

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

MORGAN SINDALL PROPERTY SERVICES LIMITED

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MORGAN SINDALL PROPERTY SERVICES LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2020

Directors

M E Cox
S P Crummett
A Hayward
J C Morgan
P D Reader
S Knight (resigned 16 October 2020)

Company Secretary

C Sheridan

Head Office

Kent House
14–17 Market Place
London
W1W 8AJ

Registered Office

Kent House
14–17 Market Place
London
W1W 8AJ

Independent Auditor

Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom

MORGAN SINDALL PROPERTY SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Principal activities

Morgan Sindall Property Services Limited ('the Company') and its wholly owned subsidiaries (together 'the Group') form a UK-wide business specialising in the delivery of repairs and maintenance contracts for local councils, and facilities management solutions. The Group has contracts with numerous councils to maintain council properties, and has a portfolio of 5 facilities management contracts which are Private Finance Initiatives (PFI) contracts. We do not anticipate any changes to the Group's principal activities in the foreseeable future.

Business review

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

	2020	2019
	£m	£m
Revenue	111.7	115.3
Adjusted operating profit ¹	1.0	4.3
Adjusted operating margin ²	0.9%	3.7%
(Loss)/Profit before tax	(0.7)	2.5
Bank overdrafts	(14.0)	(13.3)
Forward order book	970.5	903.6

¹ Adjusted operating profit/(loss) is the profit/(loss) before interest, tax, and amortisation.

² Adjusted operating profit divided by revenue

This report was prepared at a time of uncertainty due to the global Covid-19 pandemic. Following the outbreak, there has been some disruption to the normal operations of the business. The health and wellbeing of our people, our partners and the public remains the Group's overriding priority. Where safe to operate, activity across the business has continued with strict adherence to Government advice and that of the devolved administrations and public health authorities across the UK. The extent of disruption has inevitably had an impact on the business and its financial performance in 2020. The impact is expected to be significantly less in 2021 subject to no further restrictions being applied.

The Group made an adjusted operating profit of £1.0m on revenue of £111.7m. This was a revenue reduction of 3% as a result of the coronavirus pandemic, as described above. This impacted revenue and margin from April 2020 onwards.

The committed order book at 31 December 2020 was at £970.5m, compared to £903.6m at the prior year end. This is due to three significant contract wins in 2020:

- Home Group - Repairs and Maintenance Services Central North,
- London Borough Hammersmith and Fulham – Housing Repairs and Maintenance: Lot 1,
- London Borough Hammersmith and Fulham – Housing Repairs and Maintenance: Lot 4.

All of these contracts were mobilised in the second half of 2020.

MORGAN SINDALL PROPERTY SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Financial position and liquidity

The financial position of the Group and the Company are presented in the Balance Sheet. The Group had total shareholder's funds at 31 December 2020 were £5.2m (2019: £5.8m). The Group had net current liabilities of £0.1m (2019: net current liabilities of £0.1m), including a bank overdraft of £14.0m (2019: £13.3m). The Company had net current liabilities of £10.3m (2019: £8.3m) including a bank overdraft of £14.1m (2019: £15.5m).

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

Future Developments

The outbreak of Covid-19 is a very significant humanitarian and economic event facing many businesses. We have stress tested our business model to understand what the impact would be under several shut down scenarios, as discussed in the Going Concern statements in this annual report.

Key performance indicators

The Group'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 Group.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Group are considered to relate to the market and economic environment, the availability of new business opportunities, the ability to attract and retain talented individuals and legal risks. There is not expected to be any increased risk arising from Brexit. Further discussion of these risks and uncertainties, in the context of the Morgan Sindall Group as a whole, is provided in the strategic report in Morgan Sindall Group's annual report, which does not form part of this report.

The impact of Covid-19 is becoming more manageable as our customers continue to issue works under a safe system of working. Subject to no further national lockdowns being imposed by Government, we do not anticipate a material impact on performance in 2021 due to Covid-19.

Financial risk management objectives and policies

The Group's operations expose it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and price risk.

Credit risk

With regard to credit risk the Group has implemented policies that require appropriate credit checks on potential customers before contracts are commenced. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers outside of the wider Group.

MORGAN SINDALL PROPERTY SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Liquidity risk

This is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group 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 wider Group's reputation. Liquidity is provided through cash balances and access to the wider Group's committed bank loan facilities.

Interest rate risk

In respect of interest rate risk the Group has interest bearing assets and liabilities. Interest bearing assets and liabilities include cash balances and overdrafts, all of which have interest rates applied at fixed rates. The directors believe interest to be of low risk to the business as it is charged from Group at a fixed rate. The Parent Company maintains the ongoing relationship with the bank and they therefore mitigate the risk.

Price risk

The Group has some exposure to commodity price risk as a result of its operations. This risk is managed on a project by project basis by negotiating annual purchase agreements with key suppliers. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

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 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:

Shareholder

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

MORGAN SINDALL PROPERTY SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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. The Group recognises the need to ensure effective communication with employees and has developed various communication channels taking account of factors such as numbers employed and location, including an employee forum, an intranet and in-house newsletters. Employees continue to celebrate success in the monthly value awards launched last year which recognises and rewards our people for demonstrating and embracing our company's core values to which we have issued over 100 awards.

Customers

We continue to work on the long-term relationships we have with our clients and partners. To engage better with our customers we use a tool we have called "Rant and Rave". This sends out a short survey by text or email at key points in the repair service journey. The application's sentiment engine can understand natural language including slang and emojis enabling us to capture the true essence of the feedback so we can address issues should they arise. During 2020 activities including attendance at National Housing Maintenance Forum Awards where Morgan Sindall Property Services Limited won the 'Best Contract' category with Westminster County Council.

Suppliers

Our suppliers and subcontractors are critical to our operations and we take a long-term collaborative approach to working with them. Most of our suppliers are now using a portal which enables them to monitor the processing of their payments.

Communities

We consult local communities impacted by our proposed development to find out any concerns they may have.

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 above, 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 principal decisions we have taken during the year. For example, we focus on key work areas which best suit the Company's values and ethos.

For further information on how the Morgan Sindall 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:



A Hayward
Director

28 June 2021

MORGAN SINDALL PROPERTY SERVICES 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 the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 5.

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 Morgan Sindall Group plc's (the "Group") centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Company is expected to continue to be in a position to obtain finance via intercompany loans to operate for the foreseeable future. In completing this analysis, the directors have considered the commitment through a letter of support and ability of the Group to continue to provide such finance.

The Group has continued to operate safely during the Covid-19 pandemic under the Site Operating Procedures ('SOP') agreed by the Construction Leadership Council and following the advice from UK Government, the devolved administrations and public health authorities. The Group has operated profitably with positive operating cash flows for the year ended 31 December 2020 whilst under these restrictions and, whilst there continues to be uncertainty over the remaining period of restrictions due to the pandemic, the Group expects the business to remain resilient whilst it continues to operate under these guidelines for the foreseeable future until the end of the pandemic.

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 Group's secured order book at 31 December 2020 is £8.3bn (2019: £7.6bn), of which £2.3bn relates to the 12 months ended 31 December 2021.

The directors have reviewed the Group's forecasts and projections for 2021, including sensitivity analysis to assess the Group's resilience to more adverse outcomes, which has been carried out to model the potential financial impact on the Group of any further impacts of the pandemic or other plausible losses of revenue or operating profit which could arise from the one of the principal risks to the business (discussed on pages 2 to 5), including a reasonable worst case scenario in which the Group's principal risks manifest in aggregate to a severe but plausible level involving the aggregation of the impacts of a number of these risks. The modelling showed that the Group would return to profitability over the next 12 months and there is considerable headroom in lending facilities and covenants which underpins the going concern assumption on which these financial statements have been prepared. As part of their analysis the Board also considered further mitigating actions at their discretion to improve the position identified by the reasonable worst case scenario. In all scenarios, including the reasonable worst case, the Group is able to comply with its financial covenants, operate within its current facilities, and meet its liabilities as they fall due.

MORGAN SINDALL PROPERTY SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Accordingly, the Directors consider there to be no material uncertainties that may cast significant doubt on the Company's ability to continue to operate as a going concern. They have formed a judgement that there is a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing of these Financial Statements. For this reason, they continue to adopt the going concern basis in the preparation of these 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 Morgan Sindall 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).

Post balance sheet events

At the date of signing there were no post balance sheet events to report.

Political contributions

The Company made no political contributions during the year (2019: none).

Financial Instruments

Details of the Group's use of financial instruments can be found within the principal accounting policies section of the financial statements.

Employment policies

The Group 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 Group continues and the appropriate training is arranged. It is the policy of the Group 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.

MORGAN SINDALL PROPERTY SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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 Group as a whole. The Group recognises the need to ensure effective communication with employees and has developed various communication channels taking account of factors such as numbers employed and location, including an employee forum, an intranet and in-house newsletters.

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 Morgan Sindall 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 Morgan Sindall 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 Group'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 Group's auditor is aware of that information.

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

In accordance with Section 487 of the Companies Act 2006, Deloitte LLP has not been reappointed as the Companies auditors. Following a competitive tender process, Ernst & Young have confirmed their willingness to be appointed as the Company's auditors for the year ending 31 December 2021.

MORGAN SINDALL PROPERTY SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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 International Financial Reporting Standards (IFRS) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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.

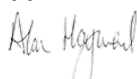
In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 the 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 by and on behalf of the Board



A Hayward

Director

28 June 2021

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

Report on the audit of the financial statements

Opinion

In our opinion

- the financial statements of Morgan Sindall Property Services Limited (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated balance sheet
- the consolidated cashflow statement
- the consolidated statement of changes in equity
- the company balance sheet
- the company statements of changes in equity
- the principal accounting policies; and
- the notes to the financial statements 1 to 24

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 Group and the parent 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.

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

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 group's and parent 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 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 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.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent 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 Group or the parent 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.

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

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

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 group's industry and its control environment, and reviewed the group'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 group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group'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 greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- The valuation and recoverability of contract asset balances where management were required to use judgement in determining the progress of contracts and the outcome of contract variations including cost escalations. We assessed the accuracy of the progress of the project and the outcome of variations by evaluating external certifications, customer confirmations and reviewing cash after date receipts.

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;

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

- enquiring of management legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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 Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

We have nothing to report in respect of these matters.

Use of our report

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



Lee Highton ACA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

28 June 2021

MORGAN SINDALL PROPERTY SERVICES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Revenue	1	111,733	115,277
Cost of sales		(102,405)	(104,172)
Gross profit		9,328	11,105
Amortisation of intangible assets		(1,253)	(1,228)
Other administrative expenses		(8,321)	(6,843)
Operating (loss)/profit	2	(246)	3,034
Interest payable	5	(471)	(556)
Interest receivable	5	7	9
(Loss)/Profit before tax		(710)	2,487
Tax	6	168	(378)
(Loss)/Profit for the financial year attributable to owners of the Company	18	(542)	2,109
Other comprehensive income		-	-
Total comprehensive (expense)/income for the year attributable to owners of the Company		(542)	2,109

Continuing operations

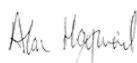
The results for the current and previous financial years all derive from continuing operations.

MORGAN SINDALL PROPERTY SERVICES LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020

		2020	2019
	Notes	£000	£000
Non-current assets			
Intangible assets	7	4,190	3,892
Property, plant and equipment	8	4,145	6,312
Deferred tax assets	14	262	230
		8,597	10,434
Current assets			
Contract assets	12	28,777	28,070
Trade and other receivables	11	9,664	5,618
Inventories	10	354	510
Current tax assets		332	313
		39,127	34,511
Total assets		47,724	44,945
Current liabilities			
Bank overdrafts		(13,995)	(13,273)
Contract liabilities	12	(2,328)	(1,372)
Trade and other payables	13	(22,379)	(18,895)
Lease liabilities	21	(559)	(1,099)
		(39,261)	(34,639)
Net current liabilities		(134)	(128)
Non-current liabilities			
Lease liabilities	21	(3,253)	(4,554)
		(3,253)	(4,554)
Total liabilities		(42,514)	(39,193)
Net assets		5,210	5,752
Equity			
Share capital	15	7,480	7,480
Share premium account	16	911	911
Merger reserve	17	(1,987)	(1,987)
Retained earnings	18	(1,194)	(652)
Total equity		5,210	5,752

The financial statements of Morgan Sindall Property Services Limited (company number 04415196) were approved by the Board and authorised for issue on 28 June 2021. They were signed on its behalf by:


 A Hayward, Director
 28 June 2021

MORGAN SINDALL PROPERTY SERVICES LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Operating activities			
Profit/(loss) for the year	18	(542)	2,109
Adjusted for:			
Amortisation of intangible assets	7	1,253	1,228
Depreciation	8	1,555	1,614
Finance costs	5	464	547
Income tax (credit) / expense	6	(168)	378
Operating cash flows before movements in working capital		2,562	5,876
Increase in trade and other receivables	11	(4,046)	(537)
Increase in contract assets	12	(707)	(5,457)
Increase in trade and other payables	13	3,484	568
Increase in contract liabilities	12	956	1,254
(Decrease) / Increase in inventories	10	156	(101)
Cash generated by operations		(157)	(4,273)
Income taxes received / (paid)		118	(128)
Net cash (used in) operating activities		(39)	(4,401)
Investing activities			
Purchases of intangible assets	7	(1,551)	(2,708)
Purchases of property, plant and equipment	8	(98)	(601)
Net cash used in investing activities		(1,649)	(3,309)
Financing activities			
Payment of lease liabilities		(1,273)	(1,281)
Interest paid		(323)	(387)
Net cash used in financing activities		(1,596)	(1,668)
Net decrease in cash and cash equivalents		(722)	(3,502)
Cash and cash equivalents at 1 January		(13,273)	(9,771)
Cash and cash equivalents at 31 December		(13,995)	(13,273)

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

	Share Capital (Note 15) £000	Share Premium account (Note 16) £000	Merger reserve (Note 17) £000	Retained earnings (Note 18) £000	Total £000
At 1 January 2019	7,480	911	(1,987)	(2,761)	3,643
Profit for the year and total comprehensive income	-	-	-	2,109	2,109
At 1 January 2020	7,480	911	(1,987)	(652)	5,752
Loss for the year and total comprehensive expense	-	-	-	(542)	(542)
At 31 December 2020	7,480	911	(1,987)	(1,194)	5,210

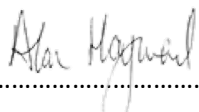
MORGAN SINDALL PROPERTY SERVICES LIMITED

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Intangible assets	7	4,190	3,892
Property, plant and equipment	8	4,145	6,288
Investment in subsidiaries	9	1,987	1,987
Deferred tax asset		249	219
		10,571	12,386
Current assets			
Inventories	10	354	505
Contract assets	12	24,441	24,377
Trade and other receivables	11	8,341	5,273
Current tax asset		794	1,509
		33,930	31,664
Total assets		44,501	44,050
Current liabilities			
Bank overdraft		(14,072)	(15,474)
Contract liabilities	12	(2,325)	(1,357)
Trade and other payables	13	(27,228)	(21,995)
Lease liabilities	21	(559)	(1,098)
		(44,184)	(39,924)
Net current liabilities		(10,254)	(8,260)
Non-current liabilities			
Lease liabilities	21	(3,253)	(4,554)
		(3,253)	(4,554)
Total liabilities		(47,437)	(44,478)
Net liabilities		(2,936)	(428)
Equity			
Share capital	15	7,480	7,480
Share premium	16	911	911
Retained earnings	18	(11,327)	(8,819)
Total Shareholder's funds		(2,936)	(428)

The Company reported a loss for the financial year ended 31 December 2020 of £2.5m (2019: £1.1m loss). Of this loss £nil was paid via a dividend from the subsidiary entities of Morgan Sindall Property Services (2019: £nil).

The financial statements of Morgan Sindall Property Services Limited (registered number 04415196) were approved by the Board and authorised for issue on 28 June 2021. They were signed on its behalf by:


 A Hayward, Director

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

	Share capital (Note 15) £'000	Share Premium account (Note 16)	Retained earnings (Note 18) £'000	Total £'000
At 1 January 2019	7,480	911	(7,768)	623
Loss for the year and total comprehensive expense	-	-	(1,051)	(1,051)
At 1 January 2020	7,480	911	(8,819)	(428)
Loss for the year and total comprehensive expense	-	-	(2,508)	(2,508)
At 31 December 2020	7,480	911	(11,327)	(2,936)

MORGAN SINDALL PROPERTY SERVICES LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

General information

Morgan Sindall Property Services Limited (the 'Group' or '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 Group's operations and its principal activities are set out in the Strategic Report on pages 2 to 5. The address of the registered office is given on page 1.

Basis of accounting

The consolidated financial statements have been prepared on the going concern basis and in accordance with IFRS adopted by the European Union. The Company financial statements have been prepared on the going concern basis in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101. Both the consolidated and Company financial statements have been prepared in accordance with the Companies Act 2006.

The Company has taken advantage of section 408 of the Companies Act 2006 and consequently the statement of comprehensive income (including the profit and loss account) of the Parent Company is not presented as part of these financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available in relation to the requirements presentation of a cash flow statement, related party transactions and disclosing standards not yet effective.

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

These financial statements are presented in pounds sterling which is the Company's functional currency. All financial information, unless otherwise stated, has been rounded to the nearest round thousand.

The directors consider that the ultimate parent undertaking and ultimate controlling party of this Company is Morgan Sindall Group plc (hereinafter called 'Morgan Sindall Group'), which is registered in England and Wales. It is the only group into which the results of the Morgan Sindall Property Services Limited Group are consolidated. Copies of the consolidated financial statements of Morgan Sindall Group are publicly available from morgansindall.com or from its registered office Kent House, 14-17 Market Place, London W1W 8AJ.

Adoption of new and revised standards

New and revised accounting standards adopted by the Group

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

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

MORGAN SINDALL PROPERTY SERVICES 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 Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 17 'Insurance Contracts'
- IAS 1 (amendments) – Classification of Liabilities as Current or Non-Current
- IAS 16 (amendments) – Property, Plant and Equipment – Proceeds before Intended Use
- 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 Group 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.

Going concern

The Group'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 Group is expected to trade profitably for at least 12 months from the date of signing the financial statements. The Group participates in the Morgan Sindall Group's centralised treasury arrangements and shares banking arrangements, including the provision of cross guarantees, with its ultimate parent Morgan Sindall Group and fellow subsidiaries.

The directors, having assessed the responses of the directors of Morgan Sindall Group to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Morgan Sindall Group 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, 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 financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details can be found in the going concern statement in the directors' report (pages 6-9).

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company, made up to 31 December each year.

In 2015, the Companies, Lovell Powerminster Limited and Manchester Energy Company Limited, all of which are ultimately owned by Morgan Sindall Group, combined under a common control transaction. In the absence of a specific guidance on common control transactions under IFRSs, the Company selected the appropriate accounting policy using the hierarchy described in IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. As the hierarchy permits the consideration of pronouncements of other standard-setting bodies, the common control transaction is accounted for using merger accounting principles in accordance with FRS 102. As the transaction was an acquisition by way of share-for-share exchange, the results and cash flows of all the combining entities were brought into the consolidated financial statements of the combined entity from the beginning of the financial year in which the combination occurred.

MORGAN SINDALL PROPERTY SERVICES LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

Property, plant and equipment

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	5% per annum
Motor vehicles	33% per annum
Short term leasehold property	the period of the lease (2 – 10 years)

Gains and losses on disposal are determined by comparing the proceeds from disposal against the carrying amount and are recognised in the income statement.

Investments in subsidiaries

In the Company balance sheet, investments in subsidiaries are stated at cost less provision for impairment.

Inventories

Inventories are stated at the lower of cost and net realisable value, on a first in first out basis. Costs include materials and direct labour. Net realisable value is based on estimated selling price, less further costs expected to be incurred to complete and sell the asset. Provision is made for obsolete, slow-moving or defective items where appropriate.

Revenue

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

Contract accounting

Revenue represents the fair value of work performed during the year on behalf of customers or the value of goods and services delivered to customers.

Revenue from long term contracts is based on an internal assessment of work carried out in the year. Once the outcome of a contract can be estimated reliably, profit is recognised in the statement of comprehensive income on a stage of contract completion basis by reference to costs incurred to date and total forecast costs on the contract as a whole. Losses expected in bringing a contract to completion are recognised immediately in the statement of comprehensive income as soon as they are forecast. Where the outcome of variations is uncertain, the Group only recognises revenue and associated profit where it is probable that the client will approve the variation. Where the outcome of claims is uncertain, the Group only recognises revenue when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

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.

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. 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.

MORGAN SINDALL PROPERTY SERVICES LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

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 and low value leases 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' personal pension arrangements, which are of a defined contribution type, and to a number of Local Government Pension Schemes ('LGPS'), which are defined benefit schemes. It is not possible to separately identify the Company's share of the underlying assets and liabilities of the LGPS and therefore the Company accounts for the schemes as though they were defined contribution schemes. For all schemes the amount charged to the statement of comprehensive income is equal to the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Income tax

The income tax expense represents the current and deferred tax charges. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity.

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

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

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

MORGAN SINDALL PROPERTY SERVICES LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

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.

Dividends

Dividends to the Group shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Group's shareholders.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL (expected credit losses) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

MORGAN SINDALL PROPERTY SERVICES LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

Grants

Grants received are credited to the statement of comprehensive income during the life of the project to which they relate or, for grants received from the Construction Industry Training Board, as training is provided to employees. Difference between the amount recognised in the statement of comprehensive income and the amount received are shown as either deferred income or accrued income in the balance sheet.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably.

Intangible assets

Other intangible assets that are acquired separately, such as software, are recognised at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives for the Group's finite life intangible assets are between one and twelve years.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the Group'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.

Critical judgements in applying the Group's accounting policies

The Group did not have any critical judgements or key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

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.

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

1. Analysis of revenue

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

2. Operating profit/(loss)

	2020	2019
	£000	£000
Operating profit/(loss) is stated after charging:		
Depreciation of tangible fixed assets:		
- Owned assets	397	469
- Right of use assets	1,158	1,145
Amortisation of intangible fixed assets	1,253	1,228
Expense relating to low value and short-term leases:		
- plant and machinery	991	828

	2020	2019
	£'000	£'000
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	69	29
Fees payable to the Company's auditor for the audit of annual financial statements of subsidiary companies pursuant to legislation	3	3
Total auditor's remuneration	72	32

Non-audit fees payable by the Company during the year were £nil (2019: £nil) relating to other services.

3. Staff costs

	2020	2019
	£000	£000
Wages and salaries	28,281	28,680
Social security costs	2,942	2,979
Pension costs	1,066	865
	32,289	32,524

		No.
The average number of monthly employees (including executive directors) during the year was:	759	785

Throughout the period, the Group placed a number of its employees on furlough and accessed the Government's Coronavirus Job Retention Scheme ('CJRS'). The Group was entitled to this because it had to shut down operations at the end of March 2020 and furlough employees from the end of March to June 2020. At the peak, c400 employees were furloughed across the Group, and the Group claimed £2.2m under the CJRS in the year, the benefit of which was initially reflected in the income statement within the associated wages and salaries.

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

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.

4. Directors' remuneration

	2020	2019
	£000	£000
Directors' remuneration		
Emoluments	898	1,254
Company contributions to money purchase pension scheme	48	50
Other benefits	48	51
	994	1,355
Remuneration of the highest paid director		
Emoluments	344	476
Company contributions to money purchase pension scheme	24	25
	No.	No.
The number of directors who:		
- are members of money purchase pension schemes	4	4

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. No other benefits were paid during the period.

Two of the directors of the Company received no emoluments (2019: none) in their capacity as directors of this Company. These individuals are remunerated by another company in the Group.

5. Interest (payable)/receivable

	2020	2019
	£000	£000
Bank interest payable	(321)	(388)
Interest on lease liabilities	(150)	(168)
Interest payable	(471)	(556)
Bank interest receivable	7	9
Net interest payable	(464)	(547)

The bank interest payable is due to a bank overdraft facility. This bank overdraft is provided within a wider cash management system operated for the Morgan Sindall Group. The overdraft is repayable on demand, and interest on the overdraft is calculated at a rate of base rate plus 1.5%

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

6. Tax

	2020 £000	2019 £000
UK corporation tax (credit)/charge on (loss)/profit for the year	(144)	630
Adjustment in respect of previous years	8	(86)
Total current tax	(136)	544
Prior year	(13)	(31)
Current year	(19)	(135)
Total deferred tax (note 14)	(32)	(166)
Total tax (credit) / expense	(168)	378

Corporation tax is calculated at 19% (2019: 19%) 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 £000	2019 £000
(Loss) / profit before tax	(710)	2,487
Tax on (loss) / profit at corporation tax rate	(135)	473

Factors affecting the charge for the year:

Expenses not deductible for tax purposes		1
Adjustments in respect of prior years	(4)	(117)
Effect of change in tax rate used to calculate deferred tax balances	(27)	-
Other permanent difference	(2)	21
Total tax expense/(credit)	(168)	378

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

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

7. Intangible assets

	Software
	£000
Cost	
As at 1 January 2019	4,040
Additions	2,708
As at 1 January 2020	6,748
Additions	1,551
As at 31 December 2020	8,299
Amortisation	
As at 1 January 2019	(1,628)
Charge for the year	(1,228)
As at 1 January 2020	(2,856)
Charge for the year	(1,253)
As at 31 December 2020	(4,109)
Net book value	
As at 31 December 2020	4,190
As at 31 December 2019	3,892

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

8. Property, plant and equipment

Group	Plant, equipment, fixtures & fittings £000	Motor vehicles £000	Right of use assets - Buildings £000	Right of use assets – Motor vehicles £000	Total £000
Cost					
As at 1 January 2019	3,430	28	2,314	2,023	7,795
Additions	601	-	3,592	-	4,193
Disposals	-	-	-	(114)	(114)
As at 1 January 2020	4,031	28	5,906	1,909	11,874
Additions	98	-	53	495	646
Disposals	-	-	(2,097)	(1,499)	(3,596)
As at 31 December 2020	4,129	28	3,862	905	8,924
Depreciation					
As at 1 January 2019	(2,810)	(28)	(393)	(717)	(3,948)
Charge for the year	(469)	-	(545)	(600)	(1,614)
As at 1 January 2020	(3,279)	(28)	(938)	(1,317)	(5,562)
Charge for the year	(397)	-	(587)	(571)	(1,555)
Disposals	-	-	883	1,455	2,338
As at 31 December 2020	(3,676)	(28)	(642)	(433)	(4,779)
Net Book Value					
As at 31 December 2020	453	-	3,220	472	4,145
As at 31 December 2019	752	-	4,968	592	6,312

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

8. Property, plant and equipment (continued)

Company	Plant, equipment, fixtures & fittings £000	Right of use assets - Buildings £000	Right of use assets – Motor vehicles £000	Total £000
Cost				
As at 1 January 2019	516	2,314	2,023	4,853
Additions	602	3,592	-	4,193
Disposals	-	-	(114)	(114)
As at 1 January 2020	1,118	5,906	1,909	8,933
Additions	98	53	495	646
Disposals	-	(2,097)	(1,499)	(3,596)
As at 31 December 2020	1,216	3,862	905	5,983
Depreciation				
As at 1 January 2019	(57)	(393)	(717)	(1,167)
Charge for the year	(332)	(545)	(600)	(1,477)
As at 1 January 2020	(389)	(938)	(1,317)	(2,644)
Charge for the year	(374)	(587)	(571)	(1,532)
Disposals	-	883	1,455	2,338
As at 31 December 2020	(763)	(642)	(433)	(1,838)
Net Book Value				
As at 31 December 2020	453	3,220	472	4,145
As at 31 December 2019	729	4,968	592	6,288

9. Investments in subsidiaries

	Subsidiaries £000
Cost and net book value	
At 1 January 2020	1,987
Additions	-
At 31 December 2020	1,987

In June 2020 the Company acquired a 100% shareholding in a newly incorporated company, Golden I Limited. The value of this investment is £100.

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.

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

9. Investments in subsidiaries (continued)

Name of company	Principal activity	Proportion of ordinary shares held
Lovell Powerminster Limited	Maintenance of facilities management	100%
Golden I Limited	Newly incorporated company not yet trading	100%
Manchester Energy Company Limited	Maintenance of facilities management	100%*

*Indirect Holding

10. Inventories

	31 December 2020		31 December 2019	
	Group £000	Company £000	Group £000	Company £000
Small tools and consumables	354	354	510	505
	354	354	510	505

11. Trade and other receivables

	31 December 2020		31 December 2019	
	Group £000	Company £000	Group £000	Company £000
Amounts falling due within one year				
Trade receivables	7,471	6,148	3,056	2,731
Amounts owed by Group undertakings	-	-	967	967
Prepayments and accrued income	2,193	2,193	1,595	1,575
	9,664	8,341	5,618	5,273

Amounts owed by Group undertakings are on an arm's length basis payable on demand and are not interest bearing.

At 31 December 2020 retentions held by customers for contract work amounted to £1.5m (31 December 2019: £0.7m).

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

12. Contract assets and liabilities

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

	31 December 2020		31 December 2019	
	Group £000	Company £000	Group £000	Company £000
Contract assets	28,777	24,441	28,070	24,377
Contract liabilities	(2,328)	(2,325)	(1,372)	(1,357)

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:

Group	2020 £000		2019 £000	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
As at 1 January	28,070	(1,372)	22,612	(118)
Revenue recognised				
- performance obligations satisfied in the current period	111,733	1,372	115,277	118
Cash received for performance obligations not yet satisfied	-	(2,328)	-	(1,372)
Amounts transferred to trade receivables	(111,026)	-	(109,819)	-
As at 31 December	28,777	(2,328)	28,070	(1,372)

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

12. Contract assets and liabilities (continued)

	2020 £000	2019 £000		
Company	Contract assets	Contract liabilities	Contract assets	Contract liabilities
As at 1 January	24,377	(1,357)	21,395	(118)
Revenue recognised				
- performance obligations satisfied in the current period	104,836	1,357	105,689	118
Cash received for performance obligations not yet satisfied	-	(2,325)	-	(1,357)
Amounts transferred to trade receivables	(104,772)	-	(102,707)	-
As at 31 December	24,441	(2,325)	24,377	(1,357)

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the balance sheet date:

	2021 £000	2022 £000	2023+ £000	Total £m
As at 31 December 2020	112,147	105,700	752,645	970,492

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

13. Trade and other payables

	31 December 2020		31 December 2019	
	Group £000	Company £000	Group £000	Company £000
Trade payables	7,785	7,785	5,225	5,225
Amounts owed to Group undertakings	90	6,655	70	4,416
Social security and other taxes	2,884	2,458	4,359	4,028
Accrued expenses	10,965	9,675	8,536	7,621
Other payables	655	655	705	705
	22,379	27,228	18,895	21,995

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

14. Deferred tax asset/(liability)

	2020 £000	2019 £000
As at 1 January	230	64
Statement of comprehensive income credit /(charge) (note 6)	32	166
Balance at 31 December	262	230

Deferred tax assets/(liabilities) consist of the following amounts:

	2020 £000	2019 £000
Accelerated capital allowances	223	212
Short term timing differences	39	18
	262	230

Deferred tax assets have been recognised above due to forecast future profits.

15. Share Capital

	2020 £000	2019 £000
Allotted, called up and fully paid	£000	£000
Balance as at 31 December (7,480,101 ordinary shares of £1 each)	7,480	7,480

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

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

16. Share Premium

	2020	2019
	£000	£000
Balance as at 31 December	911	911

17. Merger Reserve

	2020	2019
	£000	£000
Balance as at 31 December	(1,987)	(1,987)

Details of the merger reserve can be found in the accounting policies.

18. Retained Earnings

	31 December 2020		31 December 2019	
	Group	Company	Group	Company
	£000	£000	£000	£000
Balance as at 1 January	(652)	(8,819)	(2,761)	(7,768)
Profit/(loss) for the year	(542)	(2,508)	2,109	(1,051)
Balance as at 31 December	(1,194)	(11,327)	(652)	(8,819)

19. 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 £0.2m (2019: £0.2m).

20. 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.

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

21. Lease liabilities

The company leases assets including property, plant and vehicles. The lease terms on motor vehicles range between 1-4 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:

	Buildings		Motor Vehicles	
	2020	2019	2020	2019
	£000	£000	£000	£000
Maturity analysis				
Within one year	322	587	237	512
Within one to five years	998	1,923	230	96
After more than five years	2,025	2,535	-	-
	3,345	5,045	467	608

The decrease is due to early exit on one of the existing leases.

22. Related party transactions

In the ordinary course of business and through loan relationships, the Group has traded with its ultimate parent company Morgan Sindall Group together with its subsidiaries. Balances with these entities are disclosed in notes 11 and 13 of these financial statements.

23. Financial Instruments

Risk exposure

The Group's operations expose it to a variety of financial risks that include credit risk, interest rate risk, liquidity risk and price risk. More information can be found within the Strategic report.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Company. The Group operates within the central treasury function for Morgan Sindall Group. The treasury function arranges loans and funding, invests in surplus liquidity and manages financial risk. Further information is provided within the Morgan Sindall Group financial statements.

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

23. Financial Instruments (continued)

Capital Management

The Company's primary capital management objective is to ensure that the Group maintains investor, creditor and market confidence, to support its business and to maximise shareholder value.

The capital structure of the Group consists of cash and equity attributable to equity holders of the Group, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Group is not subject to externally imposed capital requirements.

The ageing of trade receivables at the reporting date was as follows:

	31 December 2020		31 December 2019	
	Gross trade receivables	Provision for impairment	Gross trade receivables	Provision for impairment
	£000	£000	£000	£000
Not past due	2,697	-	1,503	-
Past due 1 to 30 days	2,497	-	345	-
Past due 31 to 120 days	857	-	322	-
Past due 121 to 365 days	1,323	(344)	674	-
Past due greater than one year	745	(304)	212	-
	8,119	(648)	3,056	-

24. Subsequent events

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