

**MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## CONTENTS OF THE FINANCIAL STATEMENTS

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	Page
Company Information	1
Strategic Report	2 - 10
Directors' Report	11 - 17
Independent Auditor's Report	18 - 23
Statement of Comprehensive Income	24
Balance Sheet	25
Statement of Changes in Equity	26
Principal Accounting Policies	27 - 34
Notes to the Financial Statements	35 - 44

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022

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<b>Directors</b>	P D Boyle S C Smith M R Atkinson S P Crummett J C Morgan O T M Templar-Coates (appointed 1 September 2022) P E Kane (resigned 30 June 2022)
<b>Company Secretary</b>	C Sheridan
<b>Head Office</b>	Corporation Street Rugby Warwickshire, United Kingdom CV21 2DW
<b>Registered Office</b>	Kent House 14–17 Market Place London, United Kingdom W1W 8AJ
<b>Independent Auditor</b>	Ernst & Young LLP One Colmore Square Birmingham, United Kingdom B4 6HQ

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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### Principal activities

Morgan Sindall Construction & Infrastructure Ltd (hereafter referred to as 'the Company') is a UK construction and infrastructure business with a network of local offices. Our strategy has remained consistent for a number of years: to focus on long-term frameworks that allow us to build more meaningful relationships with our key customers. This strategy is reviewed on an annual basis to test its effectiveness. The Company works for private and public sector customers on projects and frameworks from £50,000 to over £1 billion. Activities range from small works and repairs and maintenance to the design and delivery of complex construction and engineering projects where the Company is able to provide building and civil engineering services. The Company operates across the commercial, defence, education, emergency and custodial, energy, healthcare, industrial, leisure and community, nuclear, retail, science and technology, transport and water sectors. We do not expect this to change in the foreseeable future. The Company is a member of the Morgan Sindall Group and its subsidiaries (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 2022 £000	Year to 31 December 2021 £000	Change
Revenue	1,474,820	1,416,470	+4.1%
Operating profit	42,424	49,774	-14.8%
Operating margin	2.9%	3.5%	-60bps
Profit after tax	36,854	37,109	-0.7%
Secured order book <sup>1</sup>	2,558,797	2,681,471	-4.6%

<sup>1</sup> The 'secured order book' is the sum of the 'committed order book' and the 'framework order book'. The 'committed order book' represents the Company's share of future revenue that will be derived from signed contracts or letters of intent. The 'framework order book' represents the Company's expected share of revenue from the frameworks on which the Company has been appointed. This excludes prospects where confirmation has been received as preferred bidder only, with no formal contract or letter of intent in place.

The Company delivered a steady performance in the year, achieving operating margins well within the medium-term target ranges despite inflationary headwinds and supply chain issues experienced across the year. Revenue increased to £1,475m (2021: £1,416m), while operating profit was down 14.8% to £42.4m (2021: £49.8m). The operating margin was 2.9%, down 60bps against the strong prior year comparator (2021: 3.5%).

The Company's activity is made up of Construction, accounting for 56% of revenue (2021: 49%) and Infrastructure contributing 44% of revenue (2021: 51%).

Key to performance is risk management and the Company maintained its focus on disciplined contract selection and operational delivery throughout the year. Contract by procurement-type consisted almost exclusively of negotiated work, two-stage tendered work or work procured through frameworks. The public and regulated sectors, which together accounted for c75% of revenue in the year, remained positive with most clients indicating that committed spending on capital projects remained in place. In turn, the Company's order book also remains of high-quality work, with the secured order book at the year end at £2,559m, 4.6% lower compared to the prior year (2021: £2,681m).

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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Construction's revenue increased 18.0% to £821m (2021: £694m) while operating profit increased 3.2% to £22.6m (2021: £21.9m).

The continued focus on improving operational delivery and prudent risk management all contributed towards achieving an operating margin of 2.8% (2021: 3.2%).

The order book at the year end was £802m, a reduction of 1% on the prior year (2021: £810m). Of the total, £646m (81% by value) is secured for 2023. This compares to £599m of work which was secured for the year ahead at the start of last year. In addition to the total order book, Construction also had £758m of work at preferred bidder stage at the year-end, 40% higher than the equivalent amount at the same time last year (2021: preferred bidder £540m).

In education, project wins included the £63m redevelopment of King Henry VIII Secondary School in Abergavenny into a 1,900-place, all-through school for Monmouthshire County Council, with enabling works completed in October; and Buntingford First School (£10.0m) which will be Hertfordshire's first carbon-neutral primary and nursery school and built to Passivhaus standards. In addition, Construction was awarded a £15.1m contract to refurbish an existing bank headquarters to create the Leeds Mathematics School, a 240-place sixth form college, for the Department for Education.

Completions in the year included the £49.8m, 100% electric-powered SEE Building (Science, Engineering and Environment) and the £8.3m, NERIC Building (North of England Robotics Innovation Centre) for the University of Salford; the £32.4m Glebe Farm School in Milton Keynes, the area's first fossil-free school; the £13.9m Renton Primary School in West Dunbartonshire; the £7.8m Ravensdale Primary School in Derby; and a £5.6m, two-storey teaching block at Horsforth School in Leeds which provided 365 additional places.

In healthcare, Construction was awarded the £11.9m Priscilla Bacon Hospice, a new state-of-the-art facility on an eight-acre site in Norwich; and, via the Pagabo framework, a £14.5m project to deliver a new imaging centre at Milton Keynes University Hospital.

In other sectors, Construction was awarded, in partnership with Muse Places Limited, a fellow subsidiary undertaking, the development of two new, Grade A office buildings in Birkenhead, totalling £40m in project value and on track for completion in 2023. Work progressed at Spinnaker View, an affordable homes development in Gosport for older people with care and support needs, being delivered with Lovell Partnerships Limited, a fellow subsidiary undertaking; a £109.9m, 34-story mixed-use development at Manor Road in Canning Town, in partnership with Muse Places Limited; and a new car park and cycle hub at North Manchester General Hospital. Work completed during the year on the £23.3m Great Yarmouth Marina Centre.

Framework appointments included a place on the £9bn Procure 23 framework, a partnership between Crown Commercial Services and NHS England and Improvement (NHSE&I); Lot 1 (£8m - £25m) and Lot 2 (>£25m) of the North West Construction Framework; and construction projects valued between £250k and £10m on the £1bn Pagabo Medium Works Framework (the division's third appointment to this framework).

As expected, Infrastructure's revenue was 9% lower at £654m (2021: £722m) with operating profit of £19.8m, 29% lower than last year's strong performance (2021: £27.9m), driven mainly by the timing and nature of projects delivered through its frameworks. This balance of work resulted in an operating margin of 3.0% (2021: 3.9%).

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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Infrastructure's order book at the year end was £1,756m, down 6% on the previous year end (2021: £1,872m). In excess of 90% of the value of the order book is derived through frameworks, consistent with the strategic focus on long-term workstreams from its clients.

The focus for the division remained on its key sectors of highways, rail, nuclear, energy and water. In highways, Infrastructure was awarded the A45 at Great Doddington, its first project on National Highways' new Scheme Delivery Framework, a £3.6bn, six-year programme to deliver vital renewals to maintain safety and reliability. Work continued on the A11 as part of National Highways' Concrete Roads Programme - Reconstruction Works Framework, a four-year programme worth c£130m to repair or replace the concrete surface of motorways and major A roads in England; and National Highways' Lower Thames Crossing scheme, where Infrastructure is part of a joint venture delivering the Integration Partner contract. Works completed in the year included the M27 Junctions 4 to 11 smart motorway upgrade; the A45 Sprint corridor for Transport for West Midlands, a c£40m scheme forming part of a bus priority corridor linking Walsall with the centre of Birmingham, Solihull and Birmingham Airport; and the installation of safety technology to detect stopped vehicles on motorways without a hard shoulder, delivered through the Smart Motorway Alliance with National Highways.

In rail, Infrastructure secured several schemes with Network Rail: the Bangor to Colwyn Bay signalling power upgrade; a £7.5m project on the CP6 Wales and Western framework; Lot 1 of the Building and Civils Framework, which involves renewing structural assets within Network Rail's Western region as part of their CP7 programme; and the detailed and temporary works design for the refurbishment of Liverpool Street Station roof, procured through SCAPE's Construction Framework. In addition, the division secured the Surrey Quays station upgrade, a £40m contract awarded through the London Rail Infrastructure Improvement Framework. Work progressed on the Northumberland Line extension project for Northumberland County Council; the Network Rail Parsons Tunnel rockfall shelter extension in Devon; several access-for-all schemes with Merseyrail; and the project to upgrade Slough Crossrail station as part of Network Rail's CP6 framework in the Western region. During the year, the division completed the Central Area enabling works for HS2 and the Barking Riverside Extension project for Transport for London.

In nuclear, work continued on Sellafield's £1.6bn Programme and Project Partners contract, in its third year of a 20-year framework, and on the Infrastructure Strategic Alliance. Work continued on the D58 facility for BAE Systems and completed on the D59 facility.

In energy, National Grid awarded Infrastructure the £112m Dinorwig scheme and the £9.2m ZZA overhead line route as part of the RIIO-2 electricity construction EPC (Engineer, Procure and Construct) framework, which involves the construction, refurbishment and decommissioning of overhead line and underground cable systems operating between 33kV to 400kV across its transmission network. In addition, the division was awarded a place on Scottish & Southern Electricity Network's (SSEN) RIIO-2 framework for an initial term of five years with an option to extend by two years. The framework involves the construction, refurbishment and decommissioning of overhead lines, underground cable systems and substations operating between 33kV to 400kV across SSEN's transmission network. Energisation (transferring energy into the grid) was completed on the Dorset and Peak East Visual Impact Provision (VIP) schemes for National Grid.

In water, tunnelling was completed on the Thames Tideway 'super sewer' project to expand London's sewer network and help prevent pollution in the Thames, while work continued as part of the long-term AMP7 framework with Welsh Water.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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The medium-term target for Construction is maintaining its operating margin within the range of 2.5%-3.0% per annum while increasing revenue to £1bn per annum. Infrastructure's medium-term target is to maintain its operating margin within the range of 3.5%-4.0% per annum while also increasing revenue to £1bn per annum.

Based upon the timing of orders and projects, both Construction and Infrastructure are expected to make positive progress towards their revenue targets in 2023, whilst also maintaining their margins within their target ranges.

### **Financial position and liquidity**

The financial position of the Company is presented in the Balance Sheet. The total shareholder's funds at 31 December 2022 were £303.7m (2021: £301.8m). The Company had net current assets of £82.2m (2021: £117.7m), including cash of £67.7m (2021: £95.5m) as at 31 December 2022. Included within cash is £38.0m (2021: £55.7m) which is the Company's share of cash held within jointly controlled operations.

The Company participates in the Group's banking arrangements (under which it is a cross guarantor). As at 31 December 2022 the Group had net cash balances of £355m. The Group also had £180m of committed loan facilities maturing more than one year from the balance sheet date, of which £15m matures in March 2024 and £165m in October in 2025. These facilities were undrawn at 31 December 2022.

### **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.

### **Principle 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, Brexit, inflation, 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), and counterparty and liquidity risk. Further discussion of risks and uncertainties in the context of the Group as a whole is provided in the strategic report in the Group's 2022 annual report and accounts ('annual report'), which does not form part of this report.

### **Financial risk management objectives and policies**

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

#### *Credit risk*

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

#### *Liquidity risk*

This is the risk that the Company will not be able to meet its financial obligations as they fall due. The

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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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 Group's reputation. Liquidity is provided through cash balances and access to the Group's committed bank loan facilities.

### *Interest rate risk*

In respect of interest rate risk, the Company has interest-bearing assets and liabilities. Interest-bearing assets and liabilities include cash balances and overdrafts, all of which have interest rates applied at floating market rates.

### *Price risk*

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

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

The directors of the Company, when taking strategic, financial and operational decisions, consider what is most likely to promote the success of the Company and the Group in the long term, for the benefit of shareholders and having regard to the interests of wider stakeholders. The directors also understand the importance of engaging with key stakeholders and taking their views into account when making decisions as well as considering the impact of our activities on local communities, the environment, including climate change, and the Group's reputation.

In order to maintain a reputation for high standards of business conduct, we adhere to our Group Code of Conduct which states our commitment to our Human Rights Policy and provides a framework for how we should act when engaging with our clients, partners, colleagues and suppliers. The Code of Conduct gives our employees practical guidance on upholding the Group's Core Values and delivering on the Group's strategic priorities which include our Total Commitments to being a responsible business.

The key activities of the Company's directors during the year included:

### *General*

- Approval of the financial statements for the year ended 31 December 2021;
- approval of an interim dividend for the year ended 31 December 2022; and
- preparation of monthly reports on performance for the Group Board, including health and safety, risks and opportunities, and stakeholder engagement.

### *Safety, health and environment*

- Monitored safety, health and environment performance against the strategy; and
- continued to deliver on the Company's sustainability and climate change commitments. As noted in the environmental performance, significant steps are being made to reduce carbon across the business, including investment in the development our whole life carbon assessment, commercial electric vehicle fleet and delivering a more sustainable company car scheme.



# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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### *Strategy*

- Prepared the Company's five-year strategic plan and annual budget for approval by the Group Board; and
- oversaw work winning, contract reviews and risk management through established governance procedures.

### *Business and financial performance*

- Received detailed updates on business performance against strategic priorities and KPIs;
- reviewed and discussed financial performance against budget, including exceptional items and any deviations from expectations and considered operational improvements;
- in support of our suppliers, oversaw payment practices in line with the requirements of the Prompt Payment Code to which the Company and the Group are signatories; the Company achieved a targeted improvement in the year, paying 96% of invoices to terms.

### *Culture and governance*

- Developed and monitored the culture of the Company, using several leading and lagging indicators to make an informed assessment. This included reviewing outputs from staff surveys, whistle blowing reports, internal audit reports and findings, health and wellbeing performance, safety performance, initiatives and trends, including both leading and lagging indicators, and progress in respect of diversity and inclusion; and
- oversaw the Company's people policies: recruitment; development and reward; equality and diversity; health and wellbeing; compliance with labour/employment law; and data protection laws and regulations.

Further information, including the Group's Section 172 statement, can be found in the Group's 2022 annual report at [morgansindall.com](http://morgansindall.com).

## **Engagement with our key stakeholders**

### ***Shareholders***

The Company's ultimate shareholder is Morgan Sindall Group plc. We create value for the Group by generating strong and sustainable results that translate into dividends. The directors discuss Company performance with the Group's executive directors in monthly management meetings and provide executive summaries for the Group Board. In addition, the directors routinely engage with the Group Board on topics of strategy, governance and performance. Company strategic plans are reviewed by the Group Board and include information on the impact of our activities on each stakeholder group and the environment.

### ***Employee engagement***

Our employees are at the forefront of our business. We are proud of our people who have the passion, commitment and range of expertise we need to support and make a difference for our clients.

Our key priorities are: to provide our employees with a fair, respectful and safe environment in which to work; have regard for their health and wellbeing; invest in their personal development and career progression; offer support for flexible working; and create an open and honest culture that promotes diversity and inclusion. Our employee policies are designed to support these goals and take account of external legislation, our Code of Conduct and our Core Values so that we can continue to recruit, develop and retain the talent needed to deliver our strategy.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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We believe it is essential to engage with our employees to understand their views and priorities and how they feel about the business.

The Group's 2022 annual report and accounts describe how the Group Board engages with employees across the Group and how it reviews the Company's employee engagement activities throughout the year.

The Company recognises the need to ensure effective communication with employees and focuses on three key methods of engagement: virtual briefings; leadership briefings; and in-house newsletters and intranet updates. We keep our employees updated with our business goals, market conditions, operational performance, health and wellbeing support, and career advancement and personal development opportunities, using a variety of communication channels. All new starters are given a formal induction programme which includes introducing them to our Core Values and Total Commitments.

We have adapted our way of working to enhance communication and engagement and continued to focus on adaptable working and employee wellbeing. Our IT infrastructure enables our people to work flexibly while ensuring safe working practices in all of our operational environments, in line with CLC (Construction Leadership Council) site operating procedures. We continue to work with clients and supply chain to promote enhanced working practices across all of our operations.

We hold an annual conference for employees where directors and other senior managers communicate key messages and employees have the opportunity to share ideas and experiences with us and colleagues from different roles and regions. We encourage our employees to challenge the status quo and think differently so that they can keep improving; for example, we invite employees to submit ideas via 'innovation portals' for ways of improving our business or on specific topics such as carbon reduction.

The Company has an Employee Forum which provides a formalised structure for feedback. We conduct regular surveys of our employees, following which we analyse their feedback and share with them the results of the surveys together with the actions that we will be undertaking in response and the impact of those activities.

Examples of the actions we have taken in 2022 include:

- Construction achieved a 92% response rate with its employee engagement survey and the results demonstrated continued improvement in all categories. In response to feedback received, Construction introduced a new appraisal system, 'Appraisd', in 2022 to promote better-quality conversations between employees and their managers, framing the conversations around two questions: 'measuring performance' and 'measuring potential'.
- Infrastructure, in addition to its engagement survey, conducted a wellbeing survey and an assessment of its people strategy, practices and outcomes in support of its Investors in People accreditation. In response to feedback received, Infrastructure has increased its focus on leadership development, launching a 'frontline development' programme for managers who engage with site-based employees, as well as a 'people manager' programme. Infrastructure has also made significant changes to our existing family-friendly policies to support its employees.
- Face-to-face leadership engagement events have resumed in the post Covid-19 environment.
- Recognising the cost-of-living crisis, we have supported our employees through a series of measures introduced throughout the year against a backdrop of hyperinflation and economic uncertainty.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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A savings related share option scheme ('Sharesave') is currently in operation under which employees are given the opportunity to purchase Morgan Sindall Group plc shares in the future at a discount, to encourage employee engagement with the business performance and progress.

### *Diversity and inclusion*

We recognise that diversity of thought, perspectives and experiences drive innovation and provide competitive advantage and therefore ensure that our employment practices promote a diverse and inclusive work environment. We are committed to creating opportunities for career growth and building a continuous learning culture. We hold personal development conversations with our employees throughout their careers with us and help them gain the skills they need to support their ambitions and drive the business forward.

We have set up an employee working group and developed action plans to improve inclusion. These include focusing on our recruitment and retention processes, promoting careers in the industry and supporting diversity and inclusion in our supply chain.

We are engaging with communities, consulting on our projects, employing locally and working with schools and colleges to create opportunities. Our activities enhance communities by delivering local infrastructure and attractive public spaces. Local economies are stimulated by drawing people and businesses into revitalised cities and by procuring locally for construction works.

We pursue all our projects with this approach, for example through our projects and long-term presence in Cumbria. We have developed and led 'Creating Careers in Cumbria' over the past 10 years, with more than 100 people progressing through the programme and 80% finding employment. All Together Cumbria (ATC) is a community interest company that we founded in 2018. ATC has delivered a 'Festival of Work' to encourage a career in construction which involved eight schools, 500 pupils, 150 adults and 40 employers. In addition, ATC has led activities supporting adults into work (40 adults supported in redundancy and nine autistic adults supported into employment), educational outreach and collaborative working (we were nominated as runner up in the 2022 Institute of Collaborative working awards). We are also delivering value for communities: the Northumberland Line rail project, which involves converting a freight line into a passenger service and building new stations and car parks to provide travel links from remote areas of Northumberland to Newcastle; the A11 concrete roads framework which involves reconstructing roads to create smoother road surfaces, less noise and improved safety for drivers; and the 'Open Opportunities Project' which encourages underrepresented groups into the industry, specifically targeting schools such as Barrow and Whitehaven Pupil Referral Units where students are at risk of becoming NEET (not in employment, education or training) and youth offending.

### *Disabled employees*

The Company's policy aligns with the Group policy to: give full and fair consideration to job applications made by disabled people; commit to making reasonable adjustments to their role and responsibilities; and offer the training and support they need to give them the same opportunities for progression as our other employees.

### **Engagement with suppliers, clients and partners and local communities**

We believe the best approach to developing and nurturing long-term relationships is to base them on trust, by maintaining regular dialogue, listening attentively, being open and transparent when giving information, and working collaboratively.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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Our suppliers and subcontractors are critical to our operations, and we take a long-term collaborative approach to working with them. During the year we have continued to focus on how we engage with our suppliers through continuous improvement in the technology we use and sharing our future pipeline of work and strategy. We engage with and monitor our subcontractors' performance against set criteria and give constructive feedback. The Company's whistle blowing service is available to our subcontractors to raise any concerns they have about behaviours or decisions that do not uphold the standards set by our Code of Conduct. We follow the Prompt Payment Code and during the six months to 31 December 2022 invoices paid within 60 days improved to 99% (December 2021: 98%), meaning we continue to meet the Prompt Payment code target of 95%. The average days to pay invoices reduced to 24 days (December 2021: 25 days) and invoices paid to terms improved to 96% (December 2021: 93%). We continue to keep our payment performance under review and to publish our payment practices data every six months in accordance with UK law.

We work with clients from the public, commercial and regulated sectors and our partners include local authorities. In addition, we consider the needs of local communities and the 'end users' who will occupy or use the spaces and infrastructure we create. Long-term relationships with our clients and partners are key to the Company's success. The Group's decentralised approach enables us to engage with our clients and partners at local level and tailor our services as needed. One of the Group's Core Values is that the customer comes first. This value is underpinned by our Perfect Delivery approach which includes developing a customer charter for each project that clarifies our customers' objectives, ensuring we focus on these at all times and deal with any potential issues as they arise.

Our project teams liaise with local residents and communities before and during our projects and, where appropriate, we engage members of the local community in consultations on a project's development. We also partner with schools to introduce construction as a career option and our project teams get involved in local charities and events.

We report to the Group Board of directors on a monthly basis on details of our relationships with our supply chain, clients and local communities, including feedback and satisfaction metrics and details of community initiatives. Further information on stakeholder engagement and the Group's delivery on its Total Commitments can be found in the Group's 2022 annual report.

### Approved by and on behalf of the Board

DocuSigned by:  
  
ED09D44D441D461...

**M Atkinson**  
**Finance Director**  
24 March 2023

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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The directors present their annual report and the audited financial statements for the year ended 31 December 2022. The annual report comprises the strategic report and directors' report, which together provide the information required by the Companies Act 2006. These financial statements have been prepared under United Kingdom Accounting Standards.

### **Corporate governance statement**

In line with The Companies (Miscellaneous Reporting) Regulations 2018, the following section sets out the corporate governance arrangements that the Company has had in place during the year. Further information which demonstrates how the Board makes decisions for the long-term success of the Company and its stakeholders, including how the directors ensure the Company complies with section 172 of the Companies Act 2006 can be found in the strategic report on pages 2 to 10.

The Company's ultimate parent, Morgan Sindall Group plc ('the Group'), applies the UK Corporate Governance Code (the 'Code') to fulfil its governance reporting requirements (a copy of the Group's consolidated accounts can be found at [morgansindall.com](http://morgansindall.com)). Having taken this into account, we have chosen not to apply a separate code; however, this report explains how the Company has embedded the corporate governance arrangements established by the Group into its operations.

### ***Board leadership and company purpose***

The Group operates a decentralised philosophy in which each division operates independently within its own markets and areas of expertise. To ensure good governance practices are in place and the desired culture is embedded throughout the Group, the executive directors of the ultimate parent company are appointed as directors on each of the divisional companies' boards. This ensures that clear lines of communication between the Group board and the Company's Board are maintained.

The overall Group purpose of harnessing the energy of our people to achieve the improbable is reinforced by the Company through the expertise it offers in construction and infrastructure. Where appropriate, we collaborate with our sister companies in the Group to maximise our offering to customers. The Group has a common set of Core Values and Total Commitments and these, together with our Perfect Delivery and 100% Safe approaches to work, are integral to our culture and business strategy. The directors ensure that the values, strategy and culture align, and are implemented and communicated consistently through the Company's workforce, for example through inductions for all new starters and regular on-site health and safety briefings for employees and supply chain. In addition, all employees receive a weekly Friday round-up of business news and activities.

### ***Division of responsibilities***

The Group's decentralised philosophy gives the Company's directors the flexibility and autonomy to tailor resources and respond quickly to the needs of our own clients and partners. The Group's delegated authorities empowers decision-making at the appropriate management levels, dependent on knowledge and industry experience. Divisional delegated authorities ensure that oversight is always maintained and that the directors retain control of key decisions affecting the Company.

The managing directors of the Company are directors of the Group management team which meets regularly to consider strategic and operational matters affecting the Group as a whole. These include risk, health and safety, strategy, the Group budget and responsible business strategy.

Representatives from the Company also participate in several Group-led forums which include health and safety, HR and commercial directors' forums, the IT security steering group, and supply chain, social value and climate action panels which act as channels for sharing ideas and best practice and

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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ensuring that good governance is adopted across the Group.

### ***Composition, succession and evaluation***

A biography for the executive directors of the Group Board and the managing directors of the Company can be found in the governance section of the Group's 2022 annual report. The Company's directors are supported by a management team, of which details can be found on our websites: [morgansindallconstruction.com](https://www.morgansindallconstruction.com) and [morgansindallinfrastructure.com](https://www.morgansindallinfrastructure.com).

Our succession plans are reviewed by the Group Board's nomination committee. The Group and Company are committed to ensuring a diverse workforce where everyone, regardless of background, can feel included and respected. For further information on diversity and inclusion, please see the strategic report and governance section in the Group's 2022 annual report.

While we do not formally evaluate the Board of the Company, the directors and employees are subject to an annual appraisal process which includes the setting of objectives and identification of individual training and development needs.

### ***Audit, risk and internal control***

The Group Board's audit committee is responsible for appointing and overseeing the relationship with the Group's external auditor. As part of the internal review process of the external auditor, the Company's finance team feeds back on various matters to the Group audit committee to facilitate its assessment of the external auditor's effectiveness.

The Group Board is responsible for setting the Group's risk appetite. To support the Group's risk review process, the Company carries out a twice-yearly detailed review of risk, recording significant matters in our risk register. Each risk is evaluated, both before and after the effect of mitigation, on its likelihood of occurrence and severity of impact on our strategy. The Group head of audit and assurance reviews the Company's risk register as part of the process of compiling the Group risk register. Further information on our principal risks can be found in our strategic report on pages 5 to 6.

### ***Remuneration***

The Company's remuneration practices are in line with the remuneration policy established by the Group Board's remuneration committee to ensure a coherent and fair approach is taken across the Group. Our primary objectives are to set remuneration that is competitive in the marketplace which helps motivate and retain the calibre of employees required to deliver the Company's and Group strategy. Details of staff costs including directors' remuneration and information regarding the Company's pension commitments are provided in the notes to these accounts on pages 35 to 44.

For further information on the Group's corporate governance arrangements, see the governance section of the Group's 2022 annual report.

### ***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 10.

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 2022

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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financial statements through to 31 March 2024.

The Company's future workload is healthy with a secured order book was £2,559m of which £1,373m relates to the 12 months ending 31 December 2023. The Company has a strong financial position at the year end with net current assets of £82.2m (2021: £117.7m), including cash of £67.7m (2021: £95.5m) as at 31 December 2022. Included within cash is £38.0m (2021: £55.7m) which is the Company's share of cash held within jointly controlled operations.

The Company participates in the Group's banking arrangements (under which it is a cross guarantor). As at 31 December 2022 the Group had a net cash balance of £355m. The Group also had £180m of committed loan facilities maturing more than one year from the balance sheet date, of which £15m matures in March 2024 and £165m in October in 2025. These facilities were undrawn at 31 December 2022.

Based on the above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence to the end of the going concern period, which is 31 March 2024. Thus, they continue to adopt the going concern basis in preparing the financial statements. Further details can be found in the principal accounting policies in the financial statements.

### **Directors**

The directors who served during the year are shown on page 1. None of the directors had any interest in the shares of the Company during the year ended 31 December 2022.

### **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 Group has also indemnified certain directors of its Group companies to the extent permitted by law against any liability incurred in relation to acts or omissions arising in the ordinary course of their duties.

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

### **Dividends**

An interim dividend of £35.0m (2021: £37.2m) was paid during the year. The directors do not recommend the payment of a final dividend (2021: nil).

### **Post balance sheet events**

No post balance sheet events have occurred that are expected to have a significant impact to the financial statements.

### **Political contributions**

The Company made no political contributions during the year (2021: 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.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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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 employees and other stakeholders can be found in the strategic report on pages 7 to 9.

### **Environmental performance**

The Group continues to maintain its sector leadership status in addressing climate change. For the third year in a row, the Group achieved a grade 'A' score for its leadership on climate change from CDP and since 2010, all the Group's (including the Company's) emissions have been independently verified.

In early 2021, the Group set its goal of achieving 'net zero' in its Scope 1<sup>1</sup>, Scope 2<sup>2</sup> and operational Scope 3<sup>3</sup> emissions by 2030. The Group's route to operational net zero is through reducing such emissions by 60% (based on its 2019 emissions) and offsetting its residual emissions by investing in UK-based projects. In 2022, the Group achieved a reduction of 4% in its Scope 1, Scope 2 and operational Scope 3 emissions compared to 2021, resulting in a total 40% reduction compared to its 2019 baseline. Based on its current trajectory, the Group is on track to achieve its targeted reductions by 2030.

Considerable progress has been made by the Group with its responsible offsetting projects. These include its investment in a 25-year project to create nine new woodlands on the Blenheim Estate in Oxfordshire. As well as providing measurable, demonstrable gains in terms of absorbing and storing carbon, increasing biodiversity and improving soil, air and water quality, the woodlands will provide wellbeing benefits for people visiting the area.

In addition, since the year end, the Group announced its participation in two other responsible offsetting projects: a peatland restoration programme to restore over 300 hectares of blanket bog in the Northern Pennines AONB and the Yorkshire Dales National Park; and the acquisition of 54 hectares of land to support the RSPB in unlocking and restoring additional land next to their existing Lakenheath Fen reserve in Norfolk. In addition to preventing further carbon loss from the degraded soils and storing future carbon, both projects will enable endangered species to recover, support a range of wildlife and provide people with vibrant places to visit.

The Group has set science-based targets for reducing carbon emissions and was one of the first construction companies globally to have its science-based emission targets officially accredited back in 2018. In 2022, the Group realigned its targets to a 1.5°C scenario and submitted them to the Science Based Targets initiative for revalidation. As part of this, the Group has now extended its net zero target to include the full total of its Scope 3<sup>4</sup> emissions (i.e. not just operational Scope 3) by 2045. This target is consistent with progress made to date and with the 2030 net zero target, which includes only operational Scope 3 emissions.

Where possible, the Group integrates biodiversity into design decisions and measures the biodiversity net gain<sup>5</sup> associated with projects. The Group also supports a circular economy by reducing waste, recycling, and reusing waste where appropriate. In 2022, 96% of the Group's waste was diverted from



# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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landfill and total waste reduced by 57%.

Further details of the Group's environmental performance and a copy of the Task Force on Climate-related Financial Disclosure (TCFD) report please see the Group's 2022 annual report.

<sup>1</sup> Scope 1 emissions are direct emissions from owned or controlled sources.

<sup>2</sup> Scope 2 emissions are Indirect emissions generated from purchased energy.

<sup>3</sup> Operational Scope 3 emissions are all indirect emissions not included in Scope 2 that occur in limited categories of our value chain as measured by the Toitu carbon reduce scheme.

<sup>4</sup> Scope 3 emissions are all emissions arising from the whole value chain from supply chain and end-users of buildings. Total emissions include carbon embodied in the materials (emitted during raw extraction, manufacture, transport to site, and disposal or recycling; carbon emitted during construction via energy use and waste; and estimated carbon emitted from operating the buildings for 60 years following handover to the client.

<sup>5</sup> Biodiversity net gain is an approach to development, and/or land management, that aims to leave the natural environment in a measurably better state than it was beforehand.

During the year the Company has continued to make positive changes and progress to our environmental performance and net zero ambitions.

In Construction, we have made significant strides towards lowering our own carbon footprint as well as supporting our customers to reduce the carbon footprint of the buildings we deliver. More generally, our environmental priorities include resource efficiency (reducing waste) and nature enhancement. To support our ambitions, we have established carbon champions and environmental champions in each operational region of our business, who are empowered to decarbonise the buildings we deliver and reduce the environmental impact of our own operations. Over the course of 2022, a notable achievement was the saving over 12,500 tonnes of carbon through the 10 Tonne Challenge, an initiative which challenges our teams to find ways to reduce the carbon footprint of their project by at least 10 tonnes, with the support of our supply chain. These savings – spread across 43 case studies – included, for example, procuring lower carbon concrete mixes and lower carbon steel, switching away from diesel usage on sites and limiting transport movements of bulk materials such as earth and stone.

Our whole life carbon assessment tool, CarboniCa, continues to be developed and used across the business. In Construction, internal and external stakeholders are now able to visualise and reduce the carbon footprint of buildings on more than half of our projects. We also trained over 400 of our client-facing staff on how to deliver customer 'value' by assessing and reducing carbon, an in-person half day course which helps our teams replicate the art-of-the-possible Circular Twin project on their own projects. The Circular Twin, the second phase of which we completed in 2022, demonstrates how an alternative way of running the design and build process can significantly reduce the whole life carbon of a building. We have also run the Circular Twin model on a low-energy retrofit scheme, which enables us to modify our tools and processes for the growing retrofit market. In Infrastructure, workshops were also held with our engineering, design and project management teams to ensure the tool was developed in line with our complex infrastructure schemes.

As a result of our efforts to support our customers and supply chain to progress to a lower-carbon built environment, the Cambridge Smart Infrastructure Centre awarded us the top-level 'Champion' status of their Carbon Reduction Code in 2022.

Infrastructure's 'Fuel Free Guidance', which aims to reduce diesel consumption and carbon emissions across our projects, helps project teams select the most environmentally friendly welfare, plant and equipment which is also appropriate for the needs of the site. This enabled our Old Street Roundabout Improvement project to run diesel free by introducing battery powered breakers, electric tracked

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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barrows, electric pallet trucks and an electric telehandler, as well as the use of hydrotreated vegetable oil as an alternative to diesel fuel.

In Infrastructure, we launched version two of our 'Personal Carbon Pledge' where our colleagues complete an online e-learning resource on the importance of carbon and are invited to complete their own personal pledge to help reduce the Company's impact on the environment. The course helps people to identify tangible ways in which they personally can contribute to carbon reduction, while improving their carbon literacy and making them more aware of their own carbon impact. As an intelligent tool, the system can tailor each pledge to individual roles, so that each person's actions are relevant to the work they do.

Environmental awareness training modules were introduced to our teams during the year to enhance their understanding of the most common environmental issues. The training also provides colleagues with guidance and techniques to identify, mitigate and control potential environmental risks.

We continue to see our fleets decarbonise with a growing proportion (86%) of our company car fleet being electric, hybrid, or plug-in hybrid, and the purchase of a number of electric commercial vehicles.

### **Independent auditor and disclosure of information to the independent auditor**

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

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

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

The Company has abolished the requirement to hold annual general meetings. Subject to the receipt of any objections as provided under statute or the Company's Articles of Association, the Company is relying on the provisions as provided in section 487 of the Companies Act 2006 for the deemed reappointment of Ernst & Young LLP as auditors.

### **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 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.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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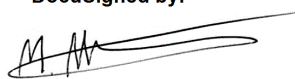
In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- 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 and corporate governance statement 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

DocuSigned by:  
  
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**M Atkinson**  
**Finance Director**  
24 March 2023

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD FOR THE YEAR ENDED 31 DECEMBER 2022

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### Opinion

We have audited the financial statements of Morgan Sindall Construction & Infrastructure Ltd for the year ended 31 December 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 24, 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 2022 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.

Our evaluation of the directors' assessment of Company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Company's financial statement close process, we confirmed our understanding of management's going concern assessment process and also engaged with management early to ensure key factors were considered in their assessment, including factors which we determined from our own independent risk assessment.
- We obtained management's Board-approved forecast cash flows which covers the period to 31 March 2024. We have reviewed the forecasts and have modelled four downside scenarios. Scenarios one and two assume a reduction in revenues and margin respectively. Scenario three assumes a deterioration in working capital in the construction businesses and scenario 4 reflects the inflationary increase in the cost associated with the project which are not recoverable from the customers. Lastly, scenario five is a severe downside scenario and models the combined impact of scenarios one to four.
- We assessed the appropriateness of the scenarios modelled by management which included assessing how these compare with principal risks and uncertainties of the Company.
- We assessed the reasonableness of the cash flow forecast by analysing management's historical forecasting accuracy, and evaluating the key assumptions used in the forecast. This included considering the forecasts on a division-by-division basis and assessing whether key factors specific

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD FOR THE YEAR ENDED 31 DECEMBER 2022

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to each of the divisions, such as Covid, the economic environment and market/sector trends, were considered in management's assessment. We also assessed the completeness and appropriateness of the scenarios modelled by management which included assessing the relevance to each division and how they compare with principal risks of the Company. We considered management's assessment of the impact of climate change on the Company's cash flow forecasts.

- We have considered the methodology used to prepare the forecast. We also tested the clerical accuracy and logical integrity of the model used to prepare the Company's going concern assessment.
- We performed further sensitivity analysis and our own reverse stress testing in order to identify what scenarios (for example, the extent operating profit would need to deteriorate) could lead to the Company utilising all liquidity during the going concern period, and whether these scenarios were plausible.
- Our analysis also considered the mitigating actions that management could undertake in an extreme downside scenario and whether these were achievable and in control of management.
- We reviewed the financial position of the ultimate holding company, Morgan Sindall Group PLC to evaluate whether it has a strong financial position to support the Company if needed, although this is not forecast to be required in scenarios one to five above.
- We assessed the reasonableness of the management forecasts for the year 2023 by comparing the forecasts made for the two months ended 28 February 2023 with the actual financial performance.
- We inquired of management as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern and compared their response to their forward order book and market forecasts (e.g., in respect of inflation risk).
- We considered whether the going concern disclosures included in the financial statements were appropriate and in conformity with applicable reporting standards.

The results from both management's evaluation and our independent sensitivity analysis and reverse stress testing indicates that in order to exhaust its available funding throughout the going concern period, the Company's revenue and margin would need to shrink to a position that is significantly worse than the financial effect of the disruption caused by the Covid pandemic during 2020.

As at 31 December 2022, the Company has a secured order book of £2.6bn, of which £1.4bn relates to the 12 months ending 31 December 2023, and it has a net cash balance of £67.7m (which includes £38.0m that relates to the Company's share of cash held with jointly controlled operations). The Company also has a £90.0m receivable from other group entities as a part of group cash pool arrangements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period, which the Directors have defined as the date of approval of the 31 December 2022 financial statements through to 31 March 2024.

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 Company's ability to continue as a going concern.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD FOR THE YEAR ENDED 31 DECEMBER 2022

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### **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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 14, 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.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD FOR THE YEAR ENDED 31 DECEMBER 2022

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### **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 Morgan Sindall Construction & Infrastructure Ltd is complying with those frameworks by making enquiries of management, internal audit, 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 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 Group management have over the Company despite the decentralised operating model of the 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 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

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD FOR THE YEAR ENDED 31 DECEMBER 2022

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- over time and assessed the design effectiveness of key controls;
- Discussed management's contract risk tracker with the finance directors of both the Construction and Infrastructure businesses and the respective divisional commercial directors;
- Performed site visits at a selection of higher-risk contracts in order to corroborate the contract positions in person through review of the operations and discussions with contract personnel on-site to form an independent view on the judgements taken;
- 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 and lawyers in respect of contract claims for and against the Company and assessed the judgements made in respect of the 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;
- Challenged the rationale for material provisions held at a contract/division level and concluded if these are appropriate;
- Challenged the level of onerous contract provisions recognised for loss-making contracts as well as any cost contingencies on the remaining contracts at year end;
- 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 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.



# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

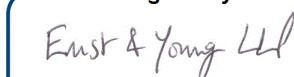
## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD FOR THE YEAR ENDED 31 DECEMBER 2022

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### 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:



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### **Adrian Roberts (Senior statutory auditor)**

For and on behalf of Ernst & Young LLP, Statutory Auditor

Birmingham, United Kingdom

24 March 2023

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £000	2021 £000
Revenue	1	1,474,820	1,416,470
Cost of sales		(1,340,271)	(1,286,178)
<b>Gross profit</b>		<b>134,549</b>	130,292
Administrative expenses		(92,125)	(80,518)
<b>Operating profit</b>	2	<b>42,424</b>	49,774
Interest receivable	5	1,704	425
Interest payable	5	(402)	(548)
<b>Profit before tax</b>		<b>43,726</b>	49,652
Tax	6	(6,872)	(12,543)
<b>Profit for the financial year attributable to the owners of the Company</b>	19	<b>36,854</b>	37,109
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>36,854</b>	37,109

### Continuing operations

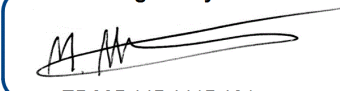
The results for the current and previous financial years derive from continuing operations.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## BALANCE SHEET AS AT 31 DECEMBER 2022

		2022	2021
	Notes	£000	£000
<b>Non-current assets</b>			
Intangible assets	8	120,502	120,502
Property, plant and equipment	9	12,462	11,634
Investments in subsidiaries	10	111,371	111,371
		<b>244,335</b>	243,507
<b>Current assets</b>			
Contract assets	11	78,254	79,758
Trade and other receivables	12	423,919	412,999
Current tax asset		597	860
Cash and bank balances	13	67,665	95,520
		<b>570,435</b>	589,137
<b>Total assets</b>		<b>814,770</b>	832,644
<b>Current liabilities</b>			
Contract liabilities	11	(50,193)	(58,673)
Trade and other payables	14	(424,369)	(410,793)
Lease liabilities	22	(2,403)	(2,012)
Provisions	15	(11,236)	-
		<b>(488,201)</b>	(471,478)
<b>Net current assets</b>		<b>82,234</b>	117,659
<b>Non-current liabilities</b>			
Lease liabilities	22	(6,966)	(7,401)
Provisions	15	(1,657)	(35,657)
Deferred tax liabilities	16	(14,281)	(16,297)
		<b>(22,904)</b>	(59,355)
<b>Total liabilities</b>		<b>(511,105)</b>	(530,833)
<b>Net assets</b>		<b>303,665</b>	301,811
<b>Capital and reserves</b>			
Share capital	17	220,900	220,900
Share premium account	18	11,372	11,372
Retained earnings	19	71,393	69,539
<b>Total shareholder's funds</b>		<b>303,665</b>	301,811

The financial statements of Morgan Sindall Construction & Infrastructure Ltd (Company number 04273754) were approved by the Board and authorised for issue on 24 March 2023. They were signed on its behalf by:

DocuSigned by:  
  
 .....ED09D44D441D461..... M Atkinson, Finance Director  
 24 March 2023

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital (Note 17) £000	Share Premium account (Note 18) £000	Retained earnings (Note 19) £000	Total £000
<b>At 1 January 2021</b>	<b>220,900</b>	<b>11,372</b>	<b>69,639</b>	<b>301,911</b>
Total comprehensive income	-	-	37,109	37,109
Dividends paid (note 7)	-	-	(37,209)	(37,209)
<b>At 1 January 2022</b>	<b>220,900</b>	<b>11,372</b>	<b>69,539</b>	<b>301,811</b>
Total comprehensive income	-	-	36,854	36,854
Dividends paid (note 7)	-	-	(35,000)	(35,000)
<b>At 31 December 2022</b>	<b>220,900</b>	<b>11,372</b>	<b>71,393</b>	<b>303,665</b>

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

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### **General information**

Morgan Sindall Construction & Infrastructure Ltd ('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 9. 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 with 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 financial instruments, 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 [morgansindall.com](http://morgansindall.com).

The financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments that are measured at fair value as permitted by the Companies Act 2006. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

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

The immediate parent undertaking of the Company is Morgan Sindall Holdings Limited, which is registered in England and Wales.

The directors consider that the ultimate parent undertaking and ultimate controlling party of this Company is Morgan Sindall Group plc, which is registered in England and Wales. It is the only group into which the results of the Company are consolidated. Copies of the consolidated financial statements of Morgan Sindall Group plc are publicly available from [morgansindall.com](http://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.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

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### **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.

- 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 a Contract'
- Annual Improvements to IFRS Accounting Standards 2018-2020 cycle

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

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

- IFRS 17 'Insurance Contracts'
- IFRS 10 and IAS 28 (amendments) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current'
- 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'
- Amendments to IFRS 16 'Lease Liability in a Sale and Leaseback'

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, performance and position, are set out in the business review section of the strategic report. The Company is expected to continue to generate positive cash flows on its own account during the going concern period, which the directors have defined as the date of approval of the 31 December 2022 financial statements through to 31 March 2024.

The Company's future workload is healthy with a secured order book was £2,559m of which £1,373m relates to the 12 months ended 31 December 2023. The Company has a strong financial position at the year end with net current assets of £82.2m (2021: £117.7m), including cash of £67.7m (2021: £95.5m) as at 31 December 2022.

The Company participates in the Group's centralised treasury arrangements and shares banking

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

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arrangements, including the provision of cross guarantees, with its ultimate parent Morgan Sindall Group plc and fellow subsidiaries. As at 31 December 2022, the Group had net cash balances of £355m. The Group also had £180m of committed loan facilities maturing more than one year from the balance sheet date, of which £15m matures in March 2024 and £165m in October in 2025. These facilities were undrawn at 31 December 2022.

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

On the basis of their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the going concern period. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Joint arrangements**

The Company operates unincorporated joint arrangements with other partner companies for certain contracts, each supported by a joint venture agreement dealing with the responsibility of each partner and their share of the contract outcome. The Company accounts for each joint venture project as a normal contract only taking its share of the results and its share of each arrangement's assets and liabilities to the statement of comprehensive income and balance sheet.

### **Intangible fixed assets – goodwill**

Goodwill arises on business combinations and represents the excess of the cost of an acquisition over the Company's share of the identifiable net assets acquired at the acquisition date. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and equity interests issued by the Company in exchange for control of the acquiree. Consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed in administrative expenses as incurred. All identifiable assets and liabilities acquired and contingent liabilities assumed are initially measured at their fair values at the acquisition date.

Where the cost is less than the Company's share of the identifiable net assets, the difference is recognised in the statement of comprehensive income and as a gain from a bargain purchase.

Goodwill arising on acquisitions before the date of transition to FRS101 has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Goodwill is tested for impairment annually.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

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### **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, less estimated residual value, over their estimated useful lives as follows:

Plant, equipment, fixtures and fittings	between three and ten years
Right of use assets	over the period of the lease

Residual value is calculated on prices prevailing at the date of acquisition.

### **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:

### **Construction and infrastructure services contracts**

All 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.

All 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.



# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

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In order to recognise the profit over time it is necessary to estimate the total costs of the contract. These estimates take account of any uncertainties in the cost of work packages which have not yet been let and materials which have not yet been procured, the expected cost of any acceleration of or delays to the programme or changes in the scope of works and the expected cost of any rectification works during the defects liability period.

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

### **Contract balances**

#### *Contract assets*

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.

#### *Contract Liabilities*

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. Contract liabilities are recognised as revenue when performance obligation to the customer has been satisfied.

### **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, in which case they are capitalised to the extent they will be recovered in future periods.

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.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

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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 Company 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 Company's accounting policy on property, plant and equipment. The amount charged to the statement of comprehensive income 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' 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.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

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### **Dividends**

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

### **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.

### **Derivative financial instruments and hedge accounting**

Derivative financial instruments are used in joint arrangements to reduce exposure to foreign exchange risk. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivative financial instruments are stated in the balance sheet at fair value. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Where financial instruments are designated as cash flow hedges and are deemed to be effective, gains and losses on measurement relating to the effective portion are recognised in equity and gains and losses on the ineffective portion are recognised in the statement of comprehensive income.

### **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. Differences 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 Company 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 of the obligation can be estimated reliably. Provisions are recognised for events covered by the Company's captive or self-insurance arrangements, legal claims and restructuring.

When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement where the reimbursement has met the virtually certain recognition criteria.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

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rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### **Current/non-current classification**

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption as part of the Company's normal identifiable operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes in line with the Company's identifiable normal operating cycle. These liabilities are expected to be settled as part of the Company's normal course of business. All other liabilities are classified as non-current liabilities.

### **Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements requires the Company's management to make judgements, assumptions and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **Critical judgements and estimates in applying the Company's accounting policies**

The following are the critical judgements and estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- **Revenue and profit recognition for long term contracts (judgement and estimate)**

In order to determine the revenue and profit recognition in respect of the Company's construction and infrastructure service contracts, the Company has to estimate the total costs to deliver the contract as well as the final contract value. The Company has to allocate total expected costs between the amount incurred on the contract to the end of the reporting period and the proportion to complete in a future period. The assessment of the total costs to be incurred and final contract value requires a degree of judgement and estimation.

The final contract value may include assessments of the recovery of variations which have yet to be agreed with the client, as well as additional compensation claim amounts. The amount of variations and claims are often not fully agreed with the customer due to timing and requirements of the normal contractual process. Therefore, assessments are based on an estimate of the potential cost impact of the compensation claims and revenue is constrained to amounts that the Company believes are highly probable of being received. The estimation of costs to complete is based on all available relevant information and may include judgements and estimates of any potential defect liabilities or liquidated damages for unagreed scope or timing variations. Costs incurred in advance of the contract that are directly attributable to the contract may also be included as part of the total costs to complete the contract. Judgement is required to consider when any pre contract costs are directly attributable to a specific contract.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 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. All revenue was derived from construction and infrastructure services contracts.

### 2. Operating profit

	2022	2021
	£000	£000
<b>Operating profit is stated after charging:</b>		
Depreciation of tangible fixed assets:		
-owned assets	1,808	1,643
-right of use assets	2,471	2,190
Loss on sale of tangible fixed assets	2	-
Fees payable to the Company's auditor for the audit of the Company's annual accounts	430	420

Non-audit fees payable by the Company during the year were £nil (2021: £nil).

### 3. Staff costs

	2022	2021
	£000	£000
Wages and salaries	231,997	223,988
Social security costs	28,687	26,293
Redundancy costs	1,559	1,765
Pension costs	10,038	9,066
	<b>272,281</b>	<b>261,112</b>

	No.	No.
The average number of employees (including executive directors) during the year was:	<b>3,290</b>	<b>3,156</b>

### 4. Directors' remuneration

	2022	2021
	£000	£000
<b>Directors' remuneration</b>		
Emoluments	1,992	2,207
Company contributions to money purchase pension scheme	14	32
	<b>2,006</b>	<b>2,239</b>

#### Remuneration of the highest paid director

Emoluments	735	725
Company contributions to money purchase pension scheme	4	4

	No.	No.
The number of directors who:		
- are members of money purchase pension schemes	<b>4</b>	<b>4</b>

Total emoluments exclude amounts in respect of share options (granted and/or exercised), pension contributions, benefits under pension schemes and benefits under long term incentive plans.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Two current directors of the Company received no emoluments (2021: nil) in their capacity as directors of this Company. These individuals are remunerated by another company in the Group.

### 5. Net interest receivable/payable

	2022	2021
	£000	£000
Bank interest receivable	210	361
Other interest receivable	1,494	64
<b>Interest receivable</b>	<b>1,704</b>	425
Bank interest payable	(131)	(293)
Interest payable on lease liabilities	(271)	(255)
<b>Interest payable</b>	<b>(402)</b>	(548)

### 6. Tax

	2022	2021
	£000	£000
UK corporation tax charge on profit for the year	8,491	9,208
Adjustment in respect of previous years	397	(631)
<b>Total current tax</b>	<b>8,888</b>	8,577
Origination and reversal of timing differences	-	412
Change in tax rate used to calculate deferred tax balances	(249)	4,011
Adjustment in respect of previous years	(1,767)	(457)
<b>Total deferred tax (note 16)</b>	<b>(2,016)</b>	3,966
<b>Total tax expense</b>	<b>6,872</b>	12,543

Corporation tax is calculated at 19.0% (2021: 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:

	2022	2021
	£000	£000
Profit before tax	43,726	49,652
Tax on profit at corporation tax rate	8,308	9,434
<i>Factors affecting the charge for the year:</i>		
Expenses not deductible for tax purposes	67	46
Other	(133)	140
Change in tax rate used to calculate deferred tax balances	-	4,011
Adjustments to tax charge in respect of previous years:		
Change to tax base cost of goodwill	(1,100)	-
Other	(270)	(1,088)
<b>Total tax expense</b>	<b>6,872</b>	12,543

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 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 2022 have been calculated at a mix of 23.5% and 25%. Deferred tax balances as at 31 December 2021 were calculated at a mix of 19%, 23.5% and 25%.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 7. Dividends

Amounts recognised as distributions to equity holders in the year:

	2022	2021
	£000	£000
Interim dividend for the year	35,000	37,209
	<b>35,000</b>	<b>37,209</b>

The directors do not recommend the payment of a final dividend (2021: nil).

### 8. Intangible fixed assets

	Goodwill £000
<b>Cost and net book value</b>	
As at 1 January 2022	120,502
<b>As at 31 December 2022</b>	<b>120,502</b>

Goodwill represents the value of people, track record and expertise acquired within acquisitions that are not capable of being individually identified and separately recognised.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. In testing goodwill, the recoverable amount has been estimated from value in use calculations. The key assumptions for the value in use calculations are those regarding the forecast revenue and margin, discount rates and long-term growth rates by market sector. Forecast revenue and margin are based on past performance, secured workload and workload likely to be achievable in the short to medium term, given trends in the relevant market sector as well as macroeconomic factors.

Cash flow forecasts have been determined by using Board approved strategic plans for the next three years. Cash flows beyond three years have been extrapolated into perpetuity using an estimated nominal growth rate of 1.2% (2021: 2.1%). This growth rate does not exceed the long-term average for the relevant markets.

Discount rates are pre-tax and reflect the current market assessment of the time value of money and the risks specific to the Company. The risk-adjusted nominal rate used for the goodwill balance is 12.0% (2021: 10.7%)

In carrying out this exercise, no impairment of goodwill or other intangible assets has been identified. No reasonably foreseeable change in the assumptions used within the value in use calculations would cause an impairment in the Company.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 9. Property, plant and equipment

	Plant, equipment, fixtures & fittings	Right of use assets- Leasehold Buildings	Right of use assets- Plant, equipment, fixtures & fittings	Total £000
	£000	£000	£000	£000
<b>Cost</b>				
As at 1 January 2022	12,598	14,461	657	27,716
Additions	2,774	2,454	-	5,228
Disposals	(2,995)	(1,968)	-	(4,963)
<b>As at 31 December 2022</b>	<b>12,377</b>	<b>14,947</b>	<b>657</b>	<b>27,981</b>
<b>Depreciation</b>				
As at 1 January 2022	(10,170)	(5,655)	(257)	(16,082)
Charge for the year	(1,808)	(2,287)	(184)	(4,279)
Disposals	2,993	1,849	-	4,842
<b>As at 31 December 2022</b>	<b>(8,985)</b>	<b>(6,093)</b>	<b>(441)</b>	<b>(15,519)</b>
<b>Net Book Value</b>				
<b>As at 31 December 2022</b>	<b>3,392</b>	<b>8,854</b>	<b>216</b>	<b>12,462</b>
As at 31 December 2021	2,428	8,806	400	11,634

The Company holds some property, plant & equipment that is fully depreciated. The cost and accumulated depreciation amounts of this fully written down plant, property & equipment is £6.6m (2021: £6.8m).

### 10. Investments in subsidiaries

	Total £000
<b>Cost and net book value</b>	
At 1 January 2022	111,371
<b>At 31 December 2022</b>	<b>111,371</b>

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

Name of company	Direct or indirect holding	Principal activity	Group's interest in allotted capital
Bluestone Limited	Direct	Dormant	100%
Morgan Sindall All Together Cumbria CIC <sup>1</sup>	Direct	Labour services	100%
MS (MEST) Limited	Direct	Non-trading	100%
Morgan Utilities Limited	Indirect	Dormant	100%
Newman Insurance Company Limited <sup>2</sup>	Indirect	Insurance	100%
Morgan Sindall Engineering Solutions Limited	Direct	Design services	100%



# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### Key:

<sup>1</sup> Community Interest Company (Company limited by guarantee)

<sup>2</sup> Registered and operating in Guernsey, registered office address C/o Willis Management (Guernsey) Limited, Suite 1 North, First Floor, Albert House, South Esplanade, St Peter Port, Guernsey GY1 1AJ.

During the year, the 100% owned subsidiary Morgan Sindall Engineering Solutions Limited was purchased from Baker Hicks Limited, a fellow Group company, for a consideration of £1.

### 11. Contract assets and liabilities

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

	2022 £000	2021 £000
Contract assets	78,254	79,758
Contract liabilities	(50,193)	(58,673)

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 2022 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:

	2022 £000	Contract assets	Contract liabilities	2021 £000	Contract liabilities
As at 1 January	79,758	(58,673)	69,899	(31,970)	
Revenue recognised					
- performance obligations satisfied in the period	1,416,147	58,673	1,384,500	31,970	
Cash received for performance obligations not yet satisfied	-	(50,193)	-	(58,673)	
Amounts transferred to trade receivables	(1,417,651)	-	(1,374,641)	-	
<b>As at 31 December</b>	<b>78,254</b>	<b>(50,193)</b>	<b>79,758</b>	<b>(58,673)</b>	

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:

	2023 £m	2024 £m	2025+ £m	Total £m
As at 31 December 2022	1,373	753	433	2,559

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 12. Trade and other receivables

	2022	2021
	£000	£000
<b>Amounts falling due within one year</b>		
Trade receivables	72,400	57,230
Amounts owed by Group undertakings	308,309	283,472
Prepayments and accrued income	1,806	1,815
Insurance receivables	4,816	30,392
Other receivables	8,527	6,268
	<b>395,858</b>	<b>379,177</b>
<b>Amounts falling due after more than one year</b>		
Trade receivables	28,061	33,822
	<b>423,919</b>	<b>412,999</b>

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

Retentions held by customers for contract work at 31 December 2022 were £52.6m (2021: £53.7m). These will be collected in the normal operating cycle of the Company. The Company manages the collection of retentions through its post completion project monitoring procedures and ongoing contract with clients to ensure that potential issues that could lead to the non-payment of retentions are identified and addressed promptly.

The Company holds third party insurances that may mitigate the contract and legal liabilities described in note 15 – Provisions for liabilities and note 21 – Contingent liabilities. Insurance receivables are recognised when reimbursement from insurers is virtually certain.

### 13. Cash and bank balances

	2022	2021
	£000	£000
Cash and bank balances	67,665	95,520
	<b>67,665</b>	<b>95,520</b>

Included within cash and bank balances is £38.0m (2021: £55.7m) which is the Company's share of cash held within jointly controlled operations.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 14. Trade and other payables

	2022	2021
	£000	£000
<b>Amounts falling due within one year</b>		
Trade payables	56,247	61,428
Amounts owed to Group undertakings	19,201	14,868
Social security and other taxes	47,489	51,427
Other payables	2,709	3,364
Accruals and deferred income	298,723	279,706
	<b>424,369</b>	<b>410,793</b>

Trade payables include £32.3m (2021: £38.4m) of retentions payable to sub-contractors, a proportion of which £9.2m (2021: £10.5m) are expected to be settled after a period of more than 12 months. However, considering they fall due within the normal operating cycle of the company, they have been considered and presented as a current liability.

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

### 15. Provisions for liabilities

	Contract & legal £000	Employee £000	Property £000	Total £000
At 1 January 2022	33,402	773	1,482	35,657
Created	5,679	834	252	6,765
Reclassifications*	2,000	-	-	2,000
Utilised	(6,514)	(33)	-	(6,547)
Released	(24,413)	(492)	(77)	(24,982)
<b>Balance at 31 December 2022</b>	<b>10,154</b>	<b>1,082</b>	<b>1,657</b>	<b>12,893</b>
Current	10,154	1,082	-	11,236
Non-current	-	-	1,657	1,657
<b>Balance at 31 December 2022</b>	<b>10,154</b>	<b>1,082</b>	<b>1,657</b>	<b>12,893</b>

\*An item previously presented as accruals have been reclassified to provisions in the current year.

Contract and legal provisions include liabilities, loss provisions, defect and warranty provisions on contracts that have reached completion. The Company also holds third party insurances that may mitigate the liabilities. Third party insurance reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. See note 12 for details of mitigating insurance assets recognised as the period end. These are expected to be utilised within the next five years. Note 21 includes details of contingent liabilities related to claims.

Employee provisions comprise obligations to former employees other than retirement or post-retirement obligations, which are expected to be utilised within the next five years.

Provisions for property include directors' assessment of office repairs required on self-repairing leases. These are expected to be utilised within six years.

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 16. Deferred tax liability

	2022	2021
	£000	£000
Balance at 1 January	16,297	12,331
Income statement charge (note 6)	(2,016)	3,966
<b>Balance at 31 December</b>	<b>14,281</b>	<b>16,297</b>

Deferred tax liabilities consist of the following amounts:

	2022	2021
	£000	£000
Accelerated capital allowances	(2,081)	(1,177)
Goodwill	17,980	18,602
Short term timing differences	(1,618)	(1,126)
Other	-	(2)
	<b>14,281</b>	<b>16,297</b>

### 17. Share capital

	2022	2021
	£000	£000
<b>Issued and fully paid</b>		
220,899,981 ordinary shares of £1 each	220,900	220,900

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

### 18. Share premium account

	2022	2021
	£000	£000
Share premium on shares	11,372	11,372

### 19. Retained earnings

	2022	2021
	£000	£000
Balance as at 1 January	69,539	69,639
Profit for the year	36,854	37,109
Dividends	(35,000)	(37,209)
<b>Balance as at 31 December</b>	<b>71,393</b>	<b>69,539</b>

### 20. 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 2022 was £1,663,000 (2021: £724,000).

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 21. 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.

Contingent liabilities may also arise in respect of subcontractor and other third party claims made against the Group, in the normal course of trading. These claims can include those relating to cladding/legacy fire safety matters, and defects. A provision for such claims is only recognised to the extent that the directors believe that the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation. However, such claims are predominantly covered by the Group's insurance arrangements. Recoveries under insurance arrangements are recognised as insurance receivables when they are considered virtually certain.

### Building safety

The ongoing legislative and regulatory changes in respect of legacy building safety issues create uncertainty around the extent of remediation required for legacy buildings, the liability for such remediation, recoveries from other parties and the time to be considered. A number of developers are signing up to a developer remediation contract with the government to remediate legacy building safety issues and repay amounts already granted from the building safety fund. It is possible that as repayments are made and remediation work proceeds, claims may be made against the Company as a contractor.

### 22. Lease liabilities

The Company leases assets including property and software. The average lease term is six years. There are no variable terms to any of the leases. The maturity profile for the lease liabilities at 31 December 2022 are set out below:

	2022			2021		
	Leasehold Buildings	Other Assets	Total	Leasehold Buildings	Other Assets	Total
	£000	£000	£000	£000	£000	£000
<b>Maturity analysis</b>						
Within one year	2,238	165	2,403	1,793	219	2,012
Within two to five years	5,549	-	5,549	5,456	165	5,621
After more than five years	1,417	-	1,417	1,780	-	1,780
<b>As at 31 December</b>	<b>9,204</b>	<b>165</b>	<b>9,369</b>	<b>9,029</b>	<b>384</b>	<b>9,413</b>

# MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	2022			2021		
	Leasehold Buildings	Other Assets	Total	Leasehold Buildings	Other Assets	Total
	£000	£000	£000	£000	£000	£000
As at 1 January	9,029	384	9,413	9,078	602	9,680
Additions	2,433	-	2,433	1,924	-	1,924
Terminations	(120)	-	(120)	(123)	-	(123)
Repayments	(2,405)	(220)	(2,625)	(2,102)	(221)	(2,323)
Interest expenses	267	1	268	252	3	255
<b>As at 31 December</b>	<b>9,204</b>	<b>165</b>	<b>9,369</b>	<b>9,029</b>	<b>384</b>	<b>9,413</b>

### 23. 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 12 and 14 of these financial statements.

### 24. Subsequent events

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