

BAKER HICKS LIMITED

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

BAKER HICKS LIMITED

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BAKER HICKS LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020

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, Manchester, Motherwell and Warwick. We do not expect this to change in the foreseeable future. The Company is a member of Morgan Sindall Group plc (hereafter referred to as “the Group”) and its activities are included in those of 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 2020 £000 | Year to 31 December 2019 £000 |
|--------------------|-------------------------------------|-------------------------------------|
| Revenue | 47,378 | 41,394 |
| Operating profit | 3,007 | 2,911 |
| Operating margin | 6.3% | 7.0% |
| Profit after tax | 2,371 | 2,115 |
| Forward order book | 26,773 | 19,698 |

Revenue increased by 14% to £47.4m (2019: £41.4m), with an increased operating profit but reduced operating margin of £3.0m and 6.3% respectively (2019: £2.9m, 7.0%), reflecting challenging and competitive trading conditions. This performance reflects an exceptional and robust performance in light of the COVID-19 worldwide pandemic.

The Company carried strong momentum from 2019 into the early part of 2020 until the onset of COVID-19 and subsequent lockdown restrictions, causing initial confusion and disruption to our trading activity.

The Group’s decentralised structure gave the Company the flexibility to rapidly adopt new approaches to suit our employees, clients and supply chain partners.

The Company took swift action to ensure all staff could work from home as efficiently as possible, with the minimum of disruption to the business. Short term mitigation actions of management included measures to reduce discretionary costs and improve cash flow. Specifically these included accessing the Governments Coronavirus Job Retention Scheme (repaid by the Group prior to the end of the financial year) and taking advantage of permissions to defer VAT, PAYE and other tax payments (subsequently paid prior to the end of the financial year).

The Company remains diversified across its sectors. Our Aviation sector has been adversely impacted by the pandemic and the impact is expected to continue into 2021. This has been offset by continued strong performance across our Defence, Life Sciences and Power sectors as well as further robust returns in Scotland. The Company has continued to support other members of the Group throughout the year whilst enjoying further development with its third party customers.

BAKER HICKS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Company performance has been very resilient in the past year, being both ahead of budget and better than expectations. Delivery of these financial results in the current climate is a notable achievement for the Company.

Looking ahead to 2021, the Company will continue to manage any impact from the pandemic as practically and effectively as possible. The Company will look to improve the operating margin in 2021 whilst growing the business through careful tender selection and efficient project execution. The order book has increased in value in the last twelve months 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 2020 were £5.4m (2019: £3.0m). The Company had net current assets of £0.2m (2019: £1.2m).

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

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 of the COVID-19 pandemic and the implications of the Brexit trade deal as well as the risk of longer term shortage of opportunities, risk around employee recruitment and retention, health and safety and environmental performance and 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

BAKER HICKS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020, 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

As part of its ongoing activities of engaging with stakeholders, the directors have undertaken the following activities in 2020:

Shareholders

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.

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 and Group 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, social media and in-house newsletters. The Company also has an Employee Forum which provides a formal structure for feedback as well as employee surveys.

As soon as the nationwide lockdown owing to the COVID-19 pandemic was implemented in March 2020, the Company reemphasised its focus on the physical and mental wellbeing of all employees. The business made a fast and efficient move to more flexible working practices, including home working.

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Owing to the COVID-19 pandemic, the Company was unable to hold its annual staff conference in-person but nevertheless continued with its staff awards remotely, recognising outstanding achievement. The Company continues to recognise and celebrate our employee's successes such as gaining professional qualifications.

All new employees attend a formal induction, the most recent of which was held in-person in a carefully coordinated social distanced environment during the autumn. Our induction includes a presentation on how our core values and Total Commitments play an important role in our culture and operations.

The Company continues to utilise Tell Jane, an independent organisation which gives employees the option to make an anonymous report about any discrimination or harassment experience at the Company, a service which complements the Group's whistleblowing hotline. No issues were raised under the Tell Jane service in 2020.

The Group offers a savings-related share option plan to encourage employee engagement with the business performance and progress.

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 2020 was an average of more than 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 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 2020 supply chain KPIs such as percentage of invoices by volume paid within 60 days (98%).

Communities

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

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Prior to the COVID-19 pandemic, we continued to arrange attendance at various 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. We promote our work within the community via social media and our website.

Further information about how we and the Group engage with stakeholders can be found in the Group's 2020 report and accounts and the 2020 responsible business report (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 budget plan and priorities. This plan considers and helps determine the 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 plan included consideration of the plans impact on our core stakeholder groups.

Contract selectivity was carefully considered on every tender submission. Contract terms and conditions, including payment terms, are carefully balanced against existing resource and contract commitments. We have declined opportunities that do not suit our core competencies.

Prior to subconsultants being engaged, each subconsultant goes through a competency based assessment as well as an internal financial review process which reviews the performance of the subconsultant and its current financial position.

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 2020 Report and Accounts.

Approved by and on behalf of the Board



C Archer
Director
9 March 2021

BAKER HICKS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their annual report and the audited financial statements for the year ended 31 December 2020. 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 Company's business activities, together with the factors likely to affect its future development and performance, as well as the financial position of the Company, its cash flows, liquidity position and the borrowing facilities, are described in the Strategic Report on pages 2 to 6.

These financial statements have been prepared on a going concern basis which presumes that the Company has adequate resources to remain in operation and that the directors intend it to do so for at least one year from the date the financial statements are signed. As the Company is part of a larger group it participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

As at 31 December 2020, the Group held cash of £400.5m and total loans and borrowings of £67.7m, including of £67.3m of overdrafts repayable on demand (together net cash of £333m). Should further funding be required, the Group has significant committed financial resources available including unutilised bank facilities of £180m, of which £30m matures in March 2022 and £150m matures in October 2023. The Company's order book at 31 December 2020 is £26.8m (2019: £19.7m), of which £25.5m relates to the 12 months ended 31 December 2021.

The Company's robust performance throughout 2020, aided by the diversified nature of the business, coupled with improved cash position and increasing orderbook value year on year, give the Directors confidence in the future performance of the Company.

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

Directors

The Directors who served during the year and to the date of this report are shown on page 1. None of the Directors had any interest in the shares of the Company during the year ended 31 December 2020.

Directors' indemnities

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

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

Dividends

The Directors do not recommend the payment of a final dividend (2019: £nil).

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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 (2019: 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.

Engagement with employees and other stakeholders

As part of its ongoing activities of engaging with employees and other stakeholders, the directors have undertaken a number of activities in 2020. See the Section 172(1) statement on pages 4-6 of the Strategic Report.

Environmental performance

The Company is committed to minimising its environmental impact both now and in the longer term. We balance this with the need to undertake construction activities for our clients which can have a direct and indirect impact on the environment. Where possible, we encourage our clients to consider more environmentally sustainable products with a longer life expectancy. We also seek to deliver projects in ways that will minimise their impact on the environment by re-using waste and reducing our carbon impact as well as extending the life cycle of the buildings that we construct. The Group's Total Commitment to 'improving the environment' sets the strategy for managing our environmental impact. Within this Commitment the Group focuses on climate change and caring for the natural environment by reducing our carbon footprint and re-using and recycling waste where possible. The Group's Commitment sets out clear KPIs and targets for measuring performance and driving improvement. As a subsidiary company, the Company is exempt from reporting separately under the Streamlined Energy and Carbon Reporting programme, further disclosures on the Group's performance, including details of its Green House Gas emissions is disclosed in the strategic report of the Group's annual report.

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

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

of the Companies Act 2006.

Following an audit tender conducted during the year, Ernst & Young LLP were selected as auditor for the Morgan Sindall group. Accordingly, it is intended that Ernst & Young LLP will be appointed to replace Deloitte LLP as auditor for the year ending 31 December 2021.

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.

Approved for and on behalf of the Board



C Archer
Director

9 March 2021

BAKER HICKS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER HICKS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information which comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise

BAKER HICKS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER HICKS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2020

explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

The directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Baker Hicks Limited operates in, and identified the key laws and regulations that:

BAKER HICKS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER HICKS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2020

- had a direct effect on the determination of material amounts and disclosures in the financial statements; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the recognition of contract revenue, margin and related receivables and liabilities, including recoverability and valuation of work in progress as the significant risk with the greatest potential for fraud.

For construction companies, there is judgement in assessing the appropriate contract revenue and margin to recognise. There are also assumptions within revenue regarding recovery of contractual entitlement from clients. These assumptions are as a result of compensation events, variations and claims that have arisen due to change under the terms of the contract. The valuation of these can involve a significant degree of estimation and the estimated revenue may not yet have been certified or fully agreed with the customer. There are also judgements involved in the variations of within contract revenue and contract costs, and the completeness and validity of loss provisions arising from customer disputes. Given the level of judgement and potential for management bias in the estimates used, we considered there to be an inherent risk of fraud in contract revenue recognition.

We performed the following procedures to respond to the above potential risk of fraud:

- Assessed the relevant controls over revenue billing and debtor recovery from contract customers.
- Assessed and challenged a sample of the most significant and more complex contract positions and the accounting thereon under the percentage of completion methodology. The sample selected was based on both quantitative and qualitative factors including low margin or loss-making contracts and contracts with significant balance sheet exposures, as well as significant un-agreed income.
- We focused on the significant judgements adopted by management, we assessed the forecast costs to complete, compensation events, variations within contract revenue and contract costs, and the completeness and validity of loss provisions arising from customer disputes. This assessment included:
 - Agreeing contract valuation positions to third party certificates and signed variations;
 - Where necessary, reviewing insurance correspondence or legal correspondence and expert advice;
 - Reviewing contract terms and conditions;
 - Re-performing the key calculations behind the margin applied, the profit taken and stage of completion, as well as balance sheet exposure;
 - Reviewing correspondence with customers;
 - Reviewing actual costs incurred;
 - Analysing forecast costs to complete and challenging estimates within forecasts by considering cost forecasts against contract run rates;
 - Agreeing forecast costs to complete to documentary evidence including orders signed with subcontractors and supporting calculations; and
 - Evaluating performance against tender and historical trends.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER HICKS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2020

- Assessed the completeness and validity of allowances recorded based upon the liabilities that may arise from disputes with customers or rectification works required. We did this through interviewing and challenging contract managers, commercial directors and a review of correspondence with customers, solicitors and expert advice.
- Considered managements provisions across all contracts.
- Assessed the impact of the Covid-19 pandemic on individual contracts in relation to programme delivery and supply chain, as well as customers in relation to the recoverability of work in progress.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER HICKS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2020

- 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

9 March 2021

BAKER HICKS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | 2020 £000 | 2019 £000 |
|--|-------|---------------|--------------|
| Revenue | 1 | 47,378 | 41,394 |
| Cost of sales | | (32,788) | (28,439) |
| Gross profit | | 14,590 | 12,955 |
| Other administrative expenses | | (11,583) | (10,044) |
| Operating profit | 2 | 3,007 | 2,911 |
| Interest receivable | 5 | 165 | - |
| Interest payable | 5 | (264) | (280) |
| Profit before tax | | 2,908 | 2,631 |
| Tax | 6 | (537) | (516) |
| Profit for the financial year attributable to owners of the Company | 14 | 2,371 | 2,115 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year attributable to owners of the Company | | 2,371 | 2,115 |

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 2020

| | Notes | 2020 £000 | 2019 £000 |
|----------------------------------|-------|-----------------|-----------------|
| Non-current assets | | | |
| Property, plant and equipment | 7 | 8,786 | 8,795 |
| Investments in subsidiaries | 8 | 1,684 | 1,684 |
| Deferred tax asset | 12 | 358 | 300 |
| | | 10,828 | 10,779 |
| Current assets | | | |
| Trade and other receivables | 9 | 11,241 | 15,295 |
| Contract assets | 10 | 3,006 | 2,499 |
| | | 14,247 | 17,794 |
| Total assets | | 25,075 | 28,573 |
| Current liabilities | | | |
| Bank overdrafts | | (89) | (5,320) |
| Trade and other payables | 11 | (9,187) | (7,544) |
| Contract liabilities | 10 | (3,780) | (2,403) |
| Current tax liabilities | | (133) | (717) |
| Lease Liabilities | 17 | (860) | (653) |
| | | (14,049) | (16,637) |
| Net current assets | | 198 | 1,157 |
| Non-current liabilities | | | |
| Trade and other payables | 11 | - | (2,930) |
| Lease Liabilities | 17 | (5,640) | (5,991) |
| | | (5,640) | (8,921) |
| Total liabilities | | (19,689) | (25,558) |
| Net assets | | 5,386 | 3,015 |
| Capital and reserves | | | |
| Share capital | 13 | 3,000 | 3,000 |
| Retained earnings | 14 | 2,386 | 15 |
| Total shareholder's funds | | 5,386 | 3,015 |

The financial statements of Baker Hicks Limited (company number 06256571) were approved by the Board and authorised for issue on 9 March 2021. They were signed on its behalf by:



..... C Archer, Director

BAKER HICKS LIMITED

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

| | Share capital (Note 13) £000 | Retained earnings (Note 14) £000 | Total £000 |
|----------------------------|---------------------------------------|--|---------------|
| At 1 January 2019 | 3,000 | (2,100) | 900 |
| Total comprehensive income | - | 2,115 | 2,115 |
| At 1 January 2020 | 3,000 | 15 | 3,015 |
| Total comprehensive income | - | 2,371 | 2,371 |
| At 31 December 2020 | 3,000 | 2,386 | 5,386 |

BAKER HICKS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

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 6. 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.

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 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

(i) New and revised accounting standards adopted by the Group

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

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

BAKER HICKS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

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

The company is currently assessing the impact of the standards but do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

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

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report. The Company is expected to continue to generate positive cash flows on its own account and 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 |

BAKER HICKS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

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 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.

BAKER HICKS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

(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.

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.

BAKER HICKS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020

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

| | 2020 | 2019 |
|--|------|------|
| | £000 | £000 |
| Operating profit is stated after charging: | | |
| Depreciation of tangible fixed assets: | | |
| - owned assets | 717 | 557 |
| - Right of use assets | 796 | 720 |
| Expense relating to short-term leases | 653 | 238 |
| 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 (2019: £nil) relating to other services.

Through the period, the Company placed a number of its employees on furlough and accessed the Government's Coronavirus Job Retention Scheme ('CJRS'). On average, 26 employees were furloughed per month from April to June. At the peak, 30 employees were furloughed across the Company, and the Company claimed £157k under the CJRS in the year, the benefit of which was initially reflected in the income statement within the associated wages and salaries in Note 3.

The Group subsequently repaid in full the Government in October 2020 for amounts initially paid under CJRS; there is no outstanding balance to this grant at 31 December 2020.

3. Staff costs

| | 2020 | 2019 |
|-----------------------|---------------|---------------|
| | £000 | £000 |
| Wages and salaries | 18,465 | 15,417 |
| Social security costs | 2,217 | 1,825 |
| Pension costs | 806 | 691 |
| | 21,488 | 17,933 |

| | No. | No. |
|--|------------|-----|
| The average monthly number of employees (including executive directors) during the year was: | 381 | 306 |

BAKER HICKS LIMITED

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

4. Directors' remuneration

| | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| Directors' remuneration | | |
| Emoluments | 679 | 522 |
| Company contributions to money purchase pension scheme | 10 | 12 |
| | 689 | 534 |
| Remuneration of the highest paid director | | |
| Emoluments | 503 | 390 |
| Company contributions to money purchase pension scheme | 5 | 10 |
| | No. | No. |
| 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 (2019: two) in their capacity as directors of this Company. These individuals are remunerated by another company in the Group.

5. Net interest receivable / (payable)

| | 2020 £000 | 2019 £000 |
|-----------------------------|--------------|--------------|
| Transfer pricing income | 165 | - |
| Interest receivable | 165 | - |
| Other interest payable | (74) | (107) |
| Lease liabilities (Note 17) | (190) | (173) |
| Interest payable | (264) | (280) |

BAKER HICKS LIMITED

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

6. Tax

| | 2020 | 2019 |
|--|-------------|------------|
| | £000 | £000 |
| UK corporation tax charge on profit for the year | 578 | 530 |
| Adjustment in respect of previous years | 17 | (34) |
| Total current tax | 595 | 496 |
| Origination and reversal of timing differences | (45) | (3) |
| Adjustment in respect of previous years | (13) | 23 |
| Total deferred tax (note 12) | (58) | 20 |
| Total tax expense | 537 | 516 |

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:

| | 2020 | 2019 |
|---|------------|------------|
| | £000 | £000 |
| Profit before tax | 2,907 | 2,631 |
| Tax on profit at corporation tax rate | 552 | 500 |
| <i>Factors affecting the charge for the year:</i> | | |
| Non-taxable income and expenses | 1 | 3 |
| Adjustments to tax charge in respect of previous years | 3 | (11) |
| Expected forthcoming changes in tax rates upon deferred tax balance | (35) | - |
| Other tax differences | 16 | 24 |
| Total tax expense | 537 | 516 |

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.

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

BAKER HICKS LIMITED

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

7. Property, plant and equipment

| | Plant. Equipment, fixtures and fittings £000 | Right of use assets - Leasehold Buildings £000 | Total £000 |
|-------------------------------|--|--|----------------|
| Cost | | | |
| As at 1 January 2020 | 3,452 | 6,766 | 10,218 |
| Additions | 1,015 | 598 | 1,613 |
| Disposals | (199) | (161) | (360) |
| As at 31 December 2020 | 4,268 | 7,203 | 11,471 |
| Depreciation | | | |
| As at 1 January 2020 | (669) | (754) | (1,423) |
| Charge for the year | (717) | (796) | (1,513) |
| Disposals | 166 | 85 | 251 |
| As at 31 December 2020 | (1,220) | (1,465) | (2,685) |
| Net Book Value | | | |
| As at 31 December 2020 | 3,048 | 5,738 | 8,786 |
| As at 31 December 2019 | 2,783 | 6,012 | 8,795 |

BAKER HICKS LIMITED

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

8. Investments in subsidiaries

| | Subsidiaries £000 |
|--------------------------------|----------------------|
| Cost and net book value | |
| At 1 January 2020 | 1,684 |
| At 31 December 2020 | 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 Engineering Solutions Limited | Design & construction management services | 100% |
| BakerHicks AG ** | Design & construction management services | 100%* |
| BakerHicks GmbH *** | Design & construction management services | 100%* |
| BakerHicks 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 Albert-Nestler-Strasse 26, 76131 Karlsruhe, Germany

**** Country of incorporation is Austria and registered office is Am Euro Platz 3, 1120 Wien, Austria

9. Trade and other receivables

| | 2020 £000 | 2019 £000 |
|--|---------------|---------------|
| Amounts falling due within one year | | |
| Trade receivables | 2,504 | 2,737 |
| Amounts owed by Group undertakings | 7,899 | 11,861 |
| Prepayments | 553 | 492 |
| Other receivables | 285 | 205 |
| | 11,241 | 15,295 |

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

BAKER HICKS LIMITED

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

10. Construction contracts

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

| | 2020 £000 | 2019 £000 |
|----------------------|--------------|--------------|
| Contract assets | 3,006 | 2,499 |
| Contract liabilities | (3,780) | (2,403) |

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 2020 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:

| | 2020 £000 | | 2019 £000 | |
|---|--------------------|-------------------------|--------------------|-------------------------|
| | Contract assets | Contract liabilities | Contract assets | Contract liabilities |
| As at 1 January | 2,499 | (2,403) | 1,427 | (2,133) |
| Revenue recognised | | | | |
| - performance obligations satisfied in the current period | 44,879 | 2,403 | 39,967 | 2,133 |
| Cash received for performance obligations not yet satisfied | | (3,780) | | (2,403) |
| Amounts transferred to trade receivables | (44,372) | | (38,895) | |
| As at 31 December | 3,006 | (3,780) | 2,499 | (2,403) |

BAKER HICKS LIMITED

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

11. Trade and other payables

| | 2020 | 2019 |
|--|--------------|--------------|
| | £000 | £000 |
| Amounts falling due within one year | | |
| Trade payables | 670 | 891 |
| Amounts owed to Group undertakings | 707 | 265 |
| Social security and other taxes | 2,206 | 1,903 |
| Other payables | 2,917 | 1,612 |
| Accruals | 2,687 | 2,873 |
| | 9,187 | 7,544 |
| Amounts falling due after one year | | |
| Trade payables | - | 2,930 |
| | - | 2,930 |

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

12. Deferred tax asset

| | 2020 | 2019 |
|---|------------|------------|
| | £000 | £000 |
| Balance at 1 January | 300 | 320 |
| Income statement credit/(charge) (note 6) | 58 | (20) |
| Balance at 31 December | 358 | 300 |

Deferred tax liabilities consist of the following amounts:

| | 2020 | 2019 |
|--------------------------------|------------|------------|
| | £000 | £000 |
| Accelerated capital allowances | 147 | 36 |
| Goodwill | 173 | 96 |
| Short term timing differences | 38 | 168 |
| | 358 | 300 |

13. Share capital

| | 2020 | 2019 |
|--|--------------|-------|
| | £000 | £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

| | 2020 | 2019 |
|----------------------------------|--------------|-----------|
| | £000 | £000 |
| Balance as at 1 January | 15 | (2,100) |
| Profit for the year | 2,371 | 2,115 |
| Balance as at 31 December | 2,386 | 15 |

BAKER HICKS LIMITED

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

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 2020 was £155,961 (2019: £132,592).

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 including property, plant and vehicles. The average lease term is 8 years. There are no variable terms to any of the leases. The maturity profile for the lease liabilities at 31 December 2020 are set out below:

| | Right-of-use assets Buildings | |
|----------------------------|-------------------------------|--------------|
| | 2020 | 2019 |
| | £000 | £000 |
| Maturity analysis | | |
| Within one year | 860 | 653 |
| Within two to five years | 2,966 | 2,756 |
| After more than five years | 2,674 | 3,235 |
| | 6,500 | 6,644 |

| | 2020 | | 2019 | |
|--------------------------|--------------------|--------------|--------------------|--------------|
| | Leasehold Property | Total | Leasehold Property | Total |
| | £000 | £000 | £000 | £000 |
| As at 1 January | 6,644 | 6,644 | 1,847 | 1,847 |
| Additions | 569 | 569 | 5,290 | 5,290 |
| Terminations | (31) | (31) | (266) | (266) |
| Repayments | (872) | (872) | (400) | (400) |
| Interest expenses | 190 | 190 | 173 | 173 |
| As at 31 December | 6,500 | 6,500 | 6,644 | 6,644 |

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.