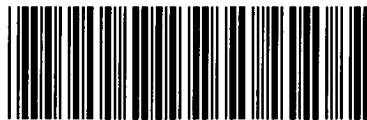


**BAKER HICKS LIMITED**  
**ANNUAL REPORT AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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# BAKER HICKS LIMITED

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# BAKER HICKS LIMITED

## COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2019

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### Directors

C Archer  
S Crummett  
M Lubieniecki  
J Morgan

### Company Secretary

C Sheridan

### Head Office

One Warwick Technology Park  
Gallows Hill  
Warwick  
CV34 6YL

### Registered Office

Kent House  
14–17 Market Place  
London  
W1W 8AJ

### Independent Auditor

Deloitte LLP  
Statutory Auditor  
London

# BAKER HICKS LIMITED

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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### Principal activities

Baker Hicks Limited ("the Company") is a design and engineering company that specialises in complex infrastructure, process and built environments across the full project life cycle. The Company's disciplines range from initial architecture to civil and structural, building services, specialist high voltage and process engineering services, programme management and CDM consultancy, using the latest innovations in Building Information Modelling (BIM) for the most efficient and cost-effective design. These services are delivered from our office locations in Derby, London, London Heathrow, Manchester, Motherwell and Warwick.

### Business review

The results for the year and key performance indicators for the Company were as follows:

	Year to 31 December 2019 £000	Year to 31 December 2018 £000
Revenue	41,394	34,201
Operating profit	2,911	410
Operating margin	7.0%	1.2%
Profit / (loss) after tax	2,115	(100)
Forward order book	19,698	14,994

Revenue significantly increased again to £41.4m (2018: £34.2m) with a considerably increased operating profit and margin of £2.9m and 7.0% respectively (2018: £410k, 1.2%), reflecting an exceptional year for the business in a challenging and competitive trading environment. The Company has been successful in securing new and interesting opportunities in all its core sector offerings. The 2019 performance was ahead of budget and in excess of our expectations.

The Company has experienced continued strong sector performance and growth, particularly in our Defence, Life Sciences, Power and Aviation sectors as well as in Scotland, all delivering increased revenues and margins. The Company has continued to support other members of the Morgan Sindall Group ("the Group") throughout the year whilst enjoying further development with its third party customers.

Looking ahead to 2020, the Company will look to consolidate and maintain the delivery in the aforementioned sectors. Maintaining and improving margins will be sought via continued improvement in project delivery whilst the Company will maintain its thorough tender selection process to ensure profitability continues in future financial years. The 2020 order book is strong and provides confidence for the financial year ahead.

### Financial position and liquidity

The financial position of the Company is presented in the Balance Sheet. The total shareholder's funds at 31 December 2019 were £3.0m (2018: £0.9m) with net current assets of £1.2m (2018: £0.3m).

The Company participates in the Group's banking arrangements (under which it is a cross guarantor). As at 31 December 2019 the Group had cash balances of £192.7m. The Group also had £180m of committed loan facilities maturing in 2022, which were entirely undrawn as at 31 December 2019.

# BAKER HICKS LIMITED

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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### **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, in particular the continued uncertainty surrounding Brexit negotiations, as well as the risk of longer term shortage of opportunities, risk around employee recruitment and retention, health and safety and environmental performance, contractual risk (including mispricing of contracts, managing changes to contracts and contract disputes, poor project delivery and poor contract selection). Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided in the strategic report in the Group'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 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.

### **Section 172(1) statement Companies Act 2006**

Throughout 2019, the directors have complied with the requirements of Section 172 of the Companies Act 2006, in promoting the long-term success of the Company for the benefit of all stakeholders. The following disclosure describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the directors' statement required under section 414CZA of The Companies Act 2006.

### **Engagement with stakeholders**

The directors considers its shareholder, employees, customers, suppliers and local communities to be its core stakeholder groups. As part of its ongoing activities of engaging with stakeholders, the directors have undertaken the following activities in 2019:

# BAKER HICKS LIMITED

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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### *Shareholder*

Our ultimate shareholder is the Group. We create value for the Group by generating strong and sustainable results that translate into dividends. We discuss our performance in monthly management meetings with the Group's executive directors and provide executive summaries for the Group Board.

The directors routinely engage with the Group on topics of strategy, governance and performance and our strategic plans include information on the impact on each of our stakeholders including the community and environment.

The Company has issued to its senior management team a schedule of authorised approvers and signatories, summarising delegated authorities within the Company. It covers the requirements contained within 'Delegation and Limits of Authority Procedures' ('DELAPs') issued by the Group.

### *Employees*

In line with the Group's Total Commitments, protecting the health, safety and wellbeing of everyone who comes into contact with our business is our number one priority. Furthermore, we are committed to a diverse and inclusive work environment and helping our employees gain skills that support their personal ambitions and drive the business forward.

During the year the Company held its annual staff conference including presentations showcasing different areas of the business as well as featuring staff awards for outstanding achievement, whilst throughout the year we celebrate our employees' successes such as gaining professional qualifications.

The Company has further engaged with its employees through staff surveys and the Employee forum, which acts as a means of employees raising any issues or concerns directly with the management team.

During the year, the Company engaged with Tell Jane, an organisation that is independent from the Company, in order to give employees the option to make an anonymous report about any discrimination or harassment experience at the Company. This complements the Group's whistleblowing hotline. No issues were raised under the Tell Jane service in 2019.

The directors consider the results of staff surveys and other feedback received to be a good indicator of how employees feel about working for the Company, as well as a measure of their optimism for the future. The directors have overseen a number of initiatives over the years to improve employee relations, including flexible working practices, wellbeing initiatives and multiple office moves, significantly upgrading workspaces.

Ensuring our staff are suitably qualified and experienced remains central to our business; we continue to track our average training days per employee per year, which for 2019 was an average of 4 days.

### *Customers*

We aim to develop long-term relationships with our customers. We continue to obtain feedback on our performance via the Perfect Delivery Programme. For any issues raised by customers, an appropriate plan is formulated to remediate the concerns raised and ensure processes are in place to minimise the risk of such issues arising in the future.

The Perfect Delivery Programme is supplemented with other formal and informal methods of performance review to ensure we continue to deliver our customers' requirements. Much of our revenue is derived from repeat business from existing customers therefore swiftly responding to and

# BAKER HICKS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2019

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alleviating any customer concerns is critical to our business model.

#### *Suppliers*

Our suppliers and subcontractors are critical to our operations and we take a long-term collaborative approach to working with them. Our supply chain are invited to register on Builders Profile, an open-access common database service providing compliance and PQQ information to the construction industry, which allows the Company to better manage its supply chain.

The Group is signed up to the Prompt Payment Code; whilst the Company does not currently meet the threshold requiring to publish data, our practices are monitored internally and are comparable to the Groups' published 2019 supply chain KPIs such as percentage of invoices by volume paid within 60 days (97%).

#### *Communities*

We engage with our local communities through various charitable events both with our clients and direct.

We regularly attend Careers Fairs with a variety of universities and schools. We believe it is important to encourage young people at an early age to consider careers in engineering and architecture, particularly women and people from BAME backgrounds who are underrepresented in our professions. We also engage with local schools educating students about a career in engineering and supporting skills competitions.

As a result of engaging with local communities, in 2019 the Company donated its profit from the 'Umbrella Project' at Heathrow Airport. The project's name stems from the use of ADHD and autism as 'umbrella' terms for many neurological conditions, reframing them for children as 'Super Powers' with the umbrellas celebrating the unique gifts of every child. The Umbrella Project suspends 300 umbrellas above Heathrow Terminal 5 Arrivals Court as part of an initiative by the ADHD Foundation, aiding the community whilst working with our clients and engaging our employees on a unique project which encompassed a meaningful message.

Also during 2019, the Company's Scotland office supported our clients Hub South East Scotland nominated local charity, the Grassmarket Community Project (GCP) through charitable donation of proceeds from the office tuck shop; these funds will go towards helping the GCP provide a variety of services to some of Edinburgh's most vulnerable citizens.

Further information about how we and the Group engage with stakeholders can be found in the Group's 2019 report and accounts and the 2019 responsible business report ([morgansindall.com](http://morgansindall.com)).

#### *Principal decisions*

We define principal decisions as those that are material to the Company and to the Group and those that are significant to our key stakeholder groups as above. As set out below, we have given examples of how the directors have considered the outcomes from our stakeholder engagement as well as the need to maintain the Company's reputation for high standards of business conduct and to act fairly between the members of the Company in some of the principle decisions we have taken during the year.

During the year, the Directors have reviewed and approved the Company's five-year strategic plan and priorities. This plan included the financial budget whilst considering and determining the

# BAKER HICKS LIMITED

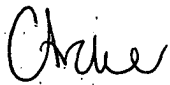
## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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Company's appropriate risk appetite, namely being selective over what work we seek to secure and ensuring we have the right skillsets to perform the work, whilst also ensuring alignment with the Group's plans and priorities. Review and approval of the Company's strategic plan included consideration of the plans impact on our core stakeholder groups.

For further information on how the Group Board has considered stakeholders in its decision making please see the corporate governance and directors report in the 2019 Report and Accounts.

**Approved by and on behalf of the Board**



**C Archer**  
**Director**  
9 March 2020



# BAKER HICKS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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The directors present their annual report and the audited financial statements for the year ended 31 December 2019. 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 2019.

### 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

The directors do not recommend the payment of a final dividend (2018: £nil).

### Post balance sheet events

There were no post balance sheet events that affected the financial statements of the Company.

### Political contributions

The Company made no political contributions during the year (2018: none).

### 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.

### Employee engagement

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

# BAKER HICKS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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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.

### **Engagement with employees and other stakeholders**

See pages 2-5 of the Strategic Report in the Section 172(1) statement.

### **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.

Deloitte LLP have expressed their willingness to continue in office as auditor and pursuant to Section 487 of the Companies Act 2006, Deloitte LLP is deemed to be reappointed as auditor.

### **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;
- 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. The directors are responsible for the maintenance and integrity of the corporate and financial information

# BAKER HICKS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Approved for and on behalf of the Board**



**C Archer**  
**Director**  
9 March 2020

# BAKER HICKS LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER HICKS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2019

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### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of Baker Hicks Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 19.

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.

#### 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.

# BAKER HICKS LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER HICKS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2019

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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](http://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 directors' report.

# BAKER HICKS LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER HICKS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2019

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### 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

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  
9 March 2020

# BAKER HICKS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Revenue	1	41,394	34,201
Cost of sales		(28,439)	(24,940)
<b>Gross profit</b>		<b>12,955</b>	<b>9,261</b>
Other administrative expenses		(10,044)	(8,851)
<b>Operating profit</b>	2	<b>2,911</b>	<b>410</b>
Interest payable	5	(280)	(62)
<b>Profit before tax</b>		<b>2,631</b>	<b>348</b>
Tax	6	(516)	448
<b>Profit for the financial year attributable to owners of the Company</b>	14	<b>2,115</b>	<b>(100)</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>2,115</b>	<b>(100)</b>

### Continuing operations

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

# BAKER HICKS LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
<b>Non-current assets</b>			
Property, plant and equipment	7	8,795	3,152
Investments in subsidiaries	8	1,684	1,684
Deferred tax asset	12	300	320
		<b>10,779</b>	<b>5,156</b>
<b>Current assets</b>			
Trade and other receivables	9	15,295	9,434
Contract assets	10	2,499	1,427
		<b>17,794</b>	<b>10,861</b>
<b>Total assets</b>		<b>28,573</b>	<b>16,017</b>
<b>Current liabilities</b>			
Bank overdrafts		(5,320)	(2,315)
Trade and other payables	11	(7,544)	(5,595)
Contract liabilities	10	(2,403)	(2,133)
Current tax liabilities	6	(717)	(297)
Lease Liabilities	17	(653)	(238)
		<b>(16,637)</b>	<b>(10,578)</b>
<b>Net current assets</b>		<b>1,157</b>	<b>283</b>
<b>Non-current liabilities</b>			
Trade and other payables	11	(2,930)	(2,930)
Lease Liabilities	17	(5,991)	(1,609)
		<b>(8,921)</b>	<b>(4,539)</b>
<b>Total liabilities</b>		<b>(25,558)</b>	<b>(15,117)</b>
<b>Net assets</b>		<b>3,015</b>	<b>900</b>
<b>Capital and reserves</b>			
Share capital	13	3,000	3,000
Retained earnings	14	15	(2,100)
<b>Total shareholder's funds</b>		<b>3,015</b>	<b>900</b>

The financial statements of Baker Hicks Limited (company number 06256571) were approved by the Board and authorised for issue on 9 March 2020. They were signed on its behalf by:


 ..... C Archer, Director



# BAKER HICKS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital (Note 13) £000	Retained earnings (Note 14) £000	Total  £000
<b>At 1 January 2018</b>	<b>3,000</b>	<b>(2,000)</b>	<b>1,000</b>
Total comprehensive income	-	(100)	(100)
Dividends paid	-	-	-
<b>At 1 January 2019</b>	<b>3,000</b>	<b>(2,100)</b>	<b>900</b>
Total comprehensive income	-	2,115	2,115
Dividends paid	-	-	-
<b>At 31 December 2019</b>	<b>3,000</b>	<b>15</b>	<b>3,015</b>

# BAKER HICKS LIMITED

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2019

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### General information

Baker Hicks Limited (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 5. 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, presentation of 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](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.

These financial statements are presented in pounds sterling which is the Company's presentational and 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](http://www.morgansindall.com) or from its registered office Kent House, 14-17 Market Place, London W1W 8AJ.

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the preparation of consolidated financial statements because it is included in the Group accounts of Morgan Sindall Group plc. These financial statements are separate financial statements and present information about the Company as an individual undertaking and not of the Group.

### Adoption of new and revised standards

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 amounts or disclosures reported in these financial statements.

- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- IFRS 4 (amended) 'Insurance Contracts'
- IFRS 9 (amended) 'Prepayment Features with Negative Compensation'
- IAS 19 (amended) 'Employee Benefits Plan Amendment, Curtailment or Settlement'
- IAS 28 (amended) 'Long term interests in Associates and Joint Ventures'

# BAKER HICKS LIMITED

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2019

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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 Business Review section of the Strategic Report. The Company is expected to continue to trade profitably 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**

Freehold and 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 10 years
Right of use - Leasehold buildings	the period of the lease

### **Investments in subsidiaries**

Investments held as fixed assets are stated at cost less provision for impairment.

### **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.

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

# BAKER HICKS LIMITED

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2019

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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.

# BAKER HICKS LIMITED

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2019

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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 Group'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 Group 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 Group'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 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.

# BAKER HICKS LIMITED

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2019

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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.

#### **(a) Critical judgements in applying the Group's accounting policies**

The company did not have any 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.

#### **(b) Key sources of estimation uncertainty**

The Group does not have any 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.

# BAKER HICKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 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.

### 2. Operating profit

	2019 £000	2018 £000
<b>Operating profit is stated after charging:</b>		
Depreciation of tangible fixed assets:		
- owned assets	557	306
- Right of use assets	720	325
Expense relating to short-term leases	238	185
Impairment of investment	117	-
Fees payable to the Company's auditor for the audit of the Company's annual accounts	25	25

Non-audit fees payable by the Company during the year were £nil (2018: £ nil) relating to other services.

### 3. Staff costs

	2019 £000	2018 £000
Wages and salaries	15,417	12,677
Social security costs	1,825	1,510
Pension costs	691	472
	<b>17,933</b>	<b>14,659</b>

	No.	No.
The average monthly number of employees (including executive directors) during the year was:	306	260

# BAKER HICKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 4. Directors' remuneration

	2019 £000	2018 £000
<b>Directors' remuneration</b>		
Emoluments	522	396
Company contributions to money purchase pension scheme	12	11
	<b>534</b>	<b>407</b>
<b>Remuneration of the highest paid director</b>		
Emoluments	390	281
Company contributions to money purchase pension scheme	10	10
	<b>No.</b>	<b>No.</b>
The number of directors who:		
- are members of money purchase pension schemes	2	2

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 (2018: two) in their capacity as directors of this Company. These individuals are remunerated by another company in the Group.

### 5. Net interest payable

	2019 £000	2018 £000
Other interest payable	107	14
Lease liabilities (Note 17)	173	48
<b>Interest payable</b>	<b>280</b>	<b>62</b>



# BAKER HICKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 6. Tax

	2019 £000	2018 £000
UK corporation tax charge on profit for the year	530	178
Adjustment in respect of previous years	(34)	311
<b>Total current tax</b>	<b>496</b>	<b>489</b>
Origination and reversal of timing differences	(3)	(19)
Adjustment in respect of previous years	23	(22)
<b>Total deferred tax (note 12)</b>	<b>20</b>	<b>(41)</b>
<b>Total tax expense</b>	<b>516</b>	<b>448</b>

Corporation tax is calculated at 19.0% (2018: 19.0%) 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:

	2019 £000	2018 £000
Profit before tax	2,631	348
Tax on profit at corporation tax rate	500	66
<i>Factors affecting the charge for the year:</i>		
Non-taxable income and expenses	3	3
Adjustments to tax charge in respect of previous years	(11)	367
Other tax differences	24	12
<b>Total tax expense</b>	<b>516</b>	<b>448</b>

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% (2018: 17%) as they will not materially reverse before the tax rate is changed.

# BAKER HICKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 7. Property, plant and equipment

	Plant & Equipment, fixtures and fittings £000	Right of use assets - Leasehold Buildings £000	Total £000
<b>Cost</b>			
As at 1 January 2019	1,963	1,971	3,934
Additions	1,963	5,291	7,254
Disposals	(474)	(496)	(970)
<b>As at 31 December 2019</b>	<b>3,452</b>	<b>6,766</b>	<b>10,218</b>
<b>Depreciation</b>			
As at 1 January 2019	(518)	(264)	(782)
Charge for the year	(557)	(720)	(1,277)
Disposals	406	230	636
<b>As at 31 December 2019</b>	<b>(669)</b>	<b>(754)</b>	<b>(1,423)</b>
<b>Net Book Value</b>			
<b>As at 31 December 2019</b>	<b>2,783</b>	<b>6,012</b>	<b>8,795</b>
As at 31 December 2018	1,445	1,707	3,152

# BAKER HICKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 8. Investments in subsidiaries

	Subsidiaries £000
<b>Cost and net book value</b>	
At 1 January 2019	1,684
Addition	117
Impairment	(117)
<b>At 31 December 2019</b>	<b>1,684</b>

The details of the Company's subsidiaries are shown below. The country of incorporation and principal place of business is the UK and the address of the registered office of each entity is the same as the registered office of this Company unless otherwise indicated.

Name of company	Principal activity	Proportion of ordinary shares held	
		2019	2018
Morgan Sindall Professional Services (Switzerland) Ltd	Holding company	100%	100%
Morgan Sindall Professional Services (France) Ltd*	In liquidation	-%	100%
Morgan Sindall Engineering Solutions Limited	Design & construction management services	100%	100%
BakerHicks AG (formerly Morgan Sindall Professional Services AG)***	Design & construction management services	100%**	100%**
BakerHicks GmbH (formerly Morgan Sindall Professional Services GmbH)****	Design & construction management services	100%**	100%**

\* Morgan Sindall Professional Services (France) Ltd was put into liquidation on 7 October 2019 and its registered office is c/o Mazars LLP, Tower Bridge House, St Katharine's Way, London, E1W 1DD

\*\* Indirect holdings

\*\*\* Country of incorporation is Switzerland and registered office is Badenstrasse 3, CH-4057 Basel, Switzerland

\*\*\*\* Country of incorporation is Germany and registered office is Engelbergstrasse 19, DE-79106 Freiburg im Breisgau, Germany

# BAKER HICKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 9. Trade and other receivables

	2019 £000	2018 £000
<b>Amounts falling due within one year</b>		
Trade receivables	2,737	3,981
Amounts owed by Group undertakings	11,861	5,098
Prepayments	492	241
Other receivables	205	114
	<b>15,295</b>	<b>9,434</b>

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

### 10. Construction contracts

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

	2019 £000	2018 £000
Contract assets	2,499	1,427
Contract liabilities	(2,403)	(2,133)

The contract assets primarily relate to the Group'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 Group 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 2019 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:

	2019 £000	2018 £000	2019 £000	2018 £000
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
As at 1 January	1,427	(2,133)	2,128	(1,502)
Revenue recognised				
- performance obligations satisfied in the current period	39,967	2,133	32,073	1,502
Cash received for performance obligations not yet satisfied		(2,403)		(2,133)
Amounts transferred to trade receivables	(38,895)		(32,774)	
<b>As at 31 December</b>	<b>2,499</b>	<b>(2,403)</b>	<b>1,427</b>	<b>(2,133)</b>

# BAKER HICKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 11. Trade and other payables

	2019 £000	2018 £000
<b>Amounts falling due within one year</b>		
Trade payables	891	411
Amounts owed to Group undertakings	265	414
Social security and other taxes	1,903	1,508
Accruals & other payables	1,612	1,443
Deferred income	2,873	1,819
	<b>7,544</b>	<b>5,595</b>
<b>Amounts falling due after one year</b>		
Trade payables	2,930	2,930
	<b>2,930</b>	<b>2,930</b>

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

### 12. Deferred tax asset

	2019 £000	2018 £000
Balance at 1 January	320	279
Income statement (charge)/credit (note 6)	(20)	41
<b>Balance at 31 December</b>	<b>300</b>	<b>320</b>

Deferred tax liabilities consist of the following amounts:

	2019 £000	2018 £000
Accelerated capital allowances	36	99
Goodwill	96	181
Short term timing differences	168	40
	<b>300</b>	<b>320</b>

### 13. Share capital

	2019 £000	2018 £000
<b>Issued, authorised and fully paid</b>		
3,000,001 ordinary shares of £1 each	<b>3,000</b>	<b>3,000</b>

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

### 14. Retained earnings

	2019 £000	2018 £000
Balance as at 1 January	(2,100)	(2,000)
Profit for the year	2,115	(100)
<b>Balance as at 31 December</b>	<b>15</b>	<b>(2,100)</b>

# BAKER HICKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 15. 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 2019 was £132,592 (2018: £94,101).

### 16. 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.

### 17. Lease liabilities

The company leases assets are property assets. The average lease term is 9 years. There are no variable terms to any of the leases. The maturity profile for the lease liabilities at 31 December 2019 are set out below:

	Right-of-use assets Buildings			
	2019		2018	
	£000		£000	
<b>Maturity analysis</b>				
Within one year		653		238
Within two to five years		2,756		881
After more than five years		3,235		728
		<b>6,644</b>		<b>1,847</b>
	2019		2018	
	Leasehold Property	Total	Leasehold Property	Total
	£000	£000	£000	£000
As at 1 January	1,847	1,847	509	509
Additions	5,290	5,290	1,475	1,475
Terminations	(266)	(266)	-	-
Repayments	(400)	(400)	(189)	(189)
Interest expenses	173	173	48	48
<b>As at 31 December</b>	<b>6,644</b>	<b>6,644</b>	<b>1,847</b>	<b>1,847</b>

### 18. 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 9 and 11 of these financial statements.

### 19. Subsequent events

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