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MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

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MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2023

Directors	P D Boyle S C Smith M R Atkinson S P Crummett J C Morgan O T M Templar-Coates
Company Secretary	C Sheridan
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Registered Office	Kent House 14–17 Market Place London, United Kingdom W1W 8AJ
Independent Auditor	Ernst & Young LLP R+ Building, 2 Blagrave St, Reading United Kingdom RG1 1AZ

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

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. The Company works for private and public sector customers on projects and frameworks from £150,000 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 the Group's Construction and Infrastructure reporting divisions.

Business review

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

	Year to 31 December 2023	Year to 31 December 2022	
	£000	£000	Change
Revenue	**1,721,187**	1,474,820	+16.7%
Adjusted operating profit[1]	**53,850**	42,424	+23.9%
Adjusted operating margin[2]	**3.1%**	2.9%	+20bps
Operating profit	**42,263**	42,424	-0.4%
Operating margin	**2.5%**	2.9%	-40bps
Profit after tax	**42,065**	36,854	+6.0%
Secured order book[3]	**2,406,481**	2,558,797	-6.0%

[1] Adjusted operating profit is operating profit before exceptional items (note 2).

[2] Adjusted operating margin is the margin before interest, tax, and exceptional items (note 2).

[3] 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 strong performance in the year against a difficult market backdrop. Revenue increased to £1,721m (2022: £1,475m), while adjusted operating profit[1] was up 23.9% to £53.8m (2022: £42.4m). The adjusted operating margin[2] was 3.1%, up 20bps against the prior year (2022: 2.9%). An exceptional Building Safety charge, net of insurance recoveries, of £11.6m was recognised in the year relating to four Construction contracts (2022: nil). The operating profit therefore was down very slightly by 0.4% to £42.3m (2022: £42.4). The operating margin was 2.5%, down 40bps against the prior year (2022: 2.9%).

The Company's activity is made up of Construction, accounting for 56% of revenue (2022: 56%) and Infrastructure, contributing 44% of revenue (2022: 44%).

Construction continued with its disciplined focus on operational delivery and contract selectivity, with its revenue increasing 18% to £967m (2022: £821m), while adjusted operating profit[1] increased 15% to £25.9m (2022: £22.6m), resulting in an adjusted operating margin[2] of 2.7% (2022: 2.8%) being in the middle of its targeted range (medium-term target range of 2.5%-3.0%). This good performance was driven by the continued focus over many years on consistent, high-quality operational delivery and prudent risk management within its order book. The operating profit for the year, after the net exceptional charge, was £14.3m (2022: £22.6m), resulting in an operating margin of 1.5% (2022:2.7%).

The order book at the year end was £796m, a reduction of only 1% on the prior year (2022: £802m) despite the strong revenue performance in the year. Of the total, £652m (82% by value) is secured for 2024, which is broadly the same volume of work which was secured for the year ahead at the start of last year (2022: £646m). In addition to the total order book, Construction also had £1,284m of work at preferred bidder stage at the year-end, 69% higher than the equivalent amount at the same time last year (2022: preferred bidder £758m).

In education, project wins included: the £42m Nine Elms primary school for the London Borough of Wandsworth; the £30m Star Radcliffe Academy, a 750-place secondary school in Greater Manchester; the £20m remodel of Dixons Newall Green Academy in Wythenshawe; the £18m Pear Tree school in Stockport which will provide 133 new places for children with special educational needs and disabilities (SEND); the £9.2m Gateford Park primary school in Nottinghamshire; Lakenheath Primary School, Suffolk's first net zero school; and Orbiston Community Hub, a £41.7m facility accommodating two primary schools, a family learning centre and a community centre.

During the year, work progressed on: the £41m retrofit and repurposing of Pen-Y-Dre High School, a zero-carbon initiative for Merthyr Tydfil Council; the £75m Clive Booth student accommodation village, a four-block redevelopment for Oxford Brookes University due to complete in 2024; the £52m MIM Schools contract consisting of three new-build, zero-carbon primary schools for the Welsh Government in Cardiff, due to complete in 2024 and 2025; and the £38m redevelopment of a former Debenhams building into a brand-new city-centre campus for the University of Gloucestershire.

Completions in the year included: Buntingford First School (£10m), Hertfordshire's first carbon-neutral, Passivhaus primary and nursery school; and Trent View College in Scunthorpe (£12m), the first SEND school in the world with a hydrotherapy pool to achieve Passivhaus standards.

In healthcare, Construction was awarded four contracts via the ProCure23 framework, including: clinical and theatre facilities for Harrogate and District NHS Foundation Trust; multiple new-build and refurbishment projects as part of upgrade work across several Mid and South Essex NHS Foundation Trust sites in Basildon, Pitsea and Thurrock; a community diagnostic centre (CDC) in Epping for Princess Alexandra Hospital NHS Trust; and a further CDC in Newmarket for West Suffolk NHS Foundation Trust.

In addition, through the NHS SBS (Shared Business Services) framework, the division secured: two theatre refurbishments totalling £6.5m at Diana, Princess of Wales Hospital in Grimsby and Scunthorpe General Hospital respectively for Northern Lincolnshire and Goole NHS Foundation Trust; a new £25.2m diagnostic centre for Norfolk and Norwich University Hospitals NHS Foundation Trust; and a new £35m veterinary school for the University of Central Lancashire. During the year, work completed on the Core, a £20m mixed clinical and training facility at Evelina London Children's Hospital for Guy's and St Thomas' NHS Foundation Trust.

In other sectors, project wins included: a £45m sport and leisure centre in Stevenage; a £45m residential tower at Plot C2 New Bailey, Salford, the third residential project working in partnership with Urban Regeneration; Newton Nursery, a £21.7m modernisation of Forestry and Land Scotland's facilities to support the country's ambitious tree planting targets; redevelopment works at Accrington Square, partly funded by a £20m contribution from the Levelling Up Fund (LUF) to Hyndburn Borough Council; and a £3.7m community sports complex in Lennoxtown, East Dunbartonshire. The £90m redevelopment of Woolwich Leisure Centre for the Royal Borough of Greenwich has progressed at pace, with the centre set to become one of the country’s largest urban leisure hubs.

In 2023, Construction resecured its positions on the Pagabo National Medium Works Framework and Southern Construction Framework (SCF), as well as securing places on both the Ministry of Justice framework and the Ministry of Defence’s Defence Estate Optimisation Project (DEOP), all of which will provide the division with further growth opportunities.

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.

For 2024, based upon its secured order book together with the timing of projects at ‘preferred bidder’ stage expected to convert into contract and commence in the year, Construction is expected to meet both its revenue and margin targets.

Infrastructure reported a strong year of profit and margin growth, driven by the timing and nature of projects delivered through its frameworks, and by high-quality operational delivery across the business. Revenue was 15% higher at £754m (2022: £654m) with operating profit of £27.9m, 41% higher than the prior year (2022: £19.8m), resulting in an operating margin of 3.7% (2022: 3.0%). This in line with the targeted range for its operating margin of 3.5%-4.0%.

The order book at the year end was £1,610m, down 8% on the previous year end (2022: £1,756m). As in previous years, in excess of 95% 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 Infrastructure remained on its key sectors of highways, rail, nuclear, energy and water.

In highways, Infrastructure was awarded a project by Oxfordshire County Council to replace Kennington Railway Bridge on the A423 Southern Bypass. We started work during the year on a £66m A12 project in Essex and completed our A11 works in Norwich, both part of National Highway’s Concrete Roads Programme - Reconstruction Works Framework, a four-year, c£130m programme to repair or replace the concrete surface of motorways and major A roads in England. Work continued on safety-critical works for National Highways to upgrade the M40-M42 interchange, as part of the original Smart Motorways Alliance.

In rail, work began on an £88m project to extend Beckton Depot and a £40m project to upgrade Surrey Quays station. Both projects were awarded by Transport for London via its London Rail Infrastructure Improvement Framework. In addition, Transport for London appointed Infrastructure to upgrade Colindale station with a new ticket hall and step-free access and to conduct feasibility studies for providing step-free access to the next tranche of stations. Work continued on several schemes for Network Rail, including the Bangor to Colwyn Bay signalling power upgrade, as part of the CP6 Wales and Western framework, the lift scheme at Liverpool Central Station as part of the Mersey Rail framework, and the Northumberland Line extension project. Work completed on the £48m Parsons Tunnel rockfall shelter extension, delivered for Network Rail under the South West Rail Resilience Programme. Infrastructure was awarded a position on the CP7 Wales and Western Framework, a £2bn programme to be implemented over the next eight years.

In nuclear, decommissioning works continued for Sellafield on the Infrastructure Strategic Alliance and on the £1.6bn Programme and Project Partners contract. In addition, work progressed on the 10-year Clyde Commercial Framework for the Defence Infrastructure Organisation and on the D58 facility for BAE Systems.

In energy, work continued on the Dinorwig, Wales and ZZA, Sunderland projects as part of the RIIO-2 electricity construction EPC (Engineer, Procure and Construct) framework for National Grid. Infrastructure also progressed several schemes under Scottish & Southern Electricity Network's (SSEN) RIIO-2 framework for the construction, refurbishment and decommissioning of overhead lines, underground cable systems and substations operating between 33kV to 400kV across SSEN's transmission network. Work completed on the Peak District East Visual Impact Provision scheme for National Grid.

In water, work continued on various environmental improvement projects and wastewater treatment upgrades as part of the long-term AMP7 framework with Welsh Water. In addition, civil engineering works continued on the west section of the Thames Tideway 'super sewer' project to help prevent pollution in the Thames.

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

Looking ahead to 2024, based upon the timing of projects and the projected type of work, Infrastructure is expected to make significant progress towards its revenue target, with its margin expected at around the top end of its target range.

Financial position and liquidity

The financial position of the Company is presented in the Balance Sheet. The total shareholder's funds at 31 December 2023 were £303.1m (2022: £303.7m). The Company had net current assets of £78.0m (2022: £82.2m), including cash of £77.6m (2022: £67.7m) as at 31 December 2023. Included within cash is £26.0m (2022: £38.0m) which is the Company's share of cash held within jointly controlled operations. Included in the amounts falling due within one year, the amounts owed by Group undertakings of £238.3m (2022: £305.1m) is payable on demand but is expected to be settled after the period of more than 12 months. The Company has received a letter from the Group undertaking confirming that it will be repaid if recalled. Moreover, the directors have reviewed the counterparty's liquidity and are satisfied that they have sufficient cash flows to pay the money back when recalled.

The Company participates in the Group's centralised treasury arrangements and shares banking arrangements, including the provision of cross guarantees, with its ultimate parent Morgan Sindall Group plc and fellow subsidiaries. As at 31 December 2023, the Group held cash of £541.3m, including £26.1m (2022: £38.0m) which is the Group's share of cash held within jointly controlled operations, and total overdrafts repayable on demand of £80.6m (together net cash of £460.7m). Should further funding be required, the Group has significant committed financial resources available including unutilised bank facilities of £180m (2022: £180m), of which £165m matures in October 2026 and £15m matures in June 2026.

Key performance indicators

The Company's financial key performance indicators are described in the business review and the financial position and liquidity 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, inflation, health and safety and environmental performance, contractual risk (including mispricing of contracts, managing changes to contracts and contract disputes, poor project delivery, poor contract selection and building fire safety regulations), and counterparty and liquidity risk. Further discussion of risks and uncertainties in the context of the Group as a whole and how these risks are managed and mitigated, is provided in the strategic report in the Group's 2023 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 and subcontractors before contracts are commenced. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers outside of the Group.

Liquidity risk

This is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company aims to manage liquidity by ensuring that it will always have sufficient resources to meet its liabilities when they fall due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the 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, overdrafts and amounts owed by Group undertakings, 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. In 2023, the Group launched a Supplier Code of Conduct setting out our Core Values and expected standards of behaviour.

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

General
- Approval of the financial statements for the year ended 31 December 2022;
- approval of an interim dividend for the year ended 31 December 2023; 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 Group's sustainability and climate change commitments. As noted in the environmental performance on page 15, significant steps are being made to reduce carbon across the business, including investment in the development of our whole life carbon assessment, commercial electric vehicle fleet and delivering a more sustainable company car scheme.

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 key performance indicators;
- 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 97% 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, whistleblowing reports, internal audit reports and findings, health and wellbeing performance, safety performance, initiatives and trends, 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 2023 annual report at 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.

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 2023 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' to being a responsible business. More information on our Core Values and Total Commitments can be found in the Group's 2023 annual report and accounts.

We have adapted our way of working to enhance communication and engagement and continued to focus on flexible working and employee wellbeing. Our IT infrastructure enables our people to work remotely 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 the directors and with 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 2023 include:

- In addition to achieving Investors in People Platinum ('IIP') status in early 2023, Construction has continued to address employee issues and challenges. This includes a full review and current implementation of enhanced 'family friendly' benefits, specifically support with parental, carer and special leave; continued focus on early careers recruitment of both school and university leavers, increasing the number and diversity of new recruits; enhancements to multiple employee benefits; and continued expansion of an already extensive training and development programme across all levels of the organisation.
- Infrastructure achieved a Gold award from IIP for health and wellbeing and held a mental health first aid conference during the year, focusing on self-care, stress management, and suicide awareness and prevention. Infrastructure has also made significant changes to its existing family-friendly policies to support employees.

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 have also established a number of employee networks and have seen these networks promote, celebrate and support our diversity ambitions through activity such as reviewing our family friendly policy, consulting on campaigns and supporting national programmes.

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, this model has progressed to target specific sectors and demographics. Our continued investment in the Energy Coast UTC is a testament to our enduring partnership spanning nearly a decade and in 2023 we made a significant investment to support the development of the civil and electrical engineering facilities, paving the way for annual opportunities for 30 apprentices and continuing our commitment to nurture education and create opportunities in Cumbria.

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 nine schools, 1200 pupils, an increase of 50% from 2022 along with over 100 adults and 60 employers. In addition, ATC has led activities supporting adults into work (30 adults supported, of whom 25 were facing redundancy), over 600 hours have been delivered in educational outreach and ATC were successful in being shortlisted for a BECBC 'Social Enterprise / Charity of the year' award.

We are also delivering value for communities. For example, we are undertaking a project in Northumberland to convert a freight line into a passenger service and are building new stations and car parks to provide travel links from remote areas of Northumberland to Newcastle. The team engaged on the project, took part in a Women into Construction event and won the 'Most Engaged Employer in the North' Award. The project team also won the David Bavaird 'Community Minded Business Award' for their work in providing mental health first aid training to support voluntary and community organisations in North Tyneside.

The A11 concrete roads framework which involves reconstructing roads to create smoother road surfaces, less noise and improved safety for drivers reopened in August 2023. As a result, the community now benefits from access to improved food bank provision, a defibrillator and a modern and inviting, subsidised community shop to help the most deprived families in the area. This project was successful in winning the National Highways Asset Community East, 'Social Value project of the year' in 2023.

Our 'Open Opportunities Project' continues to encourage underrepresented groups into the construction industry. Specifically targeting schools such as Barrow and Whitehaven Pupil Referral Units ('PRUs') where youth offending continues, and students are at risk of becoming NEET (not in employment, education or training). During the year, we have also expanded to working with Key Stage 2 children that also attend these PRUs. Our presence in Barrow has also seen us partner with Jason Robinson, a former rugby player legend, to take part in a 12-week school engagement project to encourage children to engage in multi-sports activities, nurturing personal and collective development.

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. Further details can be found on page 15 for our approach to disabled 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.

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 Group's whistleblowing 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 Supplier Code of Conduct. We follow the Prompt Payment Code and during the six months to 31

December 2023 98% of invoices paid within 60 days (December 2022: 99%), meaning we continue to meet the Prompt Payment code target of 95%. The average days to pay invoices was 25 days (December 2022: 24 days) and invoices paid to term was 97% (December 2022: 96%). 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 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 2023 annual report.

Approved by and on behalf of the Board

M Atkinson
Finance Director
18 March 2024

The directors present their annual report and the audited financial statements for the year ended 31 December 2023. 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 11.

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). 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's Core Values and Total Commitments, 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 our 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 system of 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 protecting people and HR forums, the IT security steering group, climate action group, and supply chain and social value panels which act as channels for sharing ideas and best practice and 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 2023 annual report. The Company's directors are supported by a management team, of which details can be found on our websites: morgansindallconstruction.com and 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 2023 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 38 to 48.

For further information on the Group's corporate governance arrangements, see the governance section of the Group's 2023 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 11.

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 2023 financial statements through to 31 March 2025.

The Company participates in the Group's centralised treasury arrangements and shares banking arrangements, including the provision of cross guarantees, with its ultimate parent Morgan Sindall Group plc and fellow subsidiaries. As at 31 December 2023, the Group held cash of £541.3m, including £26.1m (2022: £38.0m) which is the Group's share of cash held within jointly controlled operations, and total overdrafts repayable on demand of £80.6m (together net cash of £460.7m). Should further funding be required, the Group has significant committed financial resources available including unutilised bank facilities of £180m (2022: £180m), of which £165m matures in October 2026 and £15m matures in June 2026.

The Company's future workload is healthy with a secured order book was £2,406m of which £1,455m relates to the 12 months ending 31 December 2024. The Company has a strong financial position at the year end with net current assets of £78.0m (2022: £82.2m), including cash of £77.6m (2022: £67.7m) as at 31 December 2023. Included within cash is £26.0m (2022: £38.0m) which is the Company's share of cash held within jointly controlled operations. Included in the amounts falling due within one year, the amounts owed by Group undertakings of £238.3m (2022: £305.1m) is payable on demand but is expected to be settled after the period of more than 12 months. The Company have received a letter from the Group undertaking confirming that it will be repaid if recalled. Moreover, the directors have reviewed the counterparty's liquidity and satisfied that they have sufficient cashflows to pay the money back when recalled.
The directors have reviewed the Company's forecasts and projections for the going concern period, including sensitivity analysis to assess the Company's resilience to the potential financial impact on the Company of any plausible losses of revenue or operating profit which could arise from one of the principal risks to the business occurring. The analysis also includes a reasonable worst-case scenario (revenue reduction of 10%) in which the Company's principal risks manifest in aggregate to a severe but plausible level involving the aggregation of the impacts of a number of these risks. The modelling showed that the Company would remain profitable throughout the going concern period and together with Group's modelling there is considerable headroom above lending facilities such that there would be no expected requirement for the Company to utilise the bank facility, which underpins the going concern assumption on which these financial statements have been prepared.

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 2025. Thus, they continue to adopt the going concern basis in preparing the financial statements. Further details can be found in the material accounting policy information 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 2023.

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
Interim dividends totalling £42.6m (2022: £35.0m) were paid during the year. The directors do not recommend the payment of a final dividend (2022: 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 (2022: none).

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

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

Engagement with employees and other stakeholders
Details on engagement employees and other stakeholders can be found in the strategic report on pages 7 to 11.

Environmental performance
The Group continues to be a leader in its sector in addressing climate change. In January 2023, the Group won the 'Net Zero Innovation of the Year' award at the edie Awards for the Group's 'Growing Natural Capital' project in the Dorn Valley Woodlands in partnership with the Blenheim Estate in Oxfordshire. In addition to absorbing and storing measurable amounts of carbon and improving air quality, the project has also achieved a 78% increase in biodiversity. The Group also continues to evolve industry-leading climate solutions and received a £1m innovation grant from the government to apply AI capabilities to our carbon reduction tool, CarboniCa, which will facilitate whole-life carbon assessments of projects.

In 2023, the Group received revalidation from the Science Based Target Initiative to align with a 1.5°C scenario and added new targets for 2045, including an extended target to incorporate 'wider'[1] as well as 'operational'[2] Scope 3 emissions. This includes emissions by suppliers in processing their products and by clients in running their buildings after handover. While some of the data on these wider emissions are a challenge to collect, the Group's environmental teams are engaged with supply chain partners to improve the process.

The Group remains on track to achieve its medium term 2030 targets. Although the Group had a 1.6% increase in its Scope 1[3], Scope 2[4], and operational Scope 3 emissions in 2023 compared to prior year, this was in the context of Group revenue increasing by 14% and notwithstanding this increase, the Group has still achieved a total 39% reduction from its 2019 baseline.

The Group's additional nature and carbon credit projects are also making good progress. At the Lakenheath Fen reserve in Norfolk, planning permission has been secured for the restoration of 54 hectares of new land to support the RSPB in creating a haven for bitterns and other wildlife. Meanwhile rewetting has begun to restore over 300 hectares of blanket bog in the Northern Pennines AONB and the Yorkshire Dales National Park. At Blenheim in Oxfordshire, the Group finished planting the last two woodlands bringing the total to nine new woodlands with 270,000 trees. 15 km of permissive pathways were also completed for the public to enjoy. The project has passed its annual carbon audit by Grown in Britain, validating the Group's carbon credits with the Woodland Carbon Code, the Forestry Commission and DEFRA. Combined, these projects will deliver climate and biodiversity benefits by preventing future carbon loss, absorbing additional carbon from the atmosphere, protecting existing wildlife while enabling endangered species to recover, and provide local communities with new recreational spaces for healthier living.

Reducing waste and increasing recycling and the reuse of materials where appropriate continues to be a priority for the Group and in 2023, 94% of the Group's waste was diverted from landfill. Total waste increased by 14% from 2022.

[1] Wider 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.
[2] Operational Scope 3 emissions are all indirect emissions not included in Scope 2 that occur in limited categories of the Group's value chain as measured by the Toitu carbon
reduce scheme.
[3] Scope 1 emissions are direct emissions from owned or controlled sources.
[4] Scope 2 emissions are Indirect emissions generated from purchased energy.

For further details of the Group's environmental performance and a copy of the Group's reporting under the Task Force on Climate-related Financial Disclosure (TCFD) requirements please see the Morgan Sindall Group plc 2023 Annual Report www.morgansindall.com.

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

In Construction, emissions intensity (Scopes 1, 2 and operational Scope 3) has improved from 464 $kgCO_2e$/£100k to 417 $kgCO_2e$/£100k. To enable this our network of carbon and environmental champions have been empowered and equipped with dashboards and data granularity to pin-point regional inefficiencies and make improvements. To improve the quality of our data, we have transitioned our data capture platform for site environmental metrics to our site management software platform, enabling us to track, monitor and visualise the data more accurately.

For the first time we have been able to estimate our full Scope 3 emissions account in Construction, in readiness to publicly disclose more robust data from 2025 onwards once third-party verification has been achieved. This has been enabled by significant uptake of our CarboniCa whole life carbon assessment and reduction tool over the course of the year, from 10% of projects with peer reviewed data outputs to 24% by the end of the year. Overall usage of the tool has also increased from 45% of projects to 72%. During the year, we secured two rounds of Innovate UK funding totalling over £1m to develop CarboniCa, one to create an educational version which is underway, and the other to develop machine learning functionality which begins in April 2024. The tool is also now accredited by the

Building Research Establishment both to use it for the BREEAM assessment, and to confirm it is compliant with their IMPACT methodology.

In addition, we have exceeded our target of 20,000 tonnes of carbon saved through our 10 Tonne Carbon Challenge Initiative, as part of our Science Based Targets commitment to reduce our wider Scope 3 emissions by 42% by 2030. We reached a cumulative total (since 2021) of 24,000 tonnes of carbon saved by the end of 2023, with 109 projects involved and 154 interventions recorded. A combination of training, tooling (CarboniCa) and the publication of a raft of guidance notes on high impact materials (concrete, steel etc.) have contributed to this achievement.

To prepare for the introduction of mandatory biodiversity improvements on projects, we have developed an upskilling programme for our pre-construction and project leadership functions, which is now being rolled out across the regions.

To focus the efforts of our project teams, we launched the project sustainability charter that requires each project to make commitments around the use of CarboniCa, site carbon intensity, waste reduction and the 10 Tonne Carbon Challenge as a minimum, but many also include biodiversity and other environmental priorities. As a result, our performance against all of these priorities has improved significantly over the course of 2023.

In 2023, Infrastructure introduced a standalone Environmental Policy that highlights the importance and focus needed to fulfil our environmental ambitions.

Infrastructure saw an overall reduction in operational carbon emissions of 7% in 2023, improving again on reductions that occurred in 2022. Our emissions intensity (Scopes 1, 2 and operational Scope 3) has improved from 662 $kgCO_2e$/£100k to 531 $kgCO_2e$/£100k.

Infrastructure introduced additional environmental training that focuses on using real-life scenarios drawn from the business's past experience, and takes place in a classroom setting so that participants have the chance to ask questions. The training focuses on areas such as carbon reduction, waste, ecology and silt and surface water.
Infrastructure have also successfully embedded the requirements of PAS 2080:2023 Carbon Management in Buildings and Infrastructure, gaining third-party certification. This included the introduction of a carbon reduction and management process, plan, and supporting documentation. As well as the continued development of CarboniCa, the intelligent carbon calculator to ensure our teams can measure, monitor, and reduce the whole life carbon emissions of our projects. Changes to the way we manage carbon risks and opportunities, as well as supply chain evaluation criteria were also introduced. The next steps include further successful application of the process, as well as the development and roll out of our carbon competence and behaviour matrix.

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 reappoint 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.

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

M Atkinson
Finance Director
18 March 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD FOR THE YEAR ENDED 31 DECEMBER 2023

Opinion

We have audited the financial statements of Morgan Sindall Construction & Infrastructure Ltd for the year ended 31 December 2023 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 25, including material accounting policy information. 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 company's affairs as at 31 December 2023 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 the 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 2025. 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 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 to each of the divisions, such as rising inflation, the economic environment and market/sector trends, were considered in management's assessment. 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 considered whether the management's forecasts in the going concern assessment were consistent with other forecasts used by the management in its accounting estimates, including the assessment of goodwill impairment.
- 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 2024 by comparing the forecasts made for the two months ended 29 February 2024 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.

Our key observations

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 any of the plausible downside scenarios.

As at 31 December 2023, the Company has a secured order book of £2.4bn, of which £1.5bn relates to the 12 months ending 31 December 2024, and it has a net cash balance of £78m (which includes £39m that relates to the Company's share of cash held with jointly controlled operations). The Company also has a £238m receivable from other group entities as a part of intercompany loan.

Moreover, the Company participates in the Group's centralised treasury arrangements and shares banking arrangements, including the provision of cross guarantee, with its ultimate parent Morgan Sindall Group plc and fellow subsidiaries. As at 31 December 2023, the group has a net cash balance of £469.7m (which includes £26.1m that relates to the Group's share of cash held with jointly controlled operations. The group also has substantial borrowing facilities available to it during the going concern period. The undrawn committed facilities available at 31 December 2023 amounted to £180m. These comprise a £165m facility expiring in October 2026 and a £15m facility expiring in June 2026.

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 to 31 March 2025.

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.

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 this 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 the 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 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 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 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (UK adopted International Accounting Standards, the Companies Act 2006, The Companies (Miscellaneous Reporting) Regulations 2018), the Building Safety Act and the relevant tax compliance regulations in the UK.
- We understood how Morgan Sindall Construction and Infrastructure Ltd is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures. 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 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 year end 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 of existence of assets and the completeness of liabilities including liquidated damages;
- Assessed the reasonableness of calculations of estimated costs to complete, which included understanding the risks/outstanding works on the contract, the impact of any delays or other delivery issues and the related provisions for cost escalations that have been recognised;
- Assessed the appropriateness of cost allocations across contracts including evaluation of whether there has been any manipulation of costs between profit-making and loss-making contracts;
- 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.

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.

Ernst & Young LLP

Katie Dallimore-Fox (Statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading, United Kingdom
18 March 2024

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	**2023 £000**	2022 £000
Revenue	**1**	**1,721,187**	1,474,820
Cost of sales		**(1,573,827)**	(1,340,271)
Gross profit		**147,360**	134,549
Analysed as:			
Adjusted gross profit		**158,947**	134,549
Exceptional building safety items	**2**	**(11,587)**	-
Administrative expenses		**(105,097)**	(92,125)
Operating profit	**3**	**42,263**	42,424
Analysed as:			
Adjusted operating profit		**53,850**	42,424
Exceptional building safety items	**2**	**(11,587)**	-
Dividend income		**3,000**	-
Interest receivable	**6**	**14,621**	1,704
Interest payable	**6**	**(8,467)**	(402)
Profit before tax		**51,417**	43,726
Tax	**7**	**(9,352)**	(6,872)
Profit for the financial year attributable to the owners of the Company	**20**	**42,065**	36,854
Items that may be reclassified subsequently to profit or loss:			
Losses arising during the year on cash flow hedges		**(4)**	**-**
Other comprehensive income		**(4)**	-
Total comprehensive income for the year attributable to owners of the Company		**42,061**	36,854

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

BALANCE SHEET
AS AT 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Non-current assets			
Intangible assets	9	**120,502**	120,502
Property, plant and equipment	10	**14,264**	12,462
Investments in subsidiaries	11	**111,371**	111,371
		246,137	244,335
Current assets			
Contract assets	12	**58,832**	78,254
Trade and other receivables	13	**522,078**	423,919
Current tax asset		**4,296**	597
Cash and bank balances	14	**77,560**	67,665
		662,766	570,435
Total assets		**908,903**	814,770
Current liabilities			
Contract liabilities	12	**(54,883)**	(50,193)
Trade and other payables	15	**(495,987)**	(424,369)
Lease liabilities	23	**(1,502)**	(2,403)
Provisions	16	**(32,314)**	(11,236)
		(584,686)	(488,201)
Net current assets		**78,080**	82,234
Non-current liabilities			
Lease liabilities	23	**(4,864)**	(6,966)
Provisions	16	**(1,127)**	(1,657)
Deferred tax liabilities	17	**(15,100)**	(14,281)
		(21,091)	(22,904)
Total liabilities		**(605,777)**	(511,105)
Net assets		**303,126**	303,665
Capital and reserves			
Share capital	18	**220,900**	220,900
Share premium account	19	**11,372**	11,372
Other reserves		**(4)**	-
Retained earnings	20	**70,858**	71,393
Total shareholder's funds		**303,126**	303,665

The financial statements of Morgan Sindall Construction & Infrastructure Ltd (Company number 04273754) were approved by the Board and authorised for issue on 18 March 2024. They were signed on its behalf by:

………………………………………… M Atkinson, Finance Director
18 March 2024

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital (Note 18) £000	Share premium account (Note 19) £000	Other reserves £000	Retained earnings (Note 20) £000	Total £000
At 1 January 2022	**220,900**	**11,372**	**-**	**69,539**	**301,811**
Total comprehensive income	-	-	-	36,854	36,854
Dividends paid (note 8)	-	-	-	(35,000)	(35,000)
At 1 January 2023	**220,900**	**11,372**	**-**	**71,393**	**303,665**
Total comprehensive income	-	-	(4)	42,065	42,061
Dividends paid (note 8)	-	-	-	(42,600)	(42,600)
At 31 December 2023	**220,900**	**11,372**	**(4)**	**70,858**	**303,126**

Other reserve relates to losses arising during the year on cash flow hedges.

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 11. 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.

The financial statements have been prepared under the historical cost convention except where otherwise indicated.

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 or from its registered office Kent House, 14-17 Market Place, London W1W 8AJ.

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the preparation of consolidated financial statements because it is included in the Group accounts of Morgan Sindall Group plc. These financial statements are separate financial statements and present information about the Company as an individual undertaking and not of the Group.

Adoption of new and revised standards

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

- IFRS 17 'Insurance Contracts'
- 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 IAS 12 *'Income Taxes'* - International Tax Reform—Pillar Two Model Rules

(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:

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current'
- Amendments to IFRS 16 'Lease Liability in a Sale and Leaseback'
- Amendment to IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments: Disclosures - Supplier Finance Arrangements

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 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 2023 financial statements through to 31 March 2025.

The Company's future workload is healthy with a secured order book was £2,406m of which £1,455m relates to the 12 months ending 31 December 2024. The Company has a strong financial position at the year end with net current assets of £78.0m (2022: £82.2m), including cash of £77.6m (2022: £67.7m) as at 31 December 2023. Included in the amounts falling due within one year, the amounts owed by Group undertakings of £238.3m (2022: £305.1m) is payable on demand but is expected to be settled after the period of more than 12 months. The Company have received a letter from the Group undertaking confirming that it will be repaid if recalled. Moreover, the directors have reviewed the counterparty's liquidity and satisfied that they have sufficient cashflows to pay the money back when recalled.

The Company participates in the Group's centralised treasury arrangements and shares banking arrangements, including the provision of cross guarantees, with its ultimate parent Morgan Sindall Group plc and fellow subsidiaries. As at 31 December 2023, the Group held cash of £541.3m, including £26.1m (2022: £38.0m) which is the Group's share of cash held within jointly controlled operations, and total overdrafts repayable on demand of £80.6m (together net cash of £460.7m). Should further funding be required, the Group has significant committed financial resources available including unutilised bank facilities of £180m (2022: £180m), of which £165m matures in October 2026 and £15m matures in June 2026.

The directors have reviewed the Company's forecasts and projections for the going concern period, including sensitivity analysis to assess the Company's resilience to the potential financial impact on the Company of any plausible losses of revenue or operating profit which could arise from one of the principal risks to the business occurring. The analysis also includes a reasonable worst-case scenario in which the Company's principal risks manifest in aggregate to a severe but plausible level involving the aggregation of the impacts of a number of these risks. The modelling showed that the Company would remain profitable throughout the going concern period and together with Group's modelling there is considerable headroom above lending facilities such that there would be no expected requirement for the Company to utilise the bank facility, which underpins the going concern assumption on which these financial statements have been prepared.

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.

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:

Freehold buildings	50 years
Plant, equipment, fixtures and fittings	between three and ten years
Right of use assets	over the period of the lease

Freehold land is not depreciated as it is considered to have an indefinite useful life.

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.

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.

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.

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 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 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.

  The reference to estimates above is not intended to comply with the requirements of paragraph 125 of IAS 'Presentation of Financial Statements' as it is not expected there is a significant risk of a material adjustment to the carrying amount of assets and liabilities within the next financial year. The above is presented as additional disclosure in order to give more detail on the process for revenue and profit recognition for long-term contracts.

- **Building Safety Provisions (estimate)**
  Management have reviewed legal and constructive obligations with regard to remedial work to rectify legacy building safety issues. Where obligations exist, these have been evaluated for the likely cost to address, including repayments of the Building Safety Fund, and an appropriate provision has been created.

  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 (which would only be recognised when virtually certain to be received) and the time to be considered. This implies inherent uncertainty as to the precise future obligations of the Company in respect of building fire safety issues.

  Management has recognised a provision based on its best estimate of the future obligations. However, should the costs of remediation increase by 5%, due to factors such as higher than expected inflation, the impact on the remediation costs would be £1.0m.

  Please see note 16 for further detail.

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.

	2023	2022
	£000	£000
Revenue from Construction contracts	**966,567**	820,543
Revenue from Infrastructure contracts	**754,620**	654,277
Total revenue	**1,721,187**	1,474,820

All revenue is recognised on performance obligations satisfied over time. There was no revenue recognised on performance obligations satisfied at a point in time (2022: £nil).

2. Exceptional items

	2023	2022
	£000	£000
Net additions on building safety provisions	**19,678**	-
Insurance and recoveries recognised in receivables	**(8,091)**	-
Total exceptional building safety charge within cost of sales	**11,587**	-

During 2022, the Company signed the Pledge with the DLUHC setting out the principles under which life-critical fire safety issues on buildings that they have developed of 11 metres and above are to be remediated. A letter was also received from DLUHC requesting information to assess whether it may be appropriate for the Company to also commit to the principles of the Pledge as part of its commitment to support the remediation of historic cladding and fire safety defects over and above its obligations under the new Building Safety Act. The Group subsequently signed the Developer Remediation Contract in March 2023 on behalf of all of its divisions.

In the current year, legal and constructive obligations related to the Building Safety Act and associated fire safety regulations have been assessed based on further information. The overall building safety items is a net charge of £11.6m and is shown separately as an exceptional item.

3. Operating profit

	2023	2022
	£000	£000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets:		
-owned assets	**2,178**	1,808
-right of use assets	**2,925**	2,471
Loss on sale of tangible fixed assets	**10**	2
Loss on termination of right of use assets	**16**	119
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**440**	430

Non-audit fees payable by the Company during the year were £nil (2022: £nil).

4. Staff costs

	2023 £000	2022 £000
Wages and salaries	**254,244**	231,997
Social security costs	**30,197**	28,687
Redundancy costs	**2,271**	1,559
Pension costs	**11,025**	10,038
	297,737	272,281

	No.	No.
The average number of employees (including executive directors) during the year was:	**3,376**	**3,290**

5. Directors' remuneration

	2023 £000	2022 £000
Directors' remuneration		
Emoluments	**2,685**	1,992
Company contributions to money purchase pension scheme	**24**	14
	2,709	2,006
Remuneration of the highest paid director		
Emoluments	**840**	735
Company contributions to money purchase pension scheme	**1**	4

	No.	No.
The number of directors who:		
- are members of money purchase pension schemes	**4**	4
- exercised options over shares in the ultimate Group	**2**	2

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.

Two current directors of the Company received no emoluments (2022: nil) in their capacity as directors of this Company. These individuals are remunerated by another company in the Group.

6. Net interest receivable/payable

	2023 £000	2022 £000
Bank interest receivable	**9,178**	210
Other interest receivable	**5,443**	1,494
Interest receivable	**14,621**	1,704
Bank interest payable	**(8,138)**	(131)
Interest payable on lease liabilities	**(329)**	(271)
Interest payable	**(8,467)**	(402)

Other interest receivable includes interest on amounts owed by Group undertakings.

7. Tax

	2023 £000	2022 £000
UK corporation tax charge on profit for the year	**9,536**	8,491
Adjustment in respect of previous years	**(1,003)**	397
Total current tax	**8,533**	8,888
Change in tax rate used to calculate deferred tax balances	**1,674**	(249)
Adjustment in respect of previous years	**(855)**	(1,767)
Total deferred tax (note 17)	**819**	(2,016)
Total tax expense	**9,352**	6,872

Corporation tax is calculated at 23.5% (2022: 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:

	2023 £000	2022 £000
Profit before tax	**51,417**	43,726
Tax on profit at corporation tax rate	**12,083**	8,308
Factors affecting the charge for the year:		
Expenses not deductible for tax purposes	**93**	67
Other	**(261)**	(133)
Dividend income for which no tax liability is due	**(705)**	-
Adjustments to tax charge in respect of previous years:		
Change to tax base cost of goodwill	**-**	(1,100)
Other	**(1,858)**	(270)
Total tax expense	**9,352**	6,872

The UK statutory tax rate increased from 19% to 25% from 1 April 2023. Consequently, the applicable tax rate for the Company (taking into account our December year end) is 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 unwinding of each asset or liability. Accordingly deferred tax balances as at 31 December 2023 have been calculated at a mix of 23.5% and 25%. Deferred tax balances as at 31 December 2022 were calculated at a mix of 23.5% and 25%.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Company operates. The legislation will be effective from 1 January 2024. The Company has performed an initial assessment of the Company's potential exposure to Pillar Two income taxes. Based on the initial assessment performed, the Pillar Two effective tax rate is above 15% and management is not currently aware of any circumstances under which this might change. Therefore, the Company does not expect a potential exposure to Pillar Two top-up taxes.

8. Dividends

Amounts recognised as distributions to equity holders in the year:

	2023	2022
	£000	£000
Dividend paid for the year	**42,600**	35,000
	42,600	35,000

The directors do not recommend the payment of a final dividend (2022: nil).

9. Intangible fixed assets

	Goodwill
	£000
Cost and net book value	
As at 1 January 2023	120,502
As at 31 December 2023	**120,502**

Goodwill represents the value of people, track record and expertise acquired within acquisitions that are not capable of being individually identified and separately recognised. Goodwill is allocated to the cash generating units that are expected to benefit from. The allocation is as follows: Construction 68.7m (2022: £nil), Infrastructure 82.4m (2022: £nil) and construction and infrastructure £nil (2022: 120.5m). The prior-year operating segment and cash-generating unit Construction & Infrastructure was restructured during 2023 into two separate operating segments and cash-generating units, Construction and Infrastructure. The reallocation of goodwill between Construction and Infrastructure was based on a relative value approach using the net present value of future cash flows of the respective cash-generating units at the time of the restructure.

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 Budgets for the next three years. Cash flows beyond three years have been extrapolated into perpetuity using an estimated nominal growth rate of 3.3% (2022: 1.2%). The nominal growth rate increased from prior year due to the increase in inflation forecasts from prior year. 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 12.5% (2022: 12.0%)

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.

10. Property, plant and equipment

	Freehold land & buildings £000	Plant, equipment, fixtures & fittings £000	Right of use assets- Leasehold Buildings £000	Right of use assets- Plant, equipment, fixtures & fittings £000	Total £000
Cost					
As at 1 January 2023	-	12,377	14,947	657	27,981
Additions	4,258	2,732	1,994	-	8,984
Disposals	-	(1,540)	(6,052)	(657)	(8,249)
As at 31 December 2023	**4,258**	**13,569**	**10,889**	**-**	**28,716**
Accumulated depreciation					
As at 1 January 2023	-	(8,985)	(6,093)	(441)	(15,519)
Charge for the year	(22)	(2,156)	(2,725)	(200)	(5,103)
Disposals	-	1,530	3,999	641	6,170
As at 31 December 2023	**(22)**	**(9,611)**	**(4,819)**	**-**	**(14,452)**
Net Book Value					
As at 31 December 2023	**4,236**	**3,958**	**6,070**	**-**	**14,264**
As at 31 December 2022	-	3,392	8,854	216	12,462

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 £5.8m (2022: £6.6m).

11. Investments in subsidiaries

	Subsidiaries £000
Cost and net book value	
At 1 January 2023	111,371
At 31 December 2023	**111,371**

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 [1]	Direct	Labour services	100%
MS (MEST) Limited	Direct	Non-trading	100%
Morgan Utilities Limited	Indirect	Dormant	100%
Newman Insurance Company Limited[2]	Indirect	Insurance	100%
Morgan Sindall Engineering Solutions Limited	Direct	Design services	100%

Key:

[1] Community Interest Company (Company limited by guarantee)

[2] 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.

12. Contract assets and liabilities

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

	2023 £000	2022 £000
Contract assets	**58,832**	78,254
Contract liabilities	**(54,883)**	(50,193)

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 2023 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:

	2023 £000		2022 £000	
	Contract assets	**Contract liabilities**	Contract assets	Contract liabilities
As at 1 January	**78,254**	**(50,193)**	79,758	(58,673)
Revenue recognised				
- performance obligations satisfied in the period	**1,670,994**	**50,193**	1,416,147	58,673
Cash received for performance obligations not yet satisfied	**-**	**(54,883)**	-	(50,193)
Amounts transferred to trade receivables	**(1,690,416)**	**-**	(1,417,651)	-
As at 31 December	**58,832**	**(54,883)**	78,254	(50,193)

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:

	2024 £m	**2025 £m**	**2026+ £m**	**Total £m**
As at 31 December 2023	**1,455**	**626**	**325**	**2,406**

13. Trade and other receivables

	2023 £000	2022 £000
Amounts falling due within one year		
Trade receivables	**79,025**	72,400
Amounts owed by Group undertakings	**389,393**	308,309
Prepayments and accrued income	**4,168**	1,806
Insurance receivables	**14,202**	4,816
Other receivables	**6,778**	8,527
	493,566	395,858
Amounts falling due after more than one year		
Trade receivables	**28,512**	28,061
	522,078	423,919

Amounts owed by Group undertakings of £389.4m (2022: £309.3m), of which £238.3m (2022: £305.1m) is expected to be settled after a period of more than 12 months, are payable on demand and are not interest bearing.

Retentions held by customers for contract work at 31 December 2023 were £53.3m (2022: £52.6m). 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 16 – Provisions for liabilities and note 22 – Contingent liabilities. Insurance receivables are recognised when reimbursement from insurers is virtually certain.

14. Cash and bank balances

	2023 £000	2022 £000
Cash and bank balances	**77,560**	67,665
	77,560	67,665

Included within cash and bank balances is £39.0m (2022: £38.0m) which is the Company's share of cash held within jointly controlled operations.

15. Trade and other payables

	2023 £000	2022 £000
Amounts falling due within one year		
Trade payables	**59,331**	56,247
Amounts owed to Group undertakings	**55,974**	19,201
Social security and other taxes	**64,530**	47,489
Other payables	**3,298**	2,709
Accruals and deferred income	**312,854**	298,723
	495,987	424,369

Trade payables include £32.3m (2022: £32.3m) of retentions payable to sub-contractors, a proportion of which £9.2m (2022: £9.2m) 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 of £56.0m (2022: £19.2m), of which £53.9m (2022: £16.1m) is expected to be settled after a period of more than 12 months, are payable on demand and are not interest bearing.

16. Provisions for liabilities

	Building Safety	Contract & legal £000	Employee £000	Property £000	Total £000
At 1 January 2023	-	10,154	1,082	1,657	12,893
Created	19,678	7,844	697	130	28,349
Utilised	-	(2,496)	(174)	(80)	(2,750)
Released	-	(3,946)	(525)	(580)	(5,051)
Balance at 31 December 2023	**19,678**	**11,556**	**1,080**	**1,127**	**33,441**
Current	19,678	11,556	1,080	-	32,314
Non-current	-	-	-	1,127	1,127
Balance at 31 December 2023	**19,678**	**11,556**	**1,080**	**1,127**	**33,441**

Building Safety provisions

Management have reviewed legal and constructive obligations arising from the Developers Pledge, the Building Safety Act and other associated fire regulations. Where obligations exist, these have been evaluated for the likely cost to address, including repayments of the Building Safety Fund. As a result of this review process provisions are recognised, as reported in the table above. The provision is expected to be utilised within the normal operating cycle.

See note 2 for further detail.

The Company also holds third party insurances that may mitigate the liabilities. Third party insurance reimbursement in respect of these provisions has been recognised as a separate asset, but only when the reimbursement is virtually certain. See notes 2 and 13 for details of mitigating insurance receivables recognised at the period end.

Note 22 includes details of contingent liabilities related to building safety.

Contract and legal provisions

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 13 for details of mitigating insurance assets recognised at the period end. These are expected to be utilised within the normal operating cycle.

Note 22 includes details of contingent liabilities related to claims.

Employee

Employee provisions comprise obligations to former employees other than retirement or post-retirement obligations, which are expected to be utilised within the normal operating cycle.

Property

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

17. Deferred tax liability

	2023	2022
	£000	£000
Balance at 1 January	**14,281**	16,297
Income statement charge (note 7)	**819**	(2,016)
Balance at 31 December	**15,100**	14,281

Deferred tax liabilities consist of the following amounts:

	2023	2022
	£000	£000
Accelerated capital allowances	**(1,908)**	(2,081)
Goodwill	**18,498**	17,980
Short term timing differences	**(1,490)**	(1,618)
	15,100	14,281

Certain deferred tax assets and liabilities, as shown above, have been offset as the Company has a legally enforceable right to do so.

18. Share capital

	2023	2022
	£000	£000
Issued and fully paid		
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.

19. Share premium account

	2023	2022
	£000	£000
Share premium on shares	**11,372**	11,372

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20. Retained earnings

	2023	2022
	£000	£000
Balance as at 1 January	**71,393**	69,539
Profit for the year	**42,065**	36,854
Dividends paid	**(42,600)**	(35,000)
Balance as at 31 December	**70,858**	71,393

21. 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 2023 was £1,948,000 (2022: £1,663,000).

22. 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

At 31 December 2023, the Company held provisions totalling £19.7m (2022: £nil) is respect of the Building Safety Act and other associated fire regulations.

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. It is possible that as remediation work proceeds, additional remedial works are required that may not have been identified from the reviews and physical inspections undertaken to date. The scope of buildings and remediation works to be considered may also change as legislation and regulations continue to evolve.

Uncertainties also exist in respect of the timing and extent of expected recoveries from other third parties involved in developments.

23. Lease liabilities

The Company leases assets including property and software. The average lease term is five years. There are no variable terms to any of the leases. The maturity profile for the lease liabilities at 31 December 2023 are set out below:

	2023			2022		
	Leasehold Buildings	**Other Assets**	**Total**	Leasehold Buildings	Other Assets	Total
	£000	**£000**	**£000**	£000	£000	£000
Maturity analysis						
Within one year	**1,746**	**-**	**1,746**	2,515	165	2,680
Within two to five years	**4,313**	**-**	**4,313**	6,129	-	6,129
After more than five years	**1,190**	**-**	**1,190**	1,531	-	1,531
Total undiscounted cashflows	**7,249**	**-**	**7,249**	10,175	165	10,340
Deduct impact of discounting	**(883)**	**-**	**(883)**	(971)	-	(971)
As at 31 December	**6,366**	**-**	**6,366**	9,204	165	9,369

	2023			2022		
	Leasehold Buildings	**Other Assets**	**Total**	Leasehold Buildings	Other Assets	Total
	£000	**£000**	**£000**	£000	£000	£000
As at 1 January	**9,204**	**165**	**9,369**	9,029	384	9,413
Additions	**1,966**	**-**	**1,966**	2,433	-	2,433
Terminations	**(2,205)**	**-**	**(2,205)**	(120)	-	(120)
Repayments	**(2,915)**	**(165)**	**(3,080)**	(2,405)	(220)	(2,625)
Interest expenses	**316**	**-**	**316**	267	1	268
As at 31 December	**6,366**	**-**	**6,366**	9,204	165	9,369

24. 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 13 and 15 of these financial statements.

25. Subsequent events

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