

MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

**ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**



MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

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MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2020

Directors M Atkinson (appointed 21 December 2020)
S Crummett
J Morgan
J Ledwidge (resigned 30 November 2020)

Company Secretary C Sheridan

Head Office Corporation Street
Rugby
Warwickshire, United Kingdom
CV21 2DW

Registered Office Kent House
14–17 Market Place
London, United Kingdom
W1W 8AJ

Independent Auditor Deloitte LLP
Statutory Auditor
London

MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and audited financial statements for the year ended 31 December 2020. 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

These financial statements have been prepared on a going concern basis which presumes that the Company has adequate resources to remain in operation and that the directors intend it to do so for at least one year from the date the financial statements are signed.

The Company's future workload is healthy with a secured order book was £3.2m and the Company has a strong financial position at the year end with net current assets of £6.0m (2019: £5.9m), including cash of £1.7m (2019: £5.0m) at 31 December 2020.

The Company participates in Morgan Sindall Group plc's (the "Group") banking arrangements (under which it is a cross guarantor). As at 31 December 2020 the Group had net cash balances of £333m. The Group also had £180m of committed loan facilities maturing (£30m maturing in March 2022 and £150m maturing in October 2023), which were entirely undrawn as at 31 December 2020.

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 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 2020.

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

Dividends

There were no interim dividends paid in the current or prior period. The directors do not recommend the payment of a final dividend (2019: nil).

Post balance sheet events

There were no events that occurred after the balance sheet date that affected the financial statements of the Company.

MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Political contributions

The Company made no political contributions during the year (2019: 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, 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 and liabilities. Interest bearing assets and liabilities include cash balances and overdrafts, 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.

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.

In accordance with Section 487 of the Companies Act 2006, Deloitte LLP has not been reappointed as the Companies auditors. Following an audit tender conducted during the year, Ernst & Young LLP were selected as auditor for the Morgan Sindall group. Accordingly, it is intended that Ernst & Young LLP will be appointed to replace Deloitte LLP as auditor for the year ending 31 December 2021.

MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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. 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; 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.

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.

For and on behalf of the Board



M Atkinson
Finance Director
29 September 2021

MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2020

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Morgan Sindall Engineering Solutions Limited (the 'Company'):

- give a true and fair view of the state of Company's affairs as at 31 December 2020 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 statement of accounting policies; and
- the related notes 1 to 13.

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 (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

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.

MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2020

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 the 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's 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 2020

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 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.

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 directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

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 ACA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

29 September 2021

MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Revenue	1	7,356	8,098
Net operating costs		(7,238)	(7,131)
Operating profit	2	118	967
Interest receivable	4	19	37
Profit before tax		137	1,004
Tax	5	(26)	(191)
Profit for the financial year attributable to the owners of the Company	10	111	813
Profit for the year and total comprehensive income attributable to the owners of the Company		111	813

Continuing operations

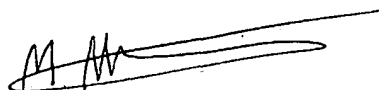
The results for the current and previous financial years derive from continuing operations.

MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Current assets			
Contract assets	6	298	249
Trade and other receivables	7	5,417	1,576
Cash and bank balances		1,733	4,955
		7,448	6,780
Current liabilities			
Trade and other payables	8	(1,398)	(675)
Current tax liabilities	5	(25)	(191)
		(1,423)	(866)
Net current assets		6,025	5,914
Net assets		6,025	5,914
Capital and reserves			
Share capital	9	-	-
Retained earnings	10	6,025	5,914
Total shareholder's funds		6,025	5,914

The financial statements of Morgan Sindall Engineering Solutions Limited (company number 04969901) were approved by the Board and authorised for issue on 29 September 2021. They were signed on its behalf by:



M Atkinson, Finance Director
29 September 2021

MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £000	Retained earnings £000	Total £000
At 1 January 2019	-	5,101	5,101
Profit and total comprehensive income	-	813	813
At 1 January 2020	-	5,914	5,914
Profit and total comprehensive income	-	111	111
At 31 December 2020	-	6,025	6,025

MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

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.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, 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.

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 are presented in pounds sterling which is the Company's functional currency. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The immediate parent undertaking of the company is Baker Hicks Limited, 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 or from its registered office Kent House, 14-17 Market Place, London W1W 8AJ.

Adoption of new and revised standards

New and revised accounting standards adopted by the Group

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 References to the Conceptual Framework in IFRS Standards
- Definition of a Business Combination - Amendments to IFRS 3 'Business Combinations'
- Definition of Material - Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'
- Interest Rate Benchmark Reform – Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments – recognition and measurement' and IFRS 7 'Financial Instruments: Disclosures'

MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

(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:

- IFRS 17 'Insurance Contracts'
- IFRS 4 (amendments) – Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'
- IAS 1 (amendments) – Classification of Liabilities as Current or Non-Current
- IAS 16 (amendments) – Property, Plant and Equipment — Proceeds before Intended Use
- Annual Improvements 2018-2020 Cycle
- IFRS 3 (amendments) – Reference to the Conceptual Framework
- IAS 37 (amendments) – Onerous Contracts — Cost of Fulfilling a Contract
- IFRS 16 (amendments) – Covid-19-Related Rent Concessions

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 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 the at least 12 months from signing the accounts. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

A significant portion of the Company's revenue is derived from 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.

MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

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 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 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.

(c) 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.

MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

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 Group'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.

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.

MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

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 did not have any critical judgements or key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amount 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 2020

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 £2,000 (2019: £2,000).

3. Staff costs

There were no staff costs for the year ended 31 December 2020 or for the year ended 31 December 2019. Staff working for the Company are employed and remunerated by another Group company. Three (2019: three) of the directors did not receive any emoluments (2019: £nil) in their capacity as directors of the Company. These individuals are remunerated by another company in the Group.

4. Interest receivable

	2020	2019
	£000	£000
Bank interest receivable	19	37

5. Tax

	2020	2019
	£000	£000
UK corporation tax charge on profit for the year	26	191

Corporation tax is calculated at 19% (2019: 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:

	2020	2019
	£000	£000
Profit before tax	137	1,004
Tax on profit at corporation tax rate	26	191
Total tax expense	26	191

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the UK corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). Deferred taxes at the balance sheet are measured using the enacted rates that are expected to apply to the unwind of each asset or liability. Accordingly, deferred tax balances as at 31 December 2019 were calculated at 17%, and deferred tax balances as at 31 December 2020 have been calculated at 19%. This change in deferred tax calculation rate has resulted in a reduced tax charge for the year.

MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

6. Contract assets

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

	2020	2019
	£000	£000
Contract assets	298	249

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.

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.

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

	2020	2019
	£000	£000
As at 1 January	249	1,109
Revenue recognised		
- performance obligations satisfied in the current period	7,356	8,098
Amounts transferred to trade receivables	(7,307)	(8,958)
As at 31 December	298	249

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:

	2021	2022	2023+	Total
	£000	£000	£000	£000
As at 31 December 2020	3,172	-	-	3,172

7. Trade and other receivables

	2020	2019
	£000	£000
Amounts falling due within one year		
Trade receivables	187	727
Amounts owed by Group undertakings	5,201	818
Prepayments and accrued income	22	18
Other receivables	7	13
	5,417	1,576

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

MORGAN SINDALL ENGINEERING SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

8. Trade and other payables

	2020	2019
	£000	£000
Amounts falling due within one year		
Trade payables	12	9
Amounts owed to Group undertakings	2	10
Other payables	226	159
Accruals	1,158	497
	1,398	675

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

9. Share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
1 ordinary share of £1	1	1

10. Retained earnings

	2020	2019
	£000	£000
Balance as at 1 January	5,914	5,101
Profit for the year	111	813
Balance as at 31 December	6,025	5,914

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.

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 and 8 of these financial statements.

13. Subsequent events

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