

BAKER HICKS LIMITED
ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

BAKER HICKS LIMITED

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BAKER HICKS LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2021

Directors	CMW Archer SP Crummett MV Lubieniecki JC 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	Ernst & Young LLP No. 1 Colmore Square Birmingham B4 6HQ

BAKER HICKS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 £000	Year to 31 December 2020 £000
Revenue	52,319	47,378
Operating profit	5,151	3,007
Operating margin	9.8%	6.3%
Profit after tax	4,377	2,371
Forward order book ¹	30,342	26,773

¹ The ‘forward order book’ represents the Company’s share of future revenue that will be derived from signed contracts or letters of intent.

Revenue increased by more than 10% to £52.3m (2020: £47.4m) with an increased operating profit and margin of £5.2m and 9.8% respectively (2020: £3.0m, 6.3%); performance and results which were ahead of expectations, particularly given the ongoing challenging and competitive trading conditions.

The Company performance remained robust against the uncertainty and disruption caused by the COVID-19 pandemic and associated restrictions. As with 2020, the Group’s decentralised structure gave the Company the flexibility to swiftly adapt approaches to suit our employees, clients and supply chain partners.

The Company remains diversified across its sectors. Our Aviation sector continues to be adversely impacted by the pandemic and the impact has continued into 2022. The continued downturn in Aviation has been offset by continued strong performance in our Power and Public Sectors, particularly in Scotland, whilst the Company continued to enjoy robust volume across our Defence and Life Sciences sectors. The Company has a wide range of clients often unique to the sectors in which it operates. The Company’s clients also include other members of the Morgan Sindall Group.

The Company performance has been very resilient in the past two years, being both ahead of budget and better than expectations and is considered a notable achievement for the Company in the current climate.

Looking ahead to 2022, the Company has given staff the flexibility for a mixture of home and office working and will allow is to manage the risk of any remaining impact from the COVID-19 pandemic.

BAKER HICKS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

There remains significant inflationary pressures on labour and general costs which continue to be carefully monitored and managed.

The 2021 operating margin of 9.8% was an exceptional result, being comfortably ahead of the target of 6-8%; looking forward the Company targets an operating margin in the range of 6% to 8%. The Company will continue to focus on careful tender selection and efficient project execution to drive sustainable business growth. The order book has increased by 13% in value in the last twelve months to £30.3m 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 2021 was £9.8m (2020: £5.4m). The Company had net current assets of £4.9m (2020: £0.2m), including cash of £3.5m (2020: £(0.1)m) at 31 December 2021.

The Company participates in the Group's banking arrangements (under which it is a cross guarantor). As at 31 December 2021 the Group had cash balances of £358m. The Group also had £180m of committed loan facilities maturing in 2024, which were entirely undrawn as at 31 December 2021.

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, 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).

To date there has been no direct impact from the ongoing Ukraine / Russia conflict whilst the company continues to manage any disruption caused by COVID-19 as effectively as possible. Higher inflation than in previous financial years puts upward pressure on labour costs; the Company continues to actively engage with its employees in a range of ways as detailed below.

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.

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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/or 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 2021, 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 2021:

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

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Owing to the ongoing COVID-19 pandemic, for the second year running 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. The annual staff conference was held in-person in March 2022.

All new employees attend a formal induction in-person; our induction includes a presentation on how our core values and Total Commitments play an important role in our culture and operations.

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 2021 was 4.5 days.

Customers

We aim to develop long-term relationships with our clients and partners. 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; during 2021, the Company paid 99.8% of its supply chain invoices within 60 days. Payment practices to the Company supply chain are monitored internally and benchmarked to available data from competitors as well as other Group companies.

Communities

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

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 2021 report and accounts and the 2021 responsible business report (morgansindall.com).

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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 director 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 principal 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 2021 Report and Accounts.

Approved by and on behalf of the Board



C Archer
Director
31 May 2022

BAKER HICKS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and the audited financial statements for the year ended 31 December 2021. 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, performance and position 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.

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Company can continue in operational existence during the going concern period, which the directors have defined as the date of approval of the 31 December 2021 financial statements through to 31 May 2023.

The Company participates in the Group's banking arrangements (under which it is a cross guarantor). As at 31 December 2021 the Group had net cash balances of £358m. The Group also had £180m of committed loan facilities maturing (£15m maturing in March 2024 and £165m maturing in October 2024), which were entirely undrawn as at 31 December 2021.

The directors, having assessed the responses of the directors of the Group to their enquiries and having received confirmation of its continued support, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements

Based on the above, the directors have a reasonable expectation that the Company together with Group's support have adequate resources to continue in operational existence during the going concern period. For this reason, they continue to adopt the going concern basis in the preparation of these 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 2021.

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 (2020: £nil).

Post balance sheet events

There were no post balance sheet events that affected the financial statements of the Company. There has been no immediate or direct impact to the Company as a result of the Ukraine / Russia

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

conflict.

Political contributions

The Company made no political contributions during the year (2020: 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

Details on engagement with other stakeholders can be found in the strategic report on pages 2 to 6.

Environmental performance

MS Group has announced plans to achieve net zero carbon emissions by 2030 and is going to reduce Scope 1, 2 and operational Scope 3 emissions by 30% by 2025 and by 60% by 2030, based on a 2019 baseline, with any remaining emissions being offset in the UK. MS Group has a history of leadership, transparency and openness around its sustainability goals. MS Group was one of the first construction companies in the world to gain accreditation by the Science-Based Targets Initiative, using targets which represent sector-specific actual reductions in overall emissions. MS Group's (including the Company's) emission figures have been independently audited by Achilles, under the TOITU Carbon Reduce Scheme (formerly CEMARS), for over a decade.

In 2021, MS Group's actions to tackle climate change were independently recognised with an A score for leadership on climate change from the CDP (2020: A), a voluntary climate impact reporting scheme. In 2021, CDP again named MS Group a Supplier Engagement Leader, for its work to drive action on climate change along its supply chain.

For further details of the Group's environmental performance and a copy of the Group's reporting under the Task Force on Climate-related Financial Disclosure (TCFD) requirements please see the Morgan Sindall Group plc 2021 Annual Report www.morgansindall.com.

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

BAKER HICKS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

of the Companies Act 2006.

Following an audit tender conducted during 2020, Ernst & Young LLP were selected as auditor for Morgan Sindall Group plc and its subsidiaries. Accordingly, Ernst & Young LLP were appointed to replace Deloitte LLP as the company's auditor for the year ended 31 December 2021. Ernst & Young LLP have expressed their willingness to continue in office as auditor and pursuant to Section 487 of the Companies Act 2006, Ernst & Young 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. Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report that comply with that law and those regulations. 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
31 May 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER HICKS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2021

Opinion

We have audited the financial statements of Baker Hicks Limited for the year ended 31 December 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Company's ability to continue as a going concern for a period from when the financial statements are authorised for issue through until 31 May 2023.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER HICKS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2021

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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.

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.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER HICKS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2021

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (UK adopted International Accounting Standards, the Companies Act 2006, The Companies (Miscellaneous Reporting) Regulations 2018) and the relevant tax compliance regulations in the UK.
- We understood how Baker Hicks Limited is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Board and the ultimate parent group's Audit Committee, noting the strong emphasis of transparency and honesty in the Company's culture and the levels of oversight the Board and ultimate parent group management have over the Company despite the decentralised operating model of the ultimate parent group.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER HICKS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2021

manage earnings. We considered the programmes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitor those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures are set out below and were designed to provide reasonable assurance that the financial statements were free from material fraud and error.

- We performed risk assessment of the contract population and selected a sample of higher-risk contracts (based on value and/or complexity) and obtained an understanding of the contract terms, key operational or commercial issues, judgements impacting the contract position and contract revenue and margin recognised. Factors we considered when determining higher-risk contracts to select includes the size of the contract, contracts with significant unagreed income amounts, low margin and loss making contracts or contracts with a significant deterioration in margin, and stage of completion;
- Performed walkthroughs of the significant classes of revenue transactions recognised over time and assessed the design effectiveness of key controls;
- Performed a detailed review of the signed contract agreements to understand the commercial terms and review of any legal correspondence or expert advice that has been obtained to support any contract positions recorded;
- Assessed the appropriateness of supporting evidence and the requirement of IFRS 15 and the Company's accounting policy;
- Considered the appropriateness of the accruals at the yearend and assessed whether these have been incurred and not materially overstated/understated;
- Challenged the level of unagreed income or contract assets and adequacy of the evidence;
- Reviewed contract asset balances and challenged management on both the recognition criteria together with the recovery of balances at the year end which have not been provided for including the consideration of counterparty risk;
- Inspected correspondence with counterparties in respect of contract claims for and against the Company and assessed the judgements made in respect of the of existence of assets and the completeness of liabilities including liquidated damages;
- Assessed the reasonableness of calculations of estimated costs to complete, which included understanding the risks/outstanding works on the contract, the impact of any delays or other delivery issues and the related provisions for cost escalations that have been recognised;
- Assessed the appropriateness of cost allocations across contracts including evaluation of whether there has been any manipulation of costs between profit-making and loss-making contracts;
- Assessed the correlation between revenue, receivables and cash balances using data analytical tools or through other substantive test of detail procedures; and
- Reviewed material manual journals recorded to assess whether these have been properly authorised, are appropriately substantiated and are for a valid business purpose.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing with a focus on journals indicating unusual transactions based on our understanding of the business, enquiries of management, and focussed testing as defined above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Financial Statements with the requirements of the relevant accounting standards and applicable UK

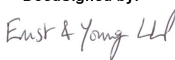
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER HICKS LIMITED
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legislation.

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

Use of our report

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

DocuSigned by:

F62C198BC578415...

Adrian Roberts (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham, United Kingdom
31 May 2022

BAKER HICKS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Revenue	1	52,319	47,378
Cost of sales		(35,020)	(32,788)
Gross profit		17,299	14,590
Other administrative expenses		(12,148)	(11,583)
Operating profit	2	5,151	3,007
Interest receivable	5	172	165
Interest payable	5	(183)	(264)
Profit before tax		5,140	2,908
Tax	6	763	537
Profit for the financial year attributable to owners of the Company	14	4,377	2,371
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		4,377	2,371

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 2021

	Notes	2021 £000	2020 £000
Non-current assets			
Property, plant and equipment	7	7,561	8,786
Investments in subsidiaries	8	1,684	1,684
Deferred tax asset	12	428	358
		9,673	10,828
Current assets			
Trade and other receivables	9	14,705	11,241
Contract assets	10	2,429	3,006
Cash and bank balances		3,514	-
		20,648	14,247
Total assets		30,321	25,075
Current liabilities			
Bank overdrafts		-	(89)
Trade and other payables	11	(9,664)	(9,187)
Contract liabilities	10	(4,934)	(3,780)
Current tax liabilities		(321)	(133)
Lease liabilities	17	(848)	(860)
		(15,767)	(14,049)
Net current assets		4,881	198
Non-current liabilities			
Lease liabilities	17	(4,791)	(5,640)
		(4,791)	(5,640)
Total liabilities		(20,558)	(19,689)
Net assets		9,763	5,386
Capital and reserves			
Share capital	13	3,000	3,000
Retained earnings	14	6,763	2,386
Total shareholder's funds		9,763	5,386

The financial statements of Baker Hicks Limited (company number 06256571) were approved by the Board and authorised for issue on 31 May 2022. They were signed on its behalf by:



..... C Archer, Director

BAKER HICKS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital (Note 13) £000	Retained earnings (Note 14) £000	Total 000
At 1 January 2020	3,000	15	3,015
Total comprehensive income	-	2,371	2,371
At 1 January 2021	3,000	2,386	5,386
Total comprehensive income	-	4,377	4,377
At 31 December 2021	3,000	6,763	9,763

BAKER HICKS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2021

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 and the requirements of the Companies Act 2006.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, 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. All financial information, unless otherwise stated, has been rounded to the nearest £1,000.

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

New and revised accounting standards adopted by the Company

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

- Interest Rate Benchmark Reform – Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments – recognition and measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases'
- Amendments to IFRS 16 'Covid-19 Related Rent Concessions'

BAKER HICKS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2021

(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'
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current'
- Amendments to IFRS 3 'Reference to the Conceptual Framework'
- Amendments to IAS 16 'Property, Plant and Equipment – Proceeds before Intended Use'
- Amendments to IAS 37 'Onerous Contracts – Cost of Fulfilling as Contract'
- Annual Improvements to IFRS Standards 2018-2020 Cycle
- Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements – Disclosure of Accounting Policies'
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates'
- Amendments to IAS 12 'Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

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

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

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report. The Company is expected to continue to trade profitably during the going concern period. 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 the Group to their enquiries and having received confirmation of its continued support, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of the Group, the Company's directors have a reasonable expectation that the Company together with Group's support will be able to continue in operational existence during the going concern period, which the directors have defined as the date of approval of the 31 December 2021 financial statements through to 31 May 2023. 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:

BAKER HICKS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2021

Plant, equipment, fixtures and fittings	between three and 10 years
Right of use - Leasehold buildings	the period of the lease

Investments in subsidiaries

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

Revenue

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

(a) Construction and infrastructure services contracts

A significant portion of the Company's revenue is derived from construction and infrastructure services contracts. These services are provided to customers across a wide variety of sectors and the size and duration of the contracts can vary significantly from a few weeks to more than 10 years.

The majority of contracts are considered to contain only one performance obligation for the purposes of recognising revenue. Whilst the scope of works may include a number of different components, in the context of construction and infrastructure services activities these are usually highly interrelated and produce a combined output for the customer.

Contracts are typically satisfied over time. For fixed price construction contracts progress is measured through a valuation of the works undertaken by a professional quantity surveyor, including an assessment of any elements for which a price has not yet been agreed such as changes in scope. For cost reimbursable infrastructure services contracts progress is measured based on the costs incurred to date as a proportion of the estimated total cost and an assessment of the final contract price payable.

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

Where the scope has been agreed but the corresponding change in price has not yet been agreed, only the amount that is considered highly probable not to reverse in the future is included in the estimated total contract price. Where delays to the programme of works are anticipated and liquidated damages would be contractually due, the estimated total contract price is reduced accordingly. This is only mitigated by expected extensions of time or commercial resolution being achieved where it is highly probable that this will not lead to a significant reversal in the future.

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

In order to recognise the profit over time it is necessary to estimate the total costs of the contract. These estimates take account of any uncertainties in the cost of work packages which have not yet been let and materials which have not yet been procured, the expected cost of any acceleration 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.

BAKER HICKS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2021

Once the outcome of a construction contract can be estimated reliably, margin is recognised in the income statement in line with the stage of completion. Where a contract is forecast to be loss-making, the full loss is recognised immediately in the income statement.

(b) Service contracts

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

(c) Contract costs

Costs to obtain a contract are expensed unless they are incremental, i.e. they would not have been incurred if the contract had not been obtained, and the contract is expected to be sufficiently profitable for them to be recovered.

Costs to fulfil a contract are expensed unless they relate to an identified contract, generate or enhance resources that will be used to satisfy the obligations under the contract in future years and the contract is expected to be sufficiently profitable for them to be recovered.

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 other than those that are less than one year in duration or of a low value.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date based on the Company's expectations of the likelihood of lease extension or break options being exercised. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. 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 assets are presented within the property, plant and equipment line in the balance sheet and 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.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Pensions

The Company contributes to The Morgan Sindall Retirement Benefits Plan and to other employees'

BAKER HICKS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2021

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 Company's expected tax liability on taxable profit for the year using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Taxable profit differs from that reported in the statement of comprehensive income because it is adjusted for items of income or expense that are assessable or deductible in other years and is adjusted for items that are never assessable or deductible.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the corresponding tax bases used in tax computations. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profits, or differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is recognised on temporary differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at the tax rates expected to apply when 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

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PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2021

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 Company's accounting policies

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

The Company did not have any other critical judgements or key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(b) Key sources of estimation uncertainty

The Company 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 2021

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

	2021 £000	2020 £000 (As restated)
Operating profit is stated after charging:		
Depreciation of tangible fixed assets:		
- owned assets	737	717
- Right of use assets	762	796
Expense relating to short-term leases:	91	120
Fees payable to the Company's auditor for the audit of the Company's annual accounts (prior year auditors Deloitte)	25	25

Non-audit fees payable by the Company during the year were £nil (2020: £nil). Prior year fees for the audit of the Company's annual accounts were payable to Deloitte LLP.

Government grants credited to operating profit during the year were £nil.

In 2020, 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 was no outstanding balance to this grant at 31 December 2020.

During the year the company noted an error in relation to the disclosure of the 2020 expense relating to short-term leases. The financial statements have been restated to correct this error by way of a prior year adjustment, resulting in a change in the prior year amounts disclosed for this line item from £653,000 to £120,000.

3. Staff costs

	2021 £000	2020 £000
Wages and salaries	20,080	18,465
Social security costs	2,373	2,217
Pension costs	917	806
	23,370	21,488

	No.	No.
The average monthly number of employees (including executive directors) during the year was:	406	381

BAKER HICKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. Directors' remuneration

	2021 £000	2020 £000
Directors' remuneration		
Emoluments	769	679
Company contributions to money purchase pension scheme	15	10
	784	689
Remuneration of the highest paid director		
Emoluments	522	503
Company contributions to money purchase pension scheme	4	5
	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 (2020: two) in their capacity as directors of this Company. These individuals are remunerated by another company in the Group.

5. Net interest receivable / (payable)

	2021 £000	2020 £000
Bank interest receivable	2	-
Transfer pricing income	170	165
Interest receivable	172	165
Other interest payable	(8)	(74)
Lease liabilities (Note 17)	(175)	(190)
Interest payable	(183)	(264)

BAKER HICKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

6. Tax

	2021	2020
	£000	£000
UK corporation tax charge on profit for the year	959	578
Adjustment in respect of previous years	(126)	17
Total current tax	833	595
Origination and reversal of timing differences	(62)	(45)
Adjustment in respect of previous years	(8)	(13)
Total deferred tax (note 12)	(70)	(58)
Total tax expense	763	537

Corporation tax is calculated at 19.0% (2020 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:

	2021	2020
	£000	£000
Profit before tax	5,140	2,908
Tax on profit at corporation tax rate	977	552
<i>Factors affecting the charge for the year:</i>		
Non-taxable income and expenses	1	1
Adjustments to tax charge in respect of previous years	(135)	3
Expected forthcoming changes in tax rates upon deferred tax balance	(101)	(35)
Other tax differences	21	16
Total tax expense	763	537

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

During 2020 it was announced that a previously announced reduction in the UK statutory tax rate from 19% to 17% would not occur. Deferred tax balances as at 31 December 2019 were calculated at 17%, and deferred tax balances as at 31 December 2020 were calculated at 19%.

BAKER HICKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

7. Property, plant and equipment

	Plant. Equipment, fixtures and fittings	Right of use assets - Leasehold Buildings	Total £000
	£000	£000	£000
Cost			
As at 1 January 2021	4,268	7,203	11,471
Additions	313	-	313
Disposals	(110)	-	(110)
As at 31 December 2021	4,471	7,203	11,674
Depreciation			
As at 1 January 2021	(1,220)	(1,465)	(2,685)
Charge for the year	(737)	(762)	(1,499)
Disposals	71	-	71
As at 31 December 2021	(1,886)	(2,227)	(4,113)
Net Book Value			
As at 31 December 2021	2,585	4,976	7,561
As at 31 December 2020	3,048	5,738	8,786

BAKER HICKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

8. Investments in subsidiaries

	Subsidiaries £000
Cost and net book value	
At 1 January 2021	1,684
At 31 December 2021	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

	2021 £000	2020 £000
Amounts falling due within one year		
Trade receivables	6,332	2,504
Amounts owed by Group undertakings	6,969	7,899
Prepayments	972	553
Other receivables	432	285
	14,705	11,241

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 2021

10. Contract Assets and Contract Liabilities

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

	2021 £000	2020 £000
Contract assets	2,429	3,006
Contract liabilities	(4,934)	(3,780)

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 2021 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:

	2021 £000		2020 £000	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
As at 1 January	3,006	(3,780)	2,499	(2,403)
Revenue recognised				
- performance obligations satisfied in the current period	49,313	3,780	44,879	2,403
Cash received for performance obligations not yet satisfied		(4,934)		(3,780)
Amounts transferred to trade receivables	(49,890)		(44,372)	
As at 31 December	2,429	(4,934)	3,006	(3,780)

BAKER HICKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

11. Trade and other payables

	2021	2020
	£000	£000
Amounts falling due within one year		
Trade payables	449	670
Amounts owed to Group undertakings	47	707
Social security and other taxes	3,317	2,206
Other payables	3,816	2,917
Accruals	2,035	2,687
	9,664	9,187

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

12. Deferred tax asset

	2021	2020
	£000	£000
Balance at 1 January	358	300
Income statement credit/(charge) (note 6)	70	58
Balance at 31 December	428	358

Deferred tax assets consist of the following amounts:

	2021	2020
	£000	£000
Accelerated capital allowances	158	147
Goodwill	208	173
Short term timing differences	62	38
	428	358

The goodwill balance relates to unamortised deferred tax which continues to have a tax basis whereas the goodwill on the balance sheet has been previously written off in full.

13. Share capital

	2021	2020
	£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

	2021	2020
	£000	£000
Balance as at 1 January	2,386	15
Profit for the year	4,377	2,371
Balance as at 31 December	6,763	2,386

BAKER HICKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 was £167,900 (2020: £155,961).

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 2021 are set out below:

	Leasehold Property	
	2021	2020
	£000	£000
Maturity analysis		
Within one year	848	860
Within two to five years	3,046	2,966
After more than five years	1,745	2,674
	5,639	6,500

	2021		2020	
	Leasehold Property	Total	Leasehold Property	Total
	£000	£000	£000	£000
As at 1 January	6,500	6,500	6,644	6,644
Additions	-	-	569	569
Terminations	-	-	(31)	(31)
Repayments	(1,036)	(1,036)	(872)	(872)
Interest expenses	175	175	190	190
As at 31 December	5,639	5,639	6,500	6,500

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. There has been no immediate or direct impact to the Company as a result of the Ukraine / Russia conflict.