register, evidence capture protocol. Prevent £409k of future blocking.

The next monthly margin review is scheduled for **30 May 2026**. The board QBR is scheduled for **6 June 2026**. If the three priorities above are delivered, the May review should show the first reduction in WIP since October 2025 and a margin position within 0.2pp of target.

REVIEW & APPROVAL

This report has been prepared for review by the board. Figures are subject to finance validation. Actions and decisions require approval before implementation.

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