

REGISTERED NUMBER: 04969901 (ENGLAND AND WALES)

**MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**



# **MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED**

## **CONTENTS OF THE FINANCIAL STATEMENTS**

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	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Directors' Report</b>	<b>2 - 4</b>
<b>Independent Auditor's Report</b>	<b>5 - 8</b>
<b>Statement of Comprehensive Income</b>	<b>9</b>
<b>Balance Sheet</b>	<b>10</b>
<b>Statement of Changes in Equity</b>	<b>11</b>
<b>Principal Accounting Policies</b>	<b>12 - 16</b>
<b>Notes to the Financial Statements</b>	<b>17 - 20</b>

# **MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED**

## **COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022**

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<b>Directors</b>	M R Atkinson S P Crummett J C Morgan S C Smith
<b>Company Secretary</b>	C Sheridan
<b>Head Office</b>	Corporation Street Rugby Warwickshire, United Kingdom CV21 2DW
<b>Registered Office</b>	Kent House 14–17 Market Place London, United Kingdom W1W 8AJ
<b>Independent Auditor</b>	Ernst & Young LLP 400 Capability Green, Luton, United Kingdom LU1 3LU

# MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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The directors present their annual report and audited financial statements for the year ended 31 December 2022. The financial statements have been prepared under United Kingdom Accounting Standards.

### Principal activities

The principal activity of Morgan Sindall Engineering Solutions Limited (the "Company") is the provision of a comprehensive range of expert and technical services to the international construction industry.

### Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Company can continue in operational existence during the going concern period, which the directors have defined as the date of approval of the 31 December 2022 financial statements through to 31 March 2024.

The Company participates in Morgan Sindall Group plc's (the "Group") banking arrangements (under which it is a cross guarantor). As at 31 December 2022 the Group had net cash balances of £355m. The Group also had £180m of committed loan facilities maturing more than one year from the balance sheet date, of which £15m matures in March 2024 and £165m in October in 2025. These facilities were undrawn at 31 December 2022.

The Company's future workload is healthy with a secured order book of £1.2m of which £1.2m relates to the 12 months ending 31 December 2023. The Company has a strong financial position at the year end with net current assets of £7.4m (2021 £6.4m), including cash of £2.3m (2021: £2.2m) as at 31 December 2022.

The directors, having assessed the responses of the directors of Morgan Sindall Construction & Infrastructure Ltd to their enquiries and having received confirmation of its continued support, for the going concern period to 31 March 2024, 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.

Based on the above, 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 to the end of the going concern period, which is 31 March 2024. 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 2022.

### 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, the Group maintains liability insurance for its directors and officers and those of its directors and officers of its associated companies. The Group has also indemnified certain directors of its Group companies to the extent permitted by law against any liability incurred in relation to acts or omissions arising in the ordinary course of their duties.

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

# MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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### **Dividends**

There were no interim dividends paid in the current or prior period. The directors do not recommend the payment of a financial dividend (2021: nil).

### **Post balance sheet events**

No post balance sheet events have occurred that are expected to have a significant impact to the financial statements.

### **Political contributions**

The Company made no political contributions during the year (2021: none).

### **Financial risk management objectives and policies**

The Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk and interest rate 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 low credit risk due to significant trading with the Group and its subsidiaries.

#### *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 Company'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 and liabilities. Interest bearing assets and liabilities include cash balances and overdrafts, all of which have interest rates applied at floating market rates.

### **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.

The Company has abolished the requirement to hold annual general meetings. Subject to the receipt of any objections as provided under statute or the Company's Articles of Association, the Company is relying on the provisions as provided in section 487 of the Companies Act 2006 for the deemed re-appointment of Ernst & Young LLP as auditors.

# MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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### 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;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- 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. Under applicable law and regulations, the directors are also responsible for preparing a directors' report that comply with that law and those regulations.

### Strategic report

The Company has taken advantage of disclosure exemptions available to small companies under section 414B of the Companies Act 2006 and not prepared a Strategic report.

### Approved for and on behalf of the Board



M Atkinson  
Finance Director  
31 March 2023

# MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2022

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### Opinion

We have audited the financial statements of Morgan Sindall Engineering Solutions Limited for the year ended 31 December 2022 which comprise the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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 from when the financial statements are authorised for issue through until 31 March 2024.*

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

### 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.

# **MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2022**

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Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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

### **Matters on which we are required to report by exception**

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 material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 4, 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.



# MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2022

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### **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.

### ***Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct tax regulations in the United Kingdom.
- We understood how Morgan Sindall Engineering Solutions Limited is complying with those frameworks by making enquiries of management, including those charged with governance, to understand how the Company maintains and communicates its policies and procedures in these areas and to understand the controls put in place to reduce the risk of non-compliance. We corroborated our enquiries through our review of Company board minutes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and incorrect revenue recognition, by assuming both of these factors to be fraud risks.
- To address the fraud risk over management override we performed audit testing over manual journals by testing specific transactions back to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions.
- We considered the appropriateness of contract accruals at the yearend and assessed whether these have been incurred and not materially overstated/understated.
- We reviewed contract asset balances and challenged management on both the recognition criteria together with the recovery of balances at the year end which have not been provided for including the consideration of counterparty risk.
- We assessed the appropriateness of cost allocations across contracts including evaluation of whether there has been any manipulation of costs between profit-making and loss-making contracts.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures included verifying that material transactions were recorded in compliance with FRS 101 and, where appropriate, Companies Act 2006.

A further description of our responsibilities for the audit of the financial statements is located on the

## **MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2022**

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Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **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.

*Ernst & Young LLP*

Daniel Foster (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
Luton, United Kingdom  
31 March 2023

# MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £000	2021 £000
Revenue	1	8,014	7,591
Net operating costs		(6,830)	(7,156)
<b>Operating profit</b>	<b>2</b>	<b>1,184</b>	<b>435</b>
Interest receivable	4	35	5
<b>Profit before tax</b>		<b>1,219</b>	<b>440</b>
Tax	5	(232)	(83)
<b>Profit for the financial year attributable to the owners of the Company</b>	<b>10</b>	<b>987</b>	<b>357</b>
<b>Profit for the year and total comprehensive income attributable to the owners of the Company</b>		<b>987</b>	<b>357</b>

### Continuing operations

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

# MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2022

	Notes	2022 £000	2021 £000
<b>Current assets</b>			
Contract assets	6	317	231
Trade and other receivables	7	5,772	5,746
Cash and bank balances		2,283	2,180
		<b>8,372</b>	<b>8,157</b>
<b>Current liabilities</b>			
Contract liabilities	6	(22)	(750)
Trade and other payables	8	(676)	(942)
Current tax liabilities		(305)	(83)
		<b>(1,003)</b>	<b>(1,775)</b>
<b>Net current assets</b>		<b>7,369</b>	<b>6,382</b>
<b>Net assets</b>		<b>7,369</b>	<b>6,382</b>
<b>Capital and reserves</b>			
Share capital	9	-	-
Retained earnings	10	7,369	6,382
<b>Total shareholder's funds</b>		<b>7,369</b>	<b>6,382</b>

The financial statements of Morgan Sindall Engineering Solutions Limited (company number 04969901) were approved by the Board and authorised for issue on 31 March 2023. They were signed on its behalf by:



M Atkinson, Finance Director  
31 March 2023



# MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £000	Retained earnings £000	Total £000
At 1 January 2021	-	6,025	6,025
Profit and total comprehensive income	-	357	357
At 1 January 2022	-	6,382	6,382
Profit and total comprehensive income	-	987	987
<b>At 31 December 2022</b>	<b>-</b>	<b>7,369</b>	<b>7,369</b>

# MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

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### General information

Morgan Sindall Engineering Solutions Limited (the 'Company') is a private company limited by shares, incorporated and domiciled in the UK and registered in England and Wales. The nature of the Company's operations and its principal activities are set out in the Directors' report on page 2. 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 and with the requirements of the Companies Act 2006.

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 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](http://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.

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

### Ultimate parent company and ultimate controlling party

The immediate parent undertaking of the Company is Morgan Sindall Construction & Infrastructure Ltd, which is registered in England and Wales.

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](http://www.morgansindall.com) or from its registered office Kent House, 14-17 Market Place, London W1W 8AJ.

### Adoption of new and revised standards

#### (i) New and revised accounting standards adopted by the Company

During the year, the Company has adopted the following new and revised standards and interpretations. Their adoption has not had any significant impact on the accounts or disclosures in these financial statements.

- Amendments to IFRS 3 'Reference to the Conceptual Framework'
- Amendments to IAS 16 'Property, Plant and Equipment – Proceeds before Intended Use'
- Amendments to IAS 37 'Onerous Contracts – Cost of Fulfilling a Contract'
- Annual Improvements to IFRS Accounting Standards 2018-2020 cycle

#### (ii) New and revised accounting standards and interpretations which were in issue but were not yet effective and have not been adopted early

At the date of the financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

# MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

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- IFRS 17 'Insurance Contracts'
- IFRS 10 and IAS 28 (amendments) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current'
- Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements – Disclosure of Accounting Policies'
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates'
- Amendments to IAS 12 'Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction'
- Amendments to IFRS 16 'Lease Liability in a Sale and Leaseback'

The Company is currently assessing the impact of the standards but 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.

The accounting policies as set out below have been applied consistently to all periods presented in these consolidated financial statements.

### Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' Report. The Company is expected to continue to trade profitably during the going concern period, which the directors have defined as the date of approval of the 31 December 2022 financial statements through to 31 March 2024.

The Company participates in the Group's banking arrangements (under which it is a cross guarantor). As at 31 December 2022 the Group had net cash balances of £355m. The Group also had £180m of committed loan facilities maturing more than one year from the balance sheet date, of which £15m matures in March 2024 and £165m in October in 2025. These facilities were undrawn at 31 December 2022.

The Company's future workload is healthy with a secured order book of £1.2m and the Company has a strong financial position at the year end with net current assets of £7.4m (2021: £6.4m), including cash of £2.3m (2021: £2.2m) at 31 December 2022.

The directors, having assessed the responses of the directors of Morgan Sindall Construction & Infrastructure Ltd to their enquiries and having received confirmation of its continued support, for the going concern period to 31 March 2024, 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 the Group, the Company's directors have a reasonable expectation that the Company, will be able to continue in operational existence during the going concern period, which the directors have defined as the date of approval of the 31 December 2022 financial statements through to 31 March 2024. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

# MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

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### Revenue

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

#### (a) Construction and infrastructure services contracts

All of the Company's revenue is derived from design services to construction and infrastructure services 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 10 years.

All 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 and infrastructure services 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. For cost reimbursable infrastructure services contracts progress is measured based on the costs incurred to date as a proportion of the estimated total cost and an assessment of the final contract price payable.

Variations are not included in the estimated total contract price until the customer has agreed in principle 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.

For cost reimbursable contracts, expected pain share is recognised in the estimated total contract price immediately whilst anticipated gain share and performance bonuses are only recognised at the point that they are agreed by the customer.

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.

#### (b) Service contracts

Service contracts include design, maintenance and management services. Contracts are typically satisfied over time and revenue is measured through an assessment of time incurred and materials utilised as a proportion of the total expected or percentage of completion depending upon the nature of the service.



# MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

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### **(c) Contract balances**

#### *Contract assets*

Contract assets primarily relate to the Company's right to consideration for design 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.

#### *Contract liabilities*

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. Contract liabilities are recognised as revenue when performance obligation to the customer has been satisfied.

### **(d) 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.

### **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

# MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

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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.

### **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.

### **Critical judgements and estimates in applying the Company's accounting policies**

The following are the critical judgements and estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- **Revenue and profit recognition for long term contracts (judgement and estimate)**

The Company assesses its costs and anticipated profits in excess of billings based on time charged to each project and estimated future costs and total revenues. Recognition of revenues and contract assets involves estimates of costs required to complete the project. On a monthly basis, the Company reviews the costs incurred to date and the estimated costs to complete for each project to determine whether the amount recognised as contract assets is an accurate estimate of the amount that the Company has earned on its projects. Where the review determines that the value of costs and anticipated profits in excess of billings exceed the amount that has been earned, adjustments are made to the contract assets. Changes in the estimate of costs required to complete projects could lead to reversals of revenues.

The Company did not have any other critical judgements or key assumptions concerning the future, 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.

# MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 1. Analysis of revenue and profit on ordinary activities before taxation

All revenue and profit before taxation relates to the Company's principal activity of rendering provision of a comprehensive range of expert and technical services carried out in the United Kingdom.

### 2. Operating profit

The auditor's remuneration is borne by another Group company. The audit fee for the Company was £25,000 (2021: £25,000).

### 3. Staff costs

Staff working for the Company are employed and remunerated by another Group company. Staff costs recharged to the Company was £5.1m (2021: £5.5m). None of the directors received any emoluments (2021: £nil) in their capacity as directors of the Company. These individuals are remunerated by another company in the Group.

### 4. Interest receivable

	2022	2021
	£000	£000
Bank interest receivable	35	5

### 5. Tax

	2022	2021
	£000	£000
UK corporation tax charge on profit for the year	232	83

Corporation tax is calculated at 19% (2021: 19%) of the estimable taxable profit for the year. The charge for the year can be reconciled to the statement of comprehensive income as follows:

	2022	2021
	£000	£000
Profit before tax	1,219	440
Tax on profit at corporation tax rate	232	83
<b>Total tax expense</b>	<b>232</b>	<b>83</b>

During 2021 it was announced that the UK statutory tax rate will increase from 19% to 25% from 1 April 2023. Consequently, the applicable tax rate for the Group (taking into account its December year end) is expected to be 19% in 2022, 23.5% in 2023, and 25% in 2024 (and beyond). Deferred taxes at the balance sheet date are measured at the enacted rates that are expected to apply to the unwind of each asset or liability. Accordingly deferred tax balances as at 31 December 2022 have been calculated at a mix of 23.5% and 25%. Deferred tax balances as at 31 December 2021 were calculated at a mix of 19%, 23.5% and 25%.

# MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 6. Contract assets and liabilities

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

	2022 £000	2021 £000
Contract assets	317	231
Contract liabilities	(22)	(750)

The contract assets primarily relate to the Company's right to consideration for design 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.

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 2022 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:

	2022 £000	2021 £000		
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
As at 1 January	231	(750)	298	-
Revenue recognised				
- performance obligations satisfied in the current period	7,264	750	7,591	-
Cash received for performance obligations not yet satisfied	-	(22)	-	(750)
Amounts transferred to trade receivables	(7,178)	-	(7,658)	-
<b>As at 31 December</b>	<b>317</b>	<b>(22)</b>	<b>231</b>	<b>(750)</b>

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:

	2023 £000	2024 £000	2025+ £000	Total £000
As at 31 December 2022	1,176	-	-	1,176

# MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 7. Trade and other receivables

	2022	2021
	£000	£000
<b>Amounts falling due within one year</b>		
Trade receivables	33	62
Amounts owed by Group undertakings	5,634	5,586
Prepayments and accrued income	49	64
Other receivables	56	34
	<b>5,772</b>	<b>5,746</b>

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

### 8. Trade and other payables

	2022	2021
	£000	£000
<b>Amounts falling due within one year</b>		
Trade payables	14	17
Other payables	57	155
Accruals	605	770
	<b>676</b>	<b>942</b>

### 9. Share capital

	2022	2021
	£	£
<b>Allotted, called up and fully paid</b>		
1 ordinary share of £1	1	1

### 10. Retained earnings

	2022	2021
	£000	£000
Balance as at 1 January	6,382	6,025
Profit for the year	987	357
<b>Balance as at 31 December</b>	<b>7,369</b>	<b>6,382</b>

### 11. 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.

Contingent liabilities may also arise in respect of third party claims made against the Group, in the normal course of trading. A provision for such claims is only recognised to the extent that the Directors believe that the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation. However, such claims are predominantly covered by the Group's insurance arrangements.

# **MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **12. 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 note 7 of these financial statements.

### **13. Subsequent events**

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