REGISTERED NUMBER: 00836946 (ENGLAND AND WALES)

OVERBURY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

OVERBURY PLC

CONTENTS OF THE FINANCIAL STATEMENTS

OVERBURY PLC

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

Directors	J Baker R H Banister C S Booth A Boyle P Brazier S P Crummett P Knight J J Lebray (Resigned 1 February 2018) J C Morgan A Paton N Skelding A D Wood (Appointed 2 February 2018)
Company Secretary	C Sheridan
Head Office	77 Newman Street London W1T 3EW
Registered Office	Kent House 14–17 Market Place London W1W 8AJ
Independent Auditor	Deloitte LLP Statutory Auditor 1 New Street Square EC4A 3HQ London, United Kingdom

Principal activities
The principal activity of Overbury plc ("the Company") is the fit out and refurbishment of projects in the office, higher education and retail banking markets. We do not expect this to change in the foreseeable future.

Business review
The Company had a successful year and continued its growth nationally.

The five year summary of trading and key performance indicators are:

	2018	2017	2016	2015	2014
	£000	£000	£000	£000	£000
Revenue	**747,454**	644,062	541,780	544,244	451,092
Operating profit	**38,593**	33,797	22,593	21,373	13,008
Operating margin	**5.2%**	5.2%	4.2%	3.9%	2.9%
Net assets	**82,568**	73,342	63,109	58,967	53,795
Cash at bank	**70,644**	61,285	75,595	84,480	67,442
Forward order book[1]	**438,018**	471,916	429,188	310,294	223,931

[1] See page 25 for further information

Overbury delivered another excellent performance, driven by consistently strong project delivery and a continued focus on enhanced customer experience. With revenue increasing 16% to £747m, operating profit increased 14% to £38.6m, a record for the Company, at an operating margin of 5.2%, level with the prior year.

There was no significant change to the market sectors served, with the commercial office market again being the largest, contributing 85% of revenue (2017: 82%). Higher education accounted for 8% of revenue, while retail banking, government and local authority work made up the remainder.

London remained the Company's largest geographical market, accounting for 80% of revenue. There was no significant change from the prior year when the comparable proportion was 75%. Other regions accounted for 20% of revenue.

In terms of type of work delivered in the year, 96% related to traditional fit out work (2017: 96%), while 4% related to 'design and build' (FY 2017: 4%). The proportion of revenue generated from the fit out of new office space increased to 42% (FY 2017: 26%), while the fit out of existing office space reduced to 58% (FY 2017: 74%). This reduction was driven by a small number of larger new office space projects and was not indicative of any longer term trend. Of the fit out of existing office space, 85% related to refurbishment 'in occupation', which was up from 52% in the prior year and again, this did not reflect any significant long term trend. The average value of enquiries received through the year remained at around £2m.

New project starts in the year included 220,000 sq ft of space at Royal Dutch Shell's new multi-storey office in York Road, London together with a 27-storey fit out at the neighbouring Shell Centre tower; the fit out of 155,000 sq ft at BBC Cymru Wales' headquarters in Cardiff; and the fit out and refurbishment of c100,000 sq ft for the Competition & Markets Authority in London.

Significant project completions in the year included an 88,000 sq ft fit out for ITV in London; the first

phase of works for RWE Generation UK in Swindon and 28,000 sq ft for the University of Bristol.
As with previous years, there was a second half weighting to operating margin. Performance in the second half of the year was again strong, with an operating margin of 6.2% (slightly down from the prior year second half margin of 6.3%) compared to a first half margin of 4.2% and was driven by the successful completion of a number of contracts falling into the second half.

At the year end, the committed order book was £438m, a decrease of 7% on the prior year end. This also reflected a reduction of 12% from the position at the half year, however was level with the committed order book as reported as at 30 September. Of the year end total of £438m, £407m (93%) relates to 2019 and this level of orders for the next 12 months is 8% lower than it was at the same time last year of £440m. The balance of the order book in terms of geographical split and type of work is broadly in line with previous years.

Key framework appointments in the year included the Department for Work and Pensions Estate Contractor Framework for London and the South East, Scotland and the North East, while the Company was awarded six projects under the existing Mayor's Office for Policing and Crime (MOPAC) Framework.

Financial position and liquidity
The financial position of the Company is presented in the Balance Sheet. The total shareholder's funds at 31 December 2018 were £82.6m (2017: £73.3m). The Company had net current assets of £81.0m (2017: £72.4m), including cash of £70.6m (2017: £61.3m) at 31 December 2018.

The Company is a member of the Morgan Sindall Group (hereafter referred to as "the Group"), and participates in the Group's banking arrangements (under which it is a cross guarantor). As at 31 December 2018 the Group had cash balances of £217.5m. The Group also had £180m of committed loan facilities maturing in 2022, which were entirely undrawn as at 31 December 2018.

Key performance indicators
The Company's financial key performance indicators are described in the business review above. No other key performance indicators are deemed necessary to explain the development, performance or position of the Company.

Principal risks and uncertainties
The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to the market and economic environment, uncertainty due to Brexit, health, safety and environmental performance, contractual risk (including mispricing of contracts, managing changes to contracts and contract disputes, poor project delivery and poor contract selection), and counterparty and liquidity risk. Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided in the strategic report in Morgan Sindall Group plc's Annual Report, which does not form part of this report.

Financial risk management objectives and policies
The Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and price risk.

Credit risk
With regard to credit risk the Company has implemented policies that require appropriate credit

checks on potential customers before contracts are commenced. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers outside of the Group.

Liquidity risk
This is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company aims to manage liquidity by ensuring that it will always have sufficient resources to meet its liabilities when they fall due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Liquidity is provided through cash balances and access to the Group's committed bank loan facilities.

Interest rate risk
In respect of interest rate risk the Company has interest bearing assets. Interest bearing assets include cash balances, all of which have interest rates applied at floating market rates.

Price risk
The Company has some exposure to commodity price risk as a result of its operations. This risk is managed on a project by project basis by limited forward buying of certain commodities and by negotiating annual purchase agreements with key suppliers. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Approved by and on behalf of the Board

N Skelding
Director
11 March 2019

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and the audited financial statements for the year ended 31 December 2018. The annual report comprises the strategic report and directors' report, which together provide the information required by the Companies Act 2006. The financial statements have been prepared under United Kingdom Accounting Standards.

Going concern
The directors have a reasonable expectation that the Company and the Group of which it is part have adequate resources to continue in operational existence for a minimum of 12 months from the date of signing the accounts. Thus they continue to adopt the going concern basis in preparing the financial statements. Further details can be found in the principal accounting policies in the financial statements.

Directors
The directors who served during the year and to the date of this report are shown on page 1. None of the directors had any interest in the shares of the Company during the year ended 31 December 2018. Overbury plc has adopted Articles of Association, the provisions of which do not require the directors to retire by rotation or to retire at the first annual general meeting after their appointment.

Directors' indemnities
The Company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Furthermore Morgan Sindall Group plc maintains liability insurance for its directors and officers and those of its directors and officers of its associated companies.

The Company has not made qualifying third party indemnity provisions for the benefit of its directors during the year.

Dividends
An interim dividend of £22.0m (2017: £17.0m) was paid during the year. The directors do not recommend the payment of a final dividend (2017: £nil).

Political contributions
The Company made no political contributions during the year (2017: £nil).

Employment policies
The Company insists that a policy of equal opportunity employment is demonstrably evident at all times. Selection criteria and procedures and training opportunities are designed to ensure that all individuals are selected, treated and promoted on the basis of their merits, abilities and potential.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interest and that all employees are aware of the financial and economic performance of their business units and the Company as a whole. The Company recognises the need to ensure effective communication with employees and has developed various communication channels taking account of factors such as numbers employed and location, including an employee forum, an intranet and in-house newsletters.

Independent auditor and disclosure of information to the independent auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- Each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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

Directors' responsibilities statement
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The directors confirm that they have complied with the above requirements in preparing the financial statements. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved for and on behalf of the Board

N Skelding
Director
11 March 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OVERBURY PLC FOR THE YEAR ENDED 31 DECEMBER 2018

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Overbury plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Company which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the principal accounting policies; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (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 ('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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of this other information. 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 respect of these matters.

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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OVERBURY PLC FOR THE YEAR ENDED 31 DECEMBER 2018

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.

Makhan Chahal

Makhan Chahal (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

11 March 2019

OVERBURY PLC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £000	2017 £000
Revenue	1	747,454	644,062
Cost of sales		(655,144)	(561,056)
Gross profit		92,310	83,006
Administrative expenses		(53,717)	(49,209)
Operating profit	2	38,593	33,797
Interest receivable	5	395	177
Interest payable	5	(162)	-
Profit before tax		38,826	33,974
Tax	6	(7,600)	(6,741)
Profit for the financial year attributable to owners of the Company	13	31,226	27,233
Other comprehensive income		-	-
Total comprehensive income for the year attributable to owners of the Company		31,226	27,233

Continuing operations

The results for the current and previous financial years derive from continuing operations.

OVERBURY PLC

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Notes	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	**7**	**5,972**	983
		5,972	983
Current assets			
Contract assets	**9**	**41,260**	-
Trade and other receivables	**8**	**121,387**	161,748
Cash and bank balances		**70,644**	61,285
		233,291	223,033
Total assets		**239,263**	224,016
Current liabilities			
Contract liabilities	**9**	**(1,385)**	-
Trade and other payables	**10**	**(145,910)**	(146,779)
Current tax liabilities		**(4,200)**	(3,895)
Lease liabilities	**16**	**(720)**	-
		(152,215)	(150,674)
Net current assets		**81,076**	72,359
Non-current liabilities			
Lease liabilities	**16**	**(4,480)**	-
		(4,480)	-
Total liabilities		**(156,695)**	(150,674)
Net assets		**82,568**	73,342
Capital and reserves			
Share capital	**12**	**13,000**	13,000
Retained earnings	**13**	**69,568**	60,342
Total shareholder's funds		**82,568**	73,342

The financial statements of Overbury plc (company number 00836946) were approved by the Board and authorised for issue on 11 March 2019. They were signed on its behalf by:

N Skelding
Director
11 March 2019

OVERBURY PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £000	Retained earnings £000	**Total** **£000**
At 1 January 2017	13,000	50,109	**63,109**
Total comprehensive income	-	27,233	**27,233**
Dividends paid	-	(17,000)	**(17,000)**
At 1 January 2018	13,000	60,342	**73,342**
Total comprehensive income	-	31,226	**31,226**
Dividends paid	-	(22,000)	**(22,000)**
At 31 December 2018	**13,000**	**69,568**	**82,568**

General information
Overbury plc (the 'Company') is a private company limited by shares, incorporated and domiciled in the UK under the Companies Act 2006 and registered in England and Wales. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 3. The address of the registered office is given on page 1.

Basis of accounting
The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the Company has prepared its financial statements in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the consolidated accounts of Morgan Sindall Group plc, which are available to the public at www.morgansindall.com.

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

These financial statements are presented in pounds sterling which is the Company's functional currency.

The directors consider that the ultimate parent undertaking and ultimate controlling party of this Company is Morgan Sindall Group plc, which is registered in England and Wales. It is the only group into which the results of the Company are consolidated. Copies of the consolidated financial statements of Morgan Sindall Group plc are publicly available from www.morgansindall.com or from its registered office Kent House, 14-17 Market Place, London W1W 8AJ.

Adoption of new and revised standards
During the year the Company has adopted the following new and revised standards and interpretations. Below describes their adoption and any significant impact on the amounts or disclosures reported in these financial statements.

(a) IFRS 15 'Revenue from Contracts with Customers'
Introduces a new model for revenue recognition based on the satisfaction of performance obligations. IFRS 15 requires contract assets ('amounts due from construction contract customers' under IAS 11) and contract liabilities ('amounts due to construction contract customers') to be presented on the statement of financial position. The Company applied IFRS 15 using the cumulative effect method, by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continue to be reported under IAS 18 and IAS 11. The effect of these changes on retained earnings at the date of transition was £nil.

(b) IFRS 16 'Leases'
In the current year, the Company, for the first time, has applied IFRS 16 Leases (as issued by the IASB in January 2016) in advance of its effective date. Requires a right-of-use asset and lease liability to be recognised in respect of all leases other than those that are less than one year in

duration or of a low value. The effect of this for the Company has been to recognise a right-of-use asset of £5.6m and lease liability of £6.4m at the transition date of 1 January 2018. The Group has taken advantage of the practical expedients to grandfather previous conclusions under IAS 17 on which contracts contain leases, to apply the cumulative catch up approach rather than full retrospective application and to measure the right-of-use asset at an amount equal to the lease liability (adjusted for accruals and prepayments) at transition date.

The effect of the accounting policy changes on 1 January 2018 can be summarised as follows:

£000	As previously reported	Adjustments IFRS 15	Adjustments IFRS 16	As restated
Property, plant and equipment	983	-	5,597	**6,580**
Contract assets	-	24,996	-	**24,996**
Trade & other receivables	161,748	(24,996)	-	**136,752**
Change in total assets	162,731	-	5,597	**168,328**
Contract liabilities	-	(695)	-	**(695)**
Trade & other payables	(146,779)	695	-	**(146,084)**
Lease liabilities – current	-	-	(1,442)	**(1,442)**
Lease liabilities – non-current	-	-	(4,960)	**(4,960)**
Change in total liabilities	(146,779)	-	(6,402)	**153,181**
Change in total equity	**15,952**	**-**	**(805)**	**15,147**

Changes to accounting standards issued but not yet effective
At the date of the financial statements, the company has not applied the following new and revised IFRSs that have been issued but not yet effective:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement
- IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRIC 23 Uncertainty over Income Tax Treatments

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

Going concern
The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report. The Company is expected

to continue to generate positive cash flows on its own account for at least 12 months from the date of signing the accounts. The Company participates in the Group's centralised treasury arrangements and shares banking arrangements, including the provision of cross guarantees, with its ultimate parent Morgan Sindall Group plc and fellow subsidiaries.

The directors, having assessed the responses of the directors of Morgan Sindall Group plc to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of Morgan Sindall Group plc, the Company's directors have a reasonable expectation that the Company and the Group will be able to continue in operational existence for at least 12 months from the date of signing the accounts. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Property, plant and equipment
Leasehold property, plant, machinery and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided in equal annual instalments at rates calculated to write off the cost of the assets over their estimated useful lives as follows:

Plant, equipment, fixtures and fittings	between three and ten years
Short term leasehold property	the period of the lease

Revenue
Revenue is defined as the value of goods and services rendered excluding discounts and VAT and is recognised as follows:

Construction contracts
A significant portion of the Company's revenue is derived from construction contracts. These services are provided to customers across a wide variety of sectors and the size and duration of the contracts can vary significantly from a few weeks to more than 2 years.

The majority of contracts are considered to contain only one performance obligation for the purposes of recognising revenue. Whilst the scope of works may include a number of different components, in the context of construction activities these are usually highly interrelated and produce a combined output for the customer.

Contracts are typically satisfied over time. For fixed price construction contracts progress is measured through a valuation of the works undertaken by a professional quantity surveyor, including an assessment of any elements for which a price has not yet been agreed such as changes in scope.

Variations are not included in the estimated total contract price until the customer has agreed the revised scope of work.

Where the scope has been agreed but the corresponding change in price has not yet been agreed, only the amount that is considered highly probable not to reverse in the future is included in the estimated total contract price. Where delays to the programme of works are anticipated and liquidated damages would be contractually due, the estimated total contract price is reduced accordingly. This is only mitigated by expected extensions of time or commercial resolution being achieved where it is highly probable that this will not lead to a significant reversal in the future.

In order to recognise the profit over time it is necessary to estimate the total costs of the contract. These estimates take account of any uncertainties in the cost of work packages which have not yet been let and materials which have not yet been procured, the expected cost of any acceleration of or delays to the programme or changes in the scope of works and the expected cost of any rectification works during the defects liability period.

Once the outcome of a construction contract can be estimated reliably, margin is recognised in the income statement in line with the stage of completion. Where a contract is forecast to be loss-making, the full loss is recognised immediately in the income statement.

Contract costs
Costs to obtain a contract are expensed unless they are incremental, i.e. they would not have been incurred if the contract had not been obtained, and the contract is expected to be sufficiently profitable for them to be recovered.

Costs to fulfil a contract are expensed unless they relate to an identified contract, generate or enhance resources that will be used to satisfy the obligations under the contract in future years and the contract is expected to be sufficiently profitable for them to be recovered.

Where costs are capitalised, they are amortised over the shorter of the period for which revenue and profit can be forecast with reasonable certainty and the duration of the contract except where the contract becomes loss making. If the contract becomes loss making, all capitalised costs related to that contract are immediately expensed.

Leases
Where the Company is a lessee, a right-of-use asset and lease liability are recognised at the outset of the lease. The lease liability is initially measured at the present value of the lease payments that are not paid at that date based on the Company's expectations of the likelihood of lease extension or break options being exercised. The lease liability is subsequently adjusted to reflect imputed interest, payments made to the lessor and any lease modifications. The right-of-use asset is initially measured at cost, which comprises the amount of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the Company and an estimate of any costs that are expected to be incurred at the end of the lease to dismantle or restore the asset. The right-of-use asset is subsequently depreciated in accordance with the Company's accounting policy on property, plant and equipment. The amount charged to the income statement comprises the depreciation of the right-of-use asset and the imputed interest on the lease liability.

Pensions
The Company contributes to The Morgan Sindall Retirement Benefits Plan and to other employees' personal pension arrangements, which are of a defined contribution type. For all schemes the amount charged to the statement of comprehensive income is equal to the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Income tax
The income tax expense represents the current and deferred tax charges. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity.

Current tax is the Company's expected tax liability on taxable profit for the year using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Taxable profit differs from that reported in the statement of comprehensive income because it is adjusted for items of income or expense that are assessable or deductible in other years and is adjusted for items that are never assessable or deductible.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the corresponding tax bases used in tax computations. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profits, or differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is recognised on temporary differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at the tax rates expected to apply when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted and are only offset where this is a legally enforceable right to offset current tax assets and liabilities.

Dividends
Dividends to the Company shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

Financial instruments
Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Critical accounting judgements and key sources of estimation uncertainty
The preparation of financial statements requires the Company's management to make judgements, assumptions and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that

period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Company does not have any critical accounting judgements, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notwithstanding this, as a significant portion of the Company's activities are undertaken through long term construction contracts the Company is required to make estimates in accounting for revenue and margin. These estimates may depend upon the outcome of future events and may need to be revised as circumstances change. Further detail is provided in the accounting policies on page 14.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Analysis of revenue and profit before taxation

All revenue and profit before taxation relates to the Company's principal activity carried out in the UK. Revenue is analysed below:

	2018 £000	2017 £000
Revenue from construction contracts	**747,454**	644,062
Total revenue	**747,454**	644,062

In terms of type of work delivered in the year, 96% related to traditional fit out work (2017: 96%), while 4% related to 'design and build' (FY 2017: 4%).

2. Operating profit

	2018 £000	2017 £000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets:		
- owned assets	**457**	488
- right-of-use assets	**1,282**	-
Expense relating to short-term leases:		
- plant and machinery	**-**	1,166
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**60**	70

3. Staff costs

	2018 £000	2017 £000
Wages and salaries	**65,667**	61,141
Social security costs	**8,109**	7,728
Pension costs	**1,744**	1,512
	75,520	70,381

	No.	No.
The average number of employees (including executive directors) during the year was:	**669**	636

4. Directors' remuneration

	2018 £000	2017 £000
Directors' remuneration		
Emoluments	**4,880**	4,779
Compensation for loss of office	**111**	-
Company contributions to money purchase pension scheme	**83**	108
	5,074	4,887
Remuneration of the highest paid director		
Emoluments	**901**	872
Company contributions to money purchase pension scheme	**10**	17

	No.	No.
The number of directors who:		
- are members of money purchase pension schemes	**8**	8
- exercised options over shares in the ultimate Group	**8**	3

Total emoluments excludes amounts in respect of share options (granted and/or exercised), pension contributions, benefits under pension schemes and benefits under long term incentive plans.

Two current directors of the Company received no emoluments (2017: two) in their capacity as directors of this Company. These individuals are remunerated by another company in the Group.

5. Net Interest receivable

	2018 £000	2017 £000
Bank interest receivable	**394**	177
Other interest receivable	**1**	-
Interest receivable	**395**	177
Lease liabilities	**(162)**	-
Interest payable	**(162)**	-

6. Tax

	2018 £000	2017 £000
UK corporation tax charge on profit for the year	**7,523**	6,854
Adjustment in respect of previous years	**(27)**	(62)
Total current tax	**7,496**	6,792
Origination and reversal of timing differences	**103**	(67)
Adjustment in respect of previous years	**1**	16
Total deferred tax (note 11)	**104**	(51)
Total tax expense	**7,600**	6,741

Corporation tax is calculated at 19.0% (2017: 19.25%) of the estimable taxable profit for the year. The actual tax charge for the current and preceding year differs from the standard rate for the reasons set out in the following reconciliation:

	2018 £000	2017 £000
Profit before tax	**38,826**	33,974
Tax on profit at corporation tax rate	**7,377**	6,540
Factors affecting the charge for the year:		
Adjustment in respect of previous years	**(22)**	(46)
Expenses not deductible for tax purposes	**233**	206
Other	**13**	41
Total tax expense	**7,600**	6,741

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. All closing deferred tax balances have been calculated using a rate of 17% (2017: 17%) as they will not materially reverse before the tax rate is changed.

7. Property, plant and equipment

	Short leasehold property £000	Fixtures, fittings & equipment £000	Total £000
Cost			
As at 1 January 2018	2,492	1,871	**4,363**
Change in accounting policy	5,192	405	**5,597**
As restated	7,684	2,276	**9,960**
Additions	240	892	**1,132**
Disposals	(592)	(24)	**(616)**
As at 31 December 2018	**7,332**	**3,144**	**10,476**
Depreciation			
As at 1 January 2018	(1,740)	(1,640)	**(3,380)**
Charge for the year	(1,423)	(316)	**(1,739)**
Disposals	591	24	**615**
As at 31 December 2018	**(2,572)**	**(1,932)**	**(4,504)**
Net Book Value			
As at 31 December 2018	**4,760**	**1,212**	**5,972**
As at 31 December 2017	752	231	983

8. Trade and other receivables

	2018 £000	2017 £000
Amounts falling due within one year		
Trade receivables	**64,032**	65,079
Amounts due from construction contract customers	**-**	24,996
Amounts owed by Group undertakings	**53,249**	62,925
Other receivables	**45**	39
Deferred tax asset (note 11)	**176**	279
Prepayments	**423**	316
	117,925	153,634
Amounts falling due after more than one year		
Trade receivables	**3,461**	8,114
	121,386	161,748

Amounts owed by Group undertakings are payable on demand and are not interest bearing.

At 31 December 2018, retentions held by customers for contract work amounted to £20.9 million (2017: £20.1 million).

9. Construction contracts

The Company has recognised the following revenue-related contract assets and liabilities:

	2018 **£000**	2017 £000
Contract assets	**41,259**	-
Contract liabilities	**(1,385)**	-

The contract assets primarily relate to the Company's right to consideration for construction work completed but not invoiced at the balance sheet date. The contract assets are transferred to trade receivables when the amounts are certified by the customer. On most contracts certificates are issued by the customer on a monthly basis.

Trade receivables are due within 14 days from the date of certification unless longer terms have been agreed by the Company and the customer. Customers may withhold a retention amount from each interim payment until the end of the defects liability period, which is typically 12 months from the date of practical completion.

The Company has taken advantage of the practical expedient in paragraph 94 of IFRS 15 to immediately expense the incremental costs of obtaining contracts where the amortisation period of the assets would have been one year or less.

The contract liabilities primarily relate to the advance consideration received from customers in respect of performance obligations which have not yet been fully satisfied and for which revenue has not been recognised. All contract liabilities held at 31 December 2018 are expected to satisfy performance obligations in the next 12 months.

Significant changes in the contract assets and the contract liabilities during the period are as follows:

	2018 £000		2017 £000	
	Contract assets	**Contract liabilities**	Contract assets	Contract liabilities
As at 1 January	-	-	-	-
Change in accounting policy	**24,996**	**(695)**	-	-
Revenue recognised				
- performance obligations satisfied in the current period	**746,760**	**695**	-	-
- adjustments to performance obligations satisfied in previous periods	**-**	**(1,385)**	-	-
Cash received for performance obligations not yet satisfied				
Amounts transferred to trade receivables	**(730,496)**	**-**	-	-
As at 31 December	**41,260**	**(1,385)**	-	-

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the balance sheet date:

	2019 £m	2020 £m	Total £m
As at 31 December 2018	406,697	31,321	**438,018**

At the year end, the committed order book was £438m, a decrease of 7% on the prior year end.

10. Trade and other payables

	2018 £000	2017 £000
Amounts falling due within one year		
Trade payables	**18,489**	15,511
Amounts due to construction contract customers	-	695
Amounts owed to Group undertakings	**971**	967
Social security and other taxes	**4,595**	7,613
Other payables	**770**	532
Accruals	**121,085**	121,461
	145,910	146,779

Amounts owed by Group undertakings are payable on demand and are not interest bearing.

11. Deferred tax asset

	2018 £000	2017 £000
Balance at 1 January	**279**	228
Income statement (debit)/credit (note 6)	**(104)**	51
Balance at 31 December	**176**	279

Deferred tax assets consist of the following amounts:

Accelerated capital allowances	**185**	**233**
Short term timing differences	**(9)**	**46**
	176	**279**

12. Share capital

	2018 £000	2017 £000
Issued, authorised and fully paid		
13,000,000 ordinary shares of £1 each	**13,000**	13,000

The Company has one class of ordinary share which carries no rights to fixed income.

13. Retained earnings

	2018 £000	2017 £000
Balance as at 1 January	**60,342**	50,109
Profit for the year	**31,226**	27,233
Dividend of £1.69 per share paid (2017: £1.31)	**(22,000)**	(17,000)
Balance as at 31 December	**69,568**	60,342

14. Pension commitments

The Company contributes to the Morgan Sindall Retirement Benefits Plan and to other employees' personal pension arrangements. The Morgan Sindall Retirement Benefits Plan is a defined contribution post-retirement benefit plan under which the Company pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. The pension creditor at 31 December 2018 was £287,198 (2017: £263,547).

15. Contingent liabilities

Performance bonds have been entered into in the normal course of business. Performance bond facilities and banking facilities of the Group are supported by cross guarantees given by the Company and other participating companies in the Group. It is not anticipated that any liability will accrue.

16. Lease liabilities

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Buildings		Other Assets	
	2018 £000	2017 £000	**2018**	2017
Maturity analysis				
Within one year	**632**	-	**88**	-
Within two to five years	**3,818**	-	**232**	-
After more than five years	**430**	-	**-**	-
	4,880	-	**320**	-

17. Related party transactions

In the ordinary course of business, the Company has traded with its parent company Morgan Sindall Group plc together with its subsidiaries. Advantage has been taken of the exemption permitted by FRS 101 not to disclose transactions with entities that are wholly owned by the Group. Balances with these entities are disclosed in notes 8 and 10 of these financial statements.

18. Subsequent events

There were no subsequent events that affected the financial statements of the Company.