

BAKER HICKS LIMITED

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

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BAKER HICKS LIMITED

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BAKER HICKS LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2018

Directors

C Archer
S Crummett
M Lubieniecki
J Morgan

Company Secretary

C Sheridan

Head Office

One Warwick Technology Park
Gallows Hill
Warwick
CV34 6DD

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 2018

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, as well as previously from our former office location in Stratford-upon-Avon.

Similar services are also provided in the Life Sciences sector in Switzerland, Germany and Austria from offices in Basel and Zurich, through the Company's subsidiary undertakings, Morgan Sindall Professional Services AG and Morgan Sindall Professional Services GmbH respectively. The Company is a member of the Morgan Sindall Group plc ("the Group") and its activities are reported through the Group's Construction and Infrastructure Division.

Business review

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

	Year to 31 December 2018 £000	Year to 31 December 2017 £000	Change
Revenue	34,201	31,503	+9%
Operating profit/(loss)	410	(360)	+214%
Operating margin	1.2%	(1.1)%	+230bps
(Loss) / profit after tax	(100)	316	-131%
Forward order book	14,994	10,732	+40%

Revenue significantly increased to £34.2m (2017: £31.5m) with a vastly improved operating profit and margin of £410k and 1.2% respectively (2017: loss of £(360)k, (1.1)%), reflecting a good year for the Company in a challenging and uncertain economic environment. The Company has been successful in securing new and interesting opportunities in all its core sector offerings. The 2018 performance was in line with our expectations and considered to be a notable achievement.

The Company has experienced continued strong sector performance and growth, particularly in our Defence, Life Sciences, Power and Rail sectors, all delivering both increased revenues and margins. The Company has continued to support other members of the Morgan Sindall Group throughout 2018, whilst overseeing further expansion on its range of third party customers.

Looking ahead to 2019, the Company will look for further growth in the aforementioned sectors, whilst also looking to see continued resurgence in its Scottish market offering. Improved margins will be sought via continued improvement in project delivery whilst the Company will continue to review its tender selection process to ensure continued improvement in profitability in future financial years. The 2019 order book is strong and provides comfort for the next financial year.

BAKER HICKS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Financial position and liquidity

The financial position of the Company is presented in the Balance Sheet. The total shareholder's funds at 31 December 2018 were £0.9m (2017: £1.0m). The Company had net current assets of £0.3m (2017: £1.3m) at 31 December 2018.

The Company participates in the Group's banking arrangements (under which it is a cross guarantor). As at 31 December 2018 the Group had cash balances of £217.2m. The Group also had £180m of committed loan facilities maturing in 2022, which were entirely undrawn as at 31 December 2018.

Key performance indicators

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

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to the market and economic environment, 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 and interest rate risk.

Credit risk

With regard to credit risk the Company has implemented policies that require appropriate credit checks on potential customers before contracts are commenced. The Company has 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.

BAKER HICKS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Approved by and on behalf of the Board



C Archer
Director
25 March 2019

BAKER HICKS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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

Going concern

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

Directors

The directors who served during the year and to the date of this report are shown on page 1. None of the directors had any interest in the shares of the Company during the year ended 31 December 2018.

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 (2017: £nil).

Future developments and events after balance sheet date

Details of future developments can be found in the strategic report on page 2. There were no subsequent events that affected the financial statements of the Company.

Political contributions

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

Employment policies

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

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

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interest and that all employees are aware of the financial and economic performance of their business units and the Company as a whole. The Company recognises the need to ensure effective

BAKER HICKS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

communication with employees and has developed various communication channels taking account of factors such as numbers employed and location, including an employee forum, an intranet and in-house newsletters.

Independent auditor and disclosure of information to the independent auditor

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

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

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 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.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Approved for and on behalf of the Board



C Archer
Director
25 March 2019

BAKER HICKS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER HICKS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2018

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss 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 2018

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.

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 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

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER HICKS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2018

opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Makhan Chahal ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
25 March 2019

BAKER HICKS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £000	2017 £000
Revenue	1	34,201	31,503
Cost of sales		(24,940)	(21,068)
Gross profit		9,261	10,435
Other administrative expenses		(8,851)	(10,795)
Operating profit	2	410	(360)
Income from shares in subsidiaries		-	650
Interest payable	5	(62)	(8)
Profit before tax		348	282
Tax	6	(448)	34
(Loss) / Profit for the financial year attributable to owners of the Company	14	(100)	316
Items that may be reclassified subsequently to profit or loss:			
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year attributable to owners of the Company		(100)	316

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 2018

	Notes	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	7	3,152	632
Investments in subsidiaries	8	1,684	1,684
Deferred tax asset	12	320	279
		5,156	2,595
Current assets			
Trade and other receivables	9	9,434	8,812
Contract assets	10	1,427	-
Current tax receivables		-	118
		10,861	8,930
Total assets		16,017	11,525
Current liabilities			
Bank overdrafts		(2,315)	(1,790)
Trade and other payables	11	(5,595)	(5,805)
Contract liabilities	10	(2,133)	-
Current tax liabilities		(297)	-
Lease Liabilities	17	(238)	-
		(10,578)	(7,595)
Net current assets		283	1,335
Non-current liabilities			
Trade and other payables	11	(2,930)	(2,930)
Lease Liabilities	17	(1,609)	-
		(4,539)	(2,930)
Total liabilities		(15,117)	(10,525)
Net assets		900	1,000
Capital and reserves			
Share capital	13	3,000	3,000
Retained earnings	14	(2,100)	(2,000)
Total shareholder's funds		900	1,000

The financial statements of Baker Hicks Limited (company number 06256571) were approved by the Board and authorised for issue on 25 March 2019. They were signed on its behalf by:



C Archer, Director

BAKER HICKS LIMITED

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

	Share capital (Note 13) £000	Retained earnings (Note 14) £000	Total £000
At 1 January 2017	3,000	(2,316)	684
Total comprehensive income	-	316	316
At 1 January 2018	3,000	(2,000)	1,000
Total comprehensive income	-	(100)	(100)
At 31 December 2018	3,000	(2,100)	900

BAKER HICKS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2018

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 4. 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, 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 morgansindall.com.

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

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

The directors consider that the ultimate parent undertaking and ultimate controlling party of this Company is Morgan Sindall Group plc, which is registered in England and Wales. It is the only group into which the results of the Company are consolidated. Copies of the consolidated financial statements of Morgan Sindall Group plc are publicly available from 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. Below describes their adoption and any significant impact on the amounts or disclosures reported in these financial statements.

(a) IFRS 9 'Financial Instruments'

Introduces changes to the classification and measurement of financial assets, hedge accounting and the model to be applied when assessing whether financial assets are impaired. IFRS 9 introduces a new impairment model based on expected losses, rather than incurred loss as per IAS 39. The adoption of this standard has not had any significant impact on the amounts or disclosures reported in these financial statements.

BAKER HICKS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2018

(b) IFRS 15 'Revenue from Contracts with Customers'

Introduces a new model for revenue recognition based on the satisfaction of performance obligations. For the Company IFRS 15 represents the continuation of the policy that the costs of fulfilling a contract are only capitalised where they are expected to be recovered over the duration of the work and the Company has a contractual entitlement to recover them in the event of a no-fault termination. In addition, IFRS 15 requires contract assets ('amounts due from construction contract customers' under IAS 11) and contract liabilities ('amounts due to construction contract customers') to be presented on the statement of financial position. The Company applied IFRS 15 using the cumulative effect method, by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continue to be reported under IAS 18 and IAS 11. Accordingly the results are not directly comparable.

The adoption of this standard has not had any significant impact on the amounts or disclosures reported in these financial statements.

(c) IFRS 16 'Leases'

In the current year, the Company, for the first time, has applied IFRS 16 Leases (as issued by the IASB in January 2016) in advance of its effective date. Requires a right-of-use asset and lease liability to be recognised in respect of all leases other than those that are less than one year in duration or of a low value. The effect of this for the Company has been to recognise a right-of-use asset of £557k, lease liability of £509k and accrued interest of £48k at the transition date of 1 January 2018. The Group has taken advantage of the practical expedients to grandfather previous conclusions under IAS 17 on which contracts contain leases, to apply the cumulative catch up approach rather than full retrospective application and to measure the right-of-use asset at an amount equal to the lease liability (adjusted for accruals and prepayments) at transition date.

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

£'000	As previously reported	Adjustments		As restated
		IFRS 15	IFRS 16	
Property, plant and equipment	632	-	557	1,189
Trade & other receivables	-	(1,427)	-	(1,427)
Contract assets	-	1,427	-	1,427
Change in total assets		-	557	
Trade and other payables – current	(7,938)	(2,133)	(48)	(5,853)
Contract liabilities	-	2,133	-	2,133
Lease liabilities – current	-	-	(143)	(143)
Lease liabilities – non-current	-	-	(366)	(366)
Change in total liabilities		-	(557)	
Change in total equity		-	-	

BAKER HICKS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2018

Changes to accounting standards issued but not yet effective

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

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

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 assets	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:

BAKER HICKS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2018

(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 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.

BAKER HICKS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2018

(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.

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 from shares in subsidiaries

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

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.

BAKER HICKS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2018

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.

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 2018

1. Analysis of revenue and profit before taxation

All revenue and profit before taxation relates to the Company's principal activity carried out in the UK.

2. Operating profit

	2018 £000	2017 £000
Operating profit is stated after charging:		
Depreciation of owned tangible	306	288
Depreciation of right of use fixed assets	325	-
Expense relating to short-term leases	185	335
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 (2017: £nil) relating to other services.

3. Staff costs

	2018 £000	2017 £000
Wages and salaries	12,677	11,961
Social security costs	1,510	1,370
Pension costs	472	432
	14,659	13,763

	No.	No.
The average monthly number of employees (including executive directors) during the year was:	260	246

4. Directors' remuneration

	2018 £000	2017 £000
Directors' remuneration		
Emoluments	396	397
Company contributions to money purchase pension scheme	11	12
	407	409

Remuneration of the highest paid director

Emoluments	281	332
Company contributions to money purchase pension scheme	10	10

The number of directors who:	No.	No.
- 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 (2017: two) in their capacity as directors of this Company. These individuals are remunerated by another company in the Group.

BAKER HICKS LIMITED

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

5. Interest payable

	2018	2017
	£000	£000
Bank interest payable	14	8
Lease liabilities	48	-
Interest payable	62	8

6. Tax

	2018	2017
	£000	£000
UK corporation tax charge on profit for the year	178	14
Adjustment in respect of previous years	311	(56)
Total current tax	489	(42)
Origination and reversal of timing differences	(19)	11
Adjustment in respect of previous years	(22)	(3)
Total deferred tax (note 12)	(41)	8
Total tax expense / (benefit)	448	(34)

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

	2018	2017
	£000	£000
Profit before tax	348	282
Tax on profit at corporation tax rate	66	54
<i>Factors affecting the charge for the year:</i>		
Non-taxable income and expenses	3	(125)
Adjustments to tax charge in respect of previous years	367	(8)
Other tax differences	12	45
Total tax expense / (credit)	448	(34)

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

BAKER HICKS LIMITED

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

7. Property, plant and equipment

	Plant & equipment £000	Fixtures & Fittings £000	Right of use assets - Buildings £000	Total £000
Cost				
As at 1 January 2018	712	861	-	1,573
Change in accounting policy	-	-	557	557
As restated	712	861	557	2,130
Additions	371	748	1,475	2,594
Disposals	(71)	(658)	(61)	(790)
As at 31 December 2018	1,012	951	1,971	3,934
Depreciation				
As at 1 January 2018	(274)	(667)	-	(941)
Charge for the year	(230)	(76)	(325)	(631)
Disposals	71	658	61	790
As at 31 December 2018	(433)	(85)	(264)	(782)
Net Book Value				
As at 31 December 2018	579	866	1,707	3,152
As at 31 December 2017	438	194	-	632

8. Investments in subsidiaries

Cost and net book value	£000
At 1 January 2018	1,684
At 31 December 2018	1,684

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
Morgan Sindall Professional Services (Switzerland) Ltd	Holding company	100%
Morgan Sindall Professional Services (France) Ltd	Dormant	100%
Morgan Sindall Engineering Solutions Limited (formerly UNPS Ltd)	Design & construction management services	100%
Morgan Sindall Professional Services AG**	Design & construction management services	100%*
Morgan Sindall Professional Services GmbH***	Design & construction management services	100%*

* 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 2018

9. Trade and other receivables

	2018 £000	2017 £000
Amounts falling due within one year		
Trade receivables	3,981	4,821
Amounts due from construction contract customers	-	2,128
Amounts owed by Group undertakings	5,098	1,388
Prepayments and accrued income	241	119
Other receivables	114	356
	9,434	8,812

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:

	2018 £000	2017 £000
Contract assets	1,427	-
Contract liabilities	(2,133)	-

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.

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

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

	2018 £000	2017 £000		
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
As at 1 January	-	-	-	-
Change in accounting policy	2,128	(1,502)	-	-
As restated	2,128	(1,502)	-	-
Revenue recognised				
- performance obligations satisfied in the current period	32,073	1,502	-	-
Cash received for performance obligations not yet satisfied	-	(2,133)	-	-
Amounts transferred to trade receivables	(32,774)	-	-	-
As at 31 December	1,427	(2,133)	-	-

BAKER HICKS LIMITED

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

11. Trade and other payables

	2018 £000	2017 £000
Amounts falling due within one year		
Trade payables	411	379
Amounts due to construction contract customers	-	1,502
Amounts owed to Group undertakings	414	230
Social security and other taxes	1,508	1,563
Accruals and other payables	1,443	880
Deferred income	1,819	1,251
	5,595	5,805
Amounts falling due after one year		
Amounts owed to group undertakings	2,930	2,930
	2,930	2,930

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

12. Deferred tax asset

	2018 £000	2017 £000
Balance at 1 January	279	287
Income statement credit/(charge) (note 6)	41	(8)
Balance at 31 December	320	279

Deferred tax liabilities consist of the following amounts:

	2018 £000	2017 £000
Accelerated capital allowances	99	78
Goodwill	181	195
Short term timing differences	40	6
	320	279

13. Share capital

	2018 £000	2017 £000
Issued, authorised and fully paid		
3,000,001 ordinary shares of £1 each	3,000	3,000

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

14. Retained earnings

	2018 £000	2017 £000
Balance as at 1 January	(2,000)	(2,316)
Profit for the year	(100)	316
Balance as at 31 December	(2,100)	(2,000)

BAKER HICKS LIMITED

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

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 2018 was £94,101 (2017: £85,321).

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

	Right of use assets - Buildings	
	2018	2017
	£000	£000
Maturity analysis		
Within one year	238	-
Within two to five years	881	-
After more than five years	728	-
	1,847	-

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.

Companies House
Crown Way
Cardiff
CF14 3UZ

4 April 2019

Dear Sir/Madam

Financial Statement for Filing

Kindly stamp this letter and return in the stamped addressed envelope enclosed to the address below, as confirmation of receipt.

06325415 Morgan Sindall Professional Services (Switzerland) Limited

Morgan Sindall Group plc
14-17 Market Place
London
W1W 8AJ

Yours faithfully

Miss Lacy Lee
Administrative Assistant