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MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD

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COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2024

Directors	P D Boyle S C Smith M R Atkinson J C Morgan O T M Templar-Coates C K K Gangotra (appointed 7 May 2024) S P Crummett (resigned 7 May 2024)
Company Secretary	H M Mason (appointed 27 June 2024) C Sheridan (resigned 27 June 2024)
Head Office	Corporation Street Rugby Warwickshire, United Kingdom CV21 2DW
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

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 special 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 services and custodial, energy, healthcare, industrial, leisure and community, nuclear, retail, science and technology, transport and water sectors. The Company is a member of the Morgan Sindall Group plc (hereafter referred to as 'the Group') and its subsidiaries 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 2024	Year to 31 December 2023	
	£000	£000	Change
Revenue	**1,931,680**	1,721,187	+12.2%
Adjusted operating profit[1]	**57,070**	53,850	+6.0%
Adjusted operating margin[1]	**3.0%**	3.1%	-10bps
Operating profit	**57,155**	42,263	+35.2%
Operating margin	**3.0%**	2.5%	+50bps
Profit after tax	**55,934**	42,065	+33.0%
Net assets	**298,982**	303,126	-1.40%
Secured order book[2]	**2,756,518**	2,406,481	+14.5%

1 Adjusted operating profit and margin is before interest, tax and exceptional items (note 2).

2 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 up to 2030. This excludes prospects where confirmation has been received as preferred bidder only, with no formal contract or letter of intent in place.

The Company achieved a strong performance in the year. Revenue for the year increased 12.2% to £1,932m (2023: £1,721m), while adjusted operating profit[1] was up 6.0% to £57.1m (2023: £53.9m). The adjusted operating margin[2] was 3.0%, down slightly at 10bps against the prior year (2023: 3.1%). An exceptional Building Safety gain, net of insurance recoveries, of £0.1m was recognised in the year relating to four (2023: four) Construction contracts (2023: £11.6m charge). The operating profit grew significantly by 35.2% to £57.2m (2023: £42.3). The operating margin was 3.0%, up 50bps against the prior year (2023: 2.5%).
The Company's activity is made up of Construction, accounting for 54% of revenue (2023: 56%) and Infrastructure, contributing 46% of revenue (2023: 44%).

Construction
Construction's revenue increased by 8% to £1,044m (2023: £967m), while adjusted operating profit[1] increased by 19% to £30.9m (2023: £25.9m), resulting in an adjusted operating margin[2] of 3.0% (2023: 2.7%); this was at the top end of its targeted range for its operating margin of 2.5%-3.0%. The strong profit

performance was driven by improving the overall quality of earnings through contract selectivity and operational delivery together with prudent risk management within its order book. The operating profit for the year, after the net exceptional gain was £31.0m (2023: £14.3m), resulting is an operating margin of 3.0% (2023: 1.5%).

Construction had a strong year of winning new work, with the secured order book at £952m, 20% ahead of the prior year (2023: £796m). In addition to the total order book, there continues to be a significant amount of suitable work available in the market, much of which is being generated through negotiated or existing frameworks. At the end of the year, Construction had £1,179m of work at preferred bidder stage, providing confidence of a sizeable ongoing workload (2023: £1,284m) for the next three years.

In education, project wins included a £51m new build 930-place secondary school in Dumfries, Scotland; the Nine Elms £50m two form entry and Special Educational Needs (SEN) primary school in Battersea; the £50m 900-place, Willows High School and SEN facility in Cardiff; a £34m secondary academy at Callerton in Newcastle-upon-Tyne for the Department for Education (DfE); the £25m Ravensdale Special Educational Needs and Disabilities (SEND) school in Mansfield for Derby City Council; the £19m Carleton High School in Pontefract; Maendy (£14m) and Goetre (£20m) primary schools in South Wales; and the £13m 420-place, Cable Wharf Primary and SEN school in Kent for Kent County Council and the DfE to support a growing residential development.

During the year, work progressed on the Orbiston Community Hub, a £42m facility accommodating two primary schools, family learning centre and community centre near Glasgow; the £32m, 1,900-place all-through school in Abergavenny; and the £21m new build and refurbishment of the School of Veterinary Medicine at the University of Central Lancashire.

Completions in the year included: the £35m, 150-place Alconbury SEN school in Huntingdon; the £18m Pear Tree SEND school in Stockport; the £13.9m Little Reddings Primary School in Bushey, delivered via the DfE's School Rebuilding Programme; a £12m facility for Middlesbrough College to deliver training in specialist engineering; an £11m, three-storey teaching block for Castle School in Thornbury, Bristol; the £24m London Institute for Healthcare Engineering, a state-of-the-art life sciences facility for King's College London and Guy's and St Thomas' NHS Foundation Trust; and a £19.5m 'Living Lab' public science centre for Anglia Ruskin University.

In healthcare, project wins included a £35m theatre and ward expansion and refurbishment at Harrogate District Hospital; a £32m expansion to create a new 48-bed ward block and imaging facility at Milton Keynes University Hospital; a £9m extension to The Grange University Hospital's emergency department in Cwmbran; and a £9m redevelopment of Bradford Royal Infirmary's maternity department.

During the year, work progressed at the £24m Alder Hey Hospital surgical neonatal intensive care unit, the first specialist facility of its kind in the UK; a new £14m community diagnostic centre at St Margaret's Hospital, Epping for The Princess Alexandra Hospital NHS Trust; and multiple upgrades for Mid and South Essex Foundation Trust's Broomfield Hospital in Chelmsford. Elsewhere, work completed on the Norfolk and Norwich University Hospital's £25m community diagnostic and assessment centre.

In other sectors, project wins included the £86m Devonshire Gardens mixed-use redevelopment scheme for Railpen in Cambridge; a £27m life sciences development in King's Cross; a £32m redevelopment and upgrade of a household waste recycling centre and waste transfer station in Aldridge, West Midlands for Walsall Metropolitan Council; a £32m major public realm development for Plymouth City Council; a £10.5m upgrade to Ashford Fire Station in Kent; and the £10m redevelopment of Reading Central Library. The £43m residential project in New Bailey Salford for English Cities Fund, being carried out in collaboration with Muse Places Limited, made good progress in the period, while other completions included five fire station projects across the UK, including the new £15.4m Cosham Fire Station in Portsmouth.

The increased medium-term target for Construction is to deliver an operating margin between 3.0% and 3.5% per annum with an annual revenue target in excess of £1bn in the next 3 to 5 years.

For 2025, 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's operating margin is expected to be towards the lower end of the revised range and revenues expected to slightly exceed £1bn.

Infrastructure
Infrastructure delivered another strong performance in the year, with both profits and margin influenced by the timing and nature of projects delivered through its frameworks, while still ensuring a high-quality operational delivery across the business. Revenue increased by 18% to £888m (2023: £754m) with an operating profit £26.2m, down 6% on the prior year (2023: £27.9m), resulting in an operating margin of 2.9% (2023: 3.7%).

Infrastructure's order book of £1,805m was 12% up compared to the prior year (2023: £1,610m). The order book continues to remain long term in nature, with around 95% derived through existing frameworks. Infrastructure remains focused on the key sectors of nuclear, energy, water, highways and rail, with visible opportunities in defence. Our markets have significant long-term committed investment programmes in place, largely driven by government and regulatory objectives. We continue to see our clients awarding large long-term frameworks with its delivery partners, with projects focused on delivering the strategic outcomes over the term of the framework.

In energy, Infrastructure secured a position on the £9bn Great Grid Partnership, as part of the Accelerated Strategic Transmission Investment (ASTI) projects. The Great Grid Partnership will build new electricity network infrastructure required to reduce the UK's reliance on fossil fuels by connecting 50GW of offshore wind by 2030. In Scotland, Infrastructure secured a position as a strategic partner on ScottishPower's £5.4bn programme of contracts to deliver the biggest rewiring of the electricity grid since its inception. The partnership will run for an initial five years, with the option to extend up to 10 years. Elsewhere, work continued at Dinorwig in Wales, and commenced at ZA in Hertfordshire as part of the RIIO T2 electricity construction EPC (Engineer, Procure and Construct) framework for National Grid. Work also continued in Shetland for Scottish and Southern Electricity Networks (SSEN), which includes an 11km, 132KV twin circuit underground cable project and construction of Gremista substation; this project will play a key role in the connection of the Viking wind farm, capable of generating 500MW.

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

In rail, Infrastructure secured a position on the CP7 Eastern Framework for Network Rail, a £3.5bn framework which lasts through to 2029, adding to its position on the £2bn CP7 Wales and Western Framework secured in 2023. Announced late in 2024, Infrastructure was appointed by Network Rail as delivery partner for the overhaul of the Liverpool Street station roof at £22m. Work continued on the remodelling of Colindale station for Transport for London, including a new ticket hall and step-free access. Elsewhere, works continued to progress on the extension to Beckton Depot and a project to upgrade Surrey Quays station, both for Transport for London as part of its London Rail Infrastructure Improvement

Framework.

Several schemes for Network Rail continued to progress at pace, including the Bangor to Colwyn Bay line, as part of the CP6 Wales and Western framework, the lift scheme at Liverpool Central station as part of the Merseyrail framework, and the Northumberland Line extension project.

In highways, Infrastructure continued to deliver the £87m M27 project as part of the National Highways' Concrete Roads programme to replace the concrete surface of motorways on major A roads in England, while work completed on the A11 and A12 schemes, part of the same framework, improving traffic flow and safety for local commuters.

In water, work continued on various environmental improvement projects and wastewater treatment upgrades as part of the long-term AMP7 framework with Welsh Water, and Infrastructure's 30-year-plus relationship with Welsh Water continues following its appointment on the AMP8 framework. Adding to its water portfolio, Infrastructure also secured a position on AMP8 with Wessex Water, as a capital delivery partner over a five-year period. In addition, civil engineering works continued to make good progress on the west section of the Thames Tideway 'super sewer' project to help prevent pollution in the River Thames, with the project on target to complete in 2025.

The increased medium-term target for Infrastructure is to deliver an operating margin between 3.75% and 4.25% per annum with an annual revenue target in excess of £1bn in the next 3 to 5 years.

For the full year, based upon the timing of projects and the projected type of work, Infrastructure's operating margin is expected to be in the middle of the revised range, while revenues are expected to be closer to £1bn. This is underpinned by its continued focus on long-term client relationships, disciplined contract selectivity, risk management and project delivery.

Financial position and liquidity
The financial position of the Company is presented in the Balance Sheet. The total shareholder's funds at 31 December 2024 decreased by £4.1m to £299.0m (2023: £303.1m), this was mainly made up of £55.9m of post-tax profits and £60.0m of dividends paid to the Company's immediate parent Morgan Sindal Holdings Limited. The Company had net current assets of £72.9m (2023: £78.1m), including cash of £64.6m (2023: £77.6m) as at 31 December 2024. The year-on-year movement in cash was mainly due to a key focus of paying suppliers on time and is reflected in the decrease of trade and other payables to £458.6m (2023: £496.0m). Included within cash is £23.0m (2023: £26.0m) which is the Company's share of cash held within jointly controlled operations. The average daily cash for the year was £53.6m (2023: £47.6m) and the Company remains comfortable with the level of cash generation. During the year it was identified that additional building safety provision was required, resulting in an additional £3.7m exceptional provision being recognised during the year (see note 2 for further details).

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 2024, the Group held cash of £544.2m, including £23.1m (2023: £26.1m) which is the Group's share of cash held within jointly controlled operations, and total overdrafts repayable on demand of £51.8m (together net cash of £492.4m). Should further funding be required, the Group has significant committed financial resources available including unutilised bank facilities of £180m (2023: £180m), of which £15m matures in June 2027 and £165m matures in October 2027.

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.

Principal risks and uncertainties
The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to:

- securing new work and retaining places on frameworks in the market and economic environment;
- impact of cost inflation and supply chain insolvency;
- health and safety incidents;
- fraud risk and cyber attacks;
- impact of non-adherence to environmental performance requirements;
- skills shortage in the construction industry;
- attracting and retaining talented people;
- 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 2024 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 and when they fall due. The Company aims to manage liquidity by ensuring that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions. 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 does not have any significant 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 customers, 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 addition, our Supplier Code of Conduct provides guidance for our suppliers on our Core Values and Total Commitments and the ethical standards expected by all our stakeholders.

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

General

- Approval of the financial statements for the year ended 31 December 2023;
- approval of an interim dividend for the year ended 31 December 2024; 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 environmental performance against the strategy; and
- continued to deliver on the Company's sustainability and climate change commitments.

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; and
- 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.

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, diversity and inclusion; 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 2024 annual report at morgansindall.com.

Engagement with our key stakeholders

Shareholders
The Company's ultimate shareholder is Morgan Sindall Group plc and its shareholders. 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 customers.

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 2024 annual report describes 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 employees are given a formal induction programme on joining which includes introducing them to our Core Values and Total Commitments. More information on our Core Values and Total Commitments can be found in the Group's 2024 annual report.

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. During the year Infrastructure completed a full employee engagement survey named 'Your voice, Our future'. This achieved an excellent response rate of 85% and an employee engagement index of 84%.

Examples of the actions we have taken in 2024 include:

Infrastructure:

- Introduced development conversations to support structured career conversations between employees and line managers. The data from this has helped Infrastructure map its talent, plan resource for future growth, and provide structure and equal opportunities for all.
- Offered employees retirement savings plan webinars as well as renewing and relaunching a flexible retirement programme.
- Introduced 'Protecting People' workshops as well as launching health and wellbeing campaign 'Sow, Grow and Share' which aims to cultivate positive mental health and wellbeing by connecting people with nature and the outdoors.
- Offered health screening assessments and improved our healthcare benefits by introducing a medical cashback benefit.
- Introduced a series of leadership and talent development programmes referred to respectively as 'Lead for Life' and 'Reach Higher'.

Construction:

- Introduced a new parental leave policy and refreshed existing flexible working and carers leave policies.
- Launched a mentoring platform to support employees and maximise our network across the business.
- Hosted some wellbeing and awareness webinars on themes such as neurodiversity and women's health.
- Rolled out a series of immersive learning training programmes covering key topics such as fire safety and buried services.

In Construction, as part of our ongoing commitment to supporting our employees we have retained our 'Investors in People' Platinum status and our 'We invest in Wellbeing Gold' accreditation. In addition, Infrastructure maintained its Gold status for 'Investors in People'.

A Save As You Earn (SAYE) Plan 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 an employee working group which develops 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 activities such as reviewing our family-friendly policy, consulting on campaigns and supporting national programmes.

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 of our approach can be found on page 15.

Engagement with suppliers, customers 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 long-standing relationships with supply chain partners are essential to the successful delivery of our projects. To support our supply chain, we are committed to leveraging our reach to roll out our standards of ethics and compliance, while working with them to drive sustainable actions on behalf of our customers.

We engage with and monitor our supply chain's performance against set criteria and give constructive feedback. The Group's whistleblowing service is available to our supply chain to raise any concerns they have about behaviours or decisions that do not uphold the standards set by our Supplier Code of Conduct. A key way of building trust is through our commitment to paying suppliers on time. We follow the Prompt Payment Code and, during the six months to 31 December 2024, paid 98% of invoices within 60 days (December 2023: 98%), meaning we have continued to meet the Prompt Payment code target of 95%. The average days to pay invoices remained at 25 days (December 2023: 25 days) and invoices paid to term also remained at 97% (December 2023: 97%). We continue to keep our payment performance under review and publish our payment practices data every six months in accordance with UK law.

We work with customers 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 customers and partners are key to the Company's success. The Group's decentralised approach enables us to engage with our customers 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, and ensuring that we focus on these objectives at all times and deal with any potential issues as they arise.

Our activities enhance communities by delivering local infrastructure and buildings that are low carbon and sustainable; being a considerate contractor who causes minimal disruption; and investing in the local economy through job creation and use of local suppliers and services. We engage with communities by consulting local residents before and during our projects; planning consultations on all projects and phases; providing training and work opportunities; working with schools and colleges to promote careers in construction; and supporting local and national charities and volunteering in community projects.

Examples of our activities in 2024 included Construction offering over 750 free online training courses aimed at upskilling for employment; collaborating with the Careers & Enterprise Company across all our regions to deliver educational workshops in primary, secondary and special needs education schools; and collaborating with the charity Smart Works, to support women back into work.

Additionally, Construction published its approach to the 'Just Transition' concept, which outlines how we will support vulnerable and disadvantaged individuals, communities and businesses to benefit from the transition to a low-carbon economy in the coming years. We recognise that the built environment can be a lever for good, as it provides green skills opportunities to those with unstable career prospects because of the economic upheaval associated with the transition. Building on our existing stakeholder relationships, our approach will seed-fund initiatives connected to our operational businesses around the UK by the end of 2027.

During the year Infrastructure was appointed by the Careers and Enterprise Company as a Cornerstone Employer in recognition of its work to support and inspire young people in Cumbria on their journey into the world of work. Our social enterprise All Together Cumbria (ATC), a community interest company we founded in 2018, continues to deliver a wide range of programmes and initiatives to develop a new generation of talent in the construction, engineering and nuclear sectors. These include its partnership with the Energy Coast UTC, Apprenticeship Ready Programme, Future Pathways and work experience placements. ATC hosted an annual Festival of Work with a number of sponsors, which attracted over 800 students and 60 employers. In addition to this, the Quiet Festival of Work was held this year for students with special educational needs and disabilities (SEND), as part of a wider aim to support disadvantaged and under-represented young people with accessible careers guidance. The Quiet Festival of Work was attended by 80 students from five different schools and 16 different organisations showcasing what they could offer in terms of work experience and careers for SEND students.

On Infrastructure's Gremista Energy project, our colleagues engaged in the award-winning 'Sow, Grow and Share' initiative, where they worked with around 950 students across 15 schools in the Shetland Islands to provide gardening and horticultural skills, giving them a hands-on opportunity to learn about biodiversity and how they can protect the local environment.

We report to the Group Board of directors on a monthly basis on details of our relationships with our supply chain, customers and local communities, including feedback and satisfaction metrics and details of community initiatives. Further information on the Group's engagement with stakeholders and how it delivers on its Total Commitments can be found in the Group's 2024 annual report.

Approved by and on behalf of the Board

M Atkinson
Finance Director
24 March 2025

The directors present their annual report and the audited financial statements for the year ended 31 December 2024. 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, comprising Financial Reporting Standard 101 'Reduced Disclosure Framework', and applicable law.

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, 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 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 newsletter 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 customers 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 members 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 leadership section of the Group's website: morgansindall.com. 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 2024 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 page 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 39 to 49.

For further information on the Group's corporate governance arrangements, see the governance section of the Group's 2024 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 2024 financial statements through to 24 March 2026.

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 2024, the Group held cash of £544.2m, including £23.1m (2023: £26.1m) which is the Group’s share of cash held within jointly controlled operations, and total overdrafts repayable on demand of £51.8m (together net cash of £492.4m). Should further funding be required, the Group has significant committed financial resources available including unutilised bank facilities of £180m (2023: £180m), of which £15m matures in June 2027 and £165m matures in October 2027.

The Company’s future workload is healthy with a secured order book of £2,757m, of which £1,483m relates to the 12 months ending 31 December 2025. The Company had a strong financial position at the year end with net current assets of £72.9m (2023: £78.1m), including cash of £64.6m (2023: £77.6m) as at 31 December 2024. Included within cash is £23.0m (2023: £26.0m) 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 £375.0m (2023: £388.3m) is payable on demand and is expected to be settled within a period of 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 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, and having received confirmation regarding its support, through a letter of support for a period of 12 months from the date of approval of the Company’s balance sheet, to assist the Company in meeting its liabilities as and when they fall due, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements.

Based on the above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence to the end of the going concern period, which is 24 March 2026. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Financial risk management
The financial risk management policies of the Company are disclosed in the strategic report.

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 2024.

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 the 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 (2023: none).

Dividends
An interim dividend of £60.0m (2023: £42.6m) was paid during the year. The directors do not recommend the payment of a final dividend (2023: £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 (2023: 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 based on 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 8 to 11.

Environmental performance
The Company's approach to environmental performance is guided by the approach taken by the Group. The Group was the third construction company globally to submit its carbon targets for validation by the Science Based Targets initiative (SBTi) in 2017 and, in 2023, the Group revalidated its commitments to align to a more ambitious 1.5°C reduction scenario. Subsequently, the Group retained its target to reduce Scope 1 and 2 and emissions by 60% for 2030, while adding a new stretch target to deliver a 90% reduction by 2045 against a 2019 baseline. The Group also set a Scope 3 reduction commitment targeting a 42% reduction by 2030 and a 90% reduction by 2045 against a 2020 baseline.

As of the end of 2024, the Group achieved a 44% reduction in Scope 1 and 2 emissions against a 2019 baseline, while year-on-year emissions increased marginally by 1%, the Group have continued to improve overall efficiency by reducing our carbon intensity by 7% from 2023 and 62% since 2019. This year, the Group updated its Scope 3 inventory to improve data collation, enabling it to externally report Scope 3 emissions across all relevant categories for the first time to drive progress against the Group's long-term net zero target[1]. The Group also undertook internal decarbonisation audits across each of its divisions to identify further opportunities to achieve emissions reductions.

Beyond the Groups direct operations, it continued to empower customers, teams and partners to reduce and avoid emissions associated with its projects. Since 2020, the Group's RICS-approved carbon intelligence tool CarboniCa has been used on around 650 projects, including 218 new projects in 2024. Our industry leading software undertakes a Whole Life Carbon Assessment of a project to highlight its most carbon-intensive elements and recommend lower-carbon alternatives. By deploying this early in the design phase, CarboniCa can generate significant emissions savings for customers.

The Group invests in high-quality projects located in the UK that enhance biodiversity and contribute to a healthier climate. In 2024, it continued to work on three legacy natural capital projects which, as well as helping to address climate change, support the Group in tackling residual emissions through credible carbon offset certification. Work was completed on the planting of nine woodlands and 270,000 trees at the Blenheim Estate in Oxfordshire as part of the Dorn & Glyme Woodlands project. At the end of 2024, the project was validated by the Woodland Carbon Code and, due to the Group's critical investment, 70,000 peatland carbon units (PCUs) were released, of which the Group owns 20,000[2].

1. The Group's medium-term science-based targets refer to a 60% reduction in Scope 1 and 2 emissions and a 42% reduction in Scope 3 emissions by 2030, with our long-term targets aiming for a 90% reduction across all our carbon emissions (Scope 1, 2 and 3) by 2045.
2. The Group's 20,000 owned PCUs will be used towards offsetting residual emissions as part of its net zero targets.

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 2024 Annual Report morgansindall.com.

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

In Construction, emissions intensity (Scopes 1 and 2) has improved from 229 kgCO_2e/£100k of revenue to 212 kgCO_2e/£100k of revenue. We are on track to meet our 2030 target, accepting that we expect to overshoot between 2025 and 2026, due in part to national challenges with decarbonising our electricity grid which we increasingly rely on for energy for our sites and vehicles.

We have continued to empower and equip our network of carbon and environmental champions with dashboards and data granularity to pin-point regional inefficiencies and make improvements. During the year, we completed the reporting dashboards that enable our teams to track, monitor and visualise the data more accurately.

Our full Scope 3 emissions are in the process of being externally audited and will be disclosed in 2025 as planned. This has been enabled by significant voluntary uptake of our CarboniCa whole-life carbon assessment and reduction tool over the course of the year, from 24% of projects (by value) with peer reviewed data outputs at the end of 2023 to 35% at the end of 2024. Overall usage of CarboniCa on projects remains at c.70% of projects (2023: c.70%). In addition, we completed our first Innovate UK-funded project in 2024, to create an educational version of CarboniCa, and our second Innovate UK-funded project worth c.£1m is underway to develop AI functionality. Both projects are in partnership with Nottingham Trent University.

We are well on our way to achieving our 2025 target of 50,000 tonnes of carbon saved through our 10 Tonne Carbon Challenge initiative, as part of our science-based targets commitment to reduce our full Scope 3 emissions by 42% by 2030. As the first industry signatory to the anti-greenwash Charter, we are now validating our 10 Tonne Challenge results to ensure accuracy and transparency of carbon accounting.

We also trained the majority of our client-facing staff in using CarboniCa and our other tools and processes to reduce the embodied carbon of the buildings we construct, which constitutes the majority of our Scope 3 emissions. We reward our best-performing teams with our new Project Carbon Award, where £10k is made available to each of the 14 winning teams to invest in community biodiversity enhancement.

We also launched and presented our latest research study, the Regenerative Twin, which demonstrates that significant social, economic and environmental gains are available when renewable and existing materials are favoured, and when procurement considers the thriving of nature and people to be key drivers in decision-making. The study also led to the publication of a children's book that we commissioned, 'Sitka the Amazing Timber Tree', which tells the story of responsible, regenerative construction practice to primary age children.

In 2024, Infrastructure continued its focus to reduce the impact our projects and operations have on the environment. Our company car fleet improved to 99% plug-in hybrid electric or battery electric vehicles(2023: 97%). We also revised and refreshed our environmental management plan and continue to review and update our environmental management system, ensuring our project teams are effectively and proactively mitigating environmental risk.

Our Improving the Environment strategy has four priority themes: Carbon excellence, Restoring nature, Skills, competence and support, and Environmental management system. Each of the priority themes has at least one deliverable. This is supported by a number of secondary themes that enable risk-based assurance activities and reviews to be completed. We have a target to reduce our environmental incident frequency rate to below 0.20, as well as net-zero by 2030 for operational carbon emissions, and net-zero by 2045 for all carbon emissions targets.

Our colleagues working on our Gremista Energy project in the Shetland Islands have been awarded a Green Apple Environmental Award for their Sow, Grow and Share campaign engagement with the Islands' schools. The Green Apple Awards recognise, reward and promote environmental best practice around the world.

Our Welsh Water team has been named the winner of our 20-tonne Carbon Challenge, demonstrating dedication and commitment to reducing carbon emissions across the framework. As part of the Infrastructure initiative, over 30 entries were submitted from projects across the UK resulting in a combined saving of approximately 3,500 tonnes of CO_2e.

On the A12 project, the team won the Carbon Reduction in Construction and Management Award at the 2024 Techfest for its Sign Asset Monitoring System, a system that attaches sensors to temporary traffic management signs, monitoring for displacement and notifying for prompt rectification.

In nuclear, the team picked up the NDA Supply Chain Award for 'Best approach to environmental sustainability', highlighting the team's to ensure environmental sustainability is at the forefront of project delivery.

We also launched our 'Fuel Free Sites' standard to help identify alternative solutions to minimise and remove fossil fuels from our sites. With many alternatives to fossil fuels, including solar and wind energy, all sites are implementing the new standard to help reduce our carbon emissions.

In Infrastructure, emissions intensity (Scope 1 and scope 2) has improved from 423 kgCO_2e /£100k to 368 kgCO_2e/£100k.

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 each 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 they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

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

Directors' responsibilities statement

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

The directors confirm that they have complied with the above requirements in preparing the financial statements. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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
24 March 2025

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD FOR THE YEAR ENDED 31 DECEMBER 2024

Opinion

We have audited the financial statements of Morgan Sindall Construction & Infrastructure Limited for the year ended 31 December 2024 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 24, 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 2024 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.
- We understood that management take a reliance on a letter of support from Morgan Sindall Group PLC. We challenged management's assumption of relying on a letter of support through the review of the liquidity position available at the Group as well as the Group's modelled downside scenarios. We concluded that the letter of support was appropriately in place over the going concern period and that the group had the necessary liquidity to provide support to the Company if required. We further performed assessment on the Company's stand-alone going concern assessment as outlined in the below procedures.
- We obtained management's Board-approved forecast cash flows which covers a period 12 months from the date of approval of the balance sheet. We reviewed the forecasts and management's two modelled downside scenarios.

- 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.
- We 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 cash flows would need to deteriorate) could lead to the Company utilising all liquidity during the going concern period, and whether these scenarios were plausible.
- We reviewed the financial position of the ultimate holding company, Morgan Sindall Group PLC to evaluate whether it has sufficient ability to support the Company if needed, although this is not forecast to be required in the scenarios above.
- 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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. 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 & Infrastructure Limited 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.
- 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;
    - 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 any legal correspondence or expert advice that has been obtained to support any contract positions recorded;

  - Assessed the appropriateness of the application of IFRS 15 within the Company's accounting policies and obtained evidence to support how this has been applied;
  - Challenged the level of unagreed income and contract asset balances, challenging management on the recovery of aged balances at the year end, which have not been provided for, including consideration of counterparty risk;
  - Assessed the reasonableness of calculations of estimated costs to complete, including the appropriateness of accruals for work not yet invoiced, which included understanding the risks/outstanding works on the contract, the impact of any delays or other delivery issues, impact of inflation 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;
  - Audited the completeness of onerous contract provisions where there were loss making contracts
  - Audited the correlation between revenue, contract assets and cash balances using data analytical tools or through other substantive test of detail procedures; and
  - Audited material unusual journal entries 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, involvement of internal forensic specialists, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL CONSTRUCTION & INFRASTRUCTURE LTD FOR THE YEAR ENDED 31 DECEMBER 2024

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 (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading, United Kingdom
24 March 2025

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	**2024** **£000**	2023 £000
Revenue	**1**	**1,931,680**	1,721,187
Cost of sales		**(1,756,740)**	(1,573,827)
Gross profit		**174,940**	147,360
Analysed as:			
Adjusted gross profit		**174,855**	158,947
Exceptional building safety items	**2**	**85**	(11,587)
Administrative expenses		**(117,785)**	(105,097)
Operating profit	**3**	**57,155**	42,263
Analysed as:			
Adjusted operating profit		**57,070**	53,850
Exceptional building safety items	**2**	**85**	(11,587)
Dividend income		**5,000**	3,000
Interest receivable	**6**	**11,838**	14,621
Interest payable	**6**	**(540)**	(8,467)
Profit before tax		**73,453**	51,417
Tax	**7**	**(17,519)**	(9,352)
Profit for the financial year attributable to the owners of the Company	**19**	**55,934**	**42,065**
Items that may be reclassified subsequently to profit or loss:			
Losses arising during the year on cash flow hedges		**(82)**	(4)
Reclassification from cashflow hedges to the income statement		**4**	-
Other comprehensive loss		**(78)**	(4)
Total comprehensive income for the year attributable to owners of the Company		**55,856**	42,061

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

BALANCE SHEET
AS AT 31 DECEMBER 2024

	Notes	2024 £000	2023 £000
Non-current assets			
Intangible assets	**8**	**120,502**	120,502
Property, plant and equipment	**9**	**14,991**	14,264
Investments in subsidiaries	**10**	**111,371**	111,371
		246,864	246,137
Current assets			
Contract assets	**11**	**79,139**	58,832
Trade and other receivables	**12**	**505,571**	522,078
Current tax asset		**4,121**	4,296
Cash and bank balances	**13**	**64,558**	77,560
		653,389	662,766
Total assets		**900,253**	908,903
Current liabilities			
Contract liabilities	**11**	**(76,983)**	(54,883)
Trade and other payables	**14**	**(458,565)**	(495,987)
Lease liabilities	**22**	**(2,304)**	(1,502)
Provisions	**15**	**(42,685)**	(32,314)
		(580,537)	(584,686)
Net current assets		**72,852**	78,080
Non-current liabilities			
Lease liabilities	**22**	**(4,026)**	(4,864)
Provisions	**15**	**(1,226)**	(1,127)
Deferred tax liabilities	**16**	**(15,482)**	(15,100)
		(20,734)	(21,091)
Total liabilities		**(601,271)**	(605,777)
Net assets		**298,982**	303,126
Capital and reserves			
Share capital	**17**	**220,900**	220,900
Share premium account	**18**	**11,372**	11,372
Other reserves		**(82)**	(4)
Retained earnings	**19**	**66,792**	70,858
Total shareholder’s funds		**298,982**	303,126

The financial statements of Morgan Sindall Construction & Infrastructure Ltd (Company number 04273754) were approved by the Board and authorised for issue on 24 March 2025. They were signed on its behalf by:

………………………………………… M Atkinson, Finance Director
24 March 2025

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital (Note 17) £000	Share premium account (Note 18) £000	Other reserves £000	Retained earnings (Note 19) £000	Total £000
At 1 January 2023	**220,900**	**11,372**	-	**71,393**	**303,665**
Total comprehensive income	-	-	(4)	42,065	42,061
Dividends paid	-	-	-	(42,600)	(42,600)
At 1 January 2024	**220,900**	**11,372**	**(4)**	**70,858**	**303,126**
Total comprehensive income	-	-	(78)	55,934	55,856
Dividends paid	-	-	-	(60,000)	(60,000)
At 31 December 2024	**220,900**	**11,372**	**(82)**	**66,792**	**298,982**

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

Further details in respect of the dividends paid are disclosed in note 19.

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. All financial information, unless otherwise stated, has been rounded to the nearest £1,000.

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.

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

(ii) New and revised accounting standards and interpretations which were in issue but were not yet effective and have not been adopted early
At the date of the financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 18 'Presentation and Disclosures in Financial Statements'
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures'
- Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'
- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates'

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 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 2024 financial statements through to 24 March 2026.

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 2024, the Group held cash of £544.2m, including £23.1m (2023: £26.1m) which is the Group's share of cash held within jointly controlled operations, and total overdrafts repayable on demand of £51.8m (together net cash of £492.4m). Should further funding be required, the Group has significant committed financial resources available including unutilised bank facilities of £180m (2023: £180m), of which £15m matures in June 2027 and £165m matures in October 2027.

The Company's future workload is healthy with a secured order book was £2,757m, of which £1,483m relates to the 12 months ending 31 December 2025. The Company had a strong financial position at the year end with net current assets of £72.9m (2023: £78.0m), including cash of £64.6m (2023: £77.6m) as at 31 December 2024. Included within cash is £23.0m (2023: £26.0m), 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 £375.0m (2023: £388.3m) is payable on demand and is expected to be settled within a period of 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 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, and having received confirmation regarding its support, through a letter of support for a period of 12 months from the date of approval of the Company's balance sheet, to assist the Company in meeting its liabilities as and when they fall due, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements.

Based on the above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence to the end of the going concern period, which is 24 March 2026. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Joint arrangements
The Company operates unincorporated joint arrangements, which is a contractual arrangement whereby the Company undertakes economic activity that is subject to control with third parties. These fall under the category of joint operations as defined by IFRS 11. In accordance with IFRS 11, the Company accounts for its own share of turnover, profits, assets, liabilities and cashflows measured in accordance to the terms of the agreements.

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 non-current assets are stated at cost less provision for impairment.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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.

Software-as-a-Service (SaaS) arrangements
SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Pensions
The Company contributes to various defined pension schemes 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.

All recognised financial assets and financial liabilities are subsequently measured at either fair value or amortised cost, depending on the classification of the financial assets and financial liabilities.

The Company recognises lifetime expected credit losses to trade receivables and contract assets. The expected credit losses on these financial assets are estimated using the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

All of the Company's financial assets other than those which meet the criteria to be measured at amortised cost are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

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 in line with the Company’s normal course of business and for which the Company does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. 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 15 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.

	2024 **£000**	2023 £000
Revenue from Construction contracts	**1,044,092**	966,567
Revenue from Infrastructure contracts	**887,588**	754,620
Total revenue	**1,931,680**	1,721,187

All revenue is recognised on performance obligations satisfied over time. There was no revenue recognised on performance obligations satisfied at a point in time (2023: £nil).

2. Exceptional items

	2024 **£000**	2023 £000
Net additions on building safety provisions	**3,737**	19,678
Insurance and recoveries recognised in receivables	**(3,822)**	(8,091)
Total exceptional building safety (credit)/charge within cost of sales	**(85)**	11,587

During 2022, the Company signed the developers' pledge (the 'pledge') with the Ministry of Housing, Communities and Local Government ('MHCLG') (then the Department for Levelling Up, Housing and Communities ('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 gain of £0.1m and is shown separately as an exceptional item consistent with prior year treatment.

3. Operating profit

	2024 **£000**	2023 £000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets:		
-owned assets	**2,716**	2,178
-right of use assets	**2,577**	2,925
Loss on sale of tangible fixed assets	**2**	10
(Gain)/loss on termination of right of use assets	**(1)**	16
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**480**	440

Non-audit fees payable by the Company during the year were £nil (2023: £nil).

4. Staff costs

	2024	2023
	£000	£000
Wages and salaries	**281,777**	254,244
Social security costs	**33,603**	30,197
Redundancy costs	**2,660**	2,271
Pension costs	**12,651**	11,025
	330,691	297,737

	No.	No.
The average number of employees (including executive directors) during the year was:	**3,579**	3,376

5. Directors' remuneration

	2024	2023
	£000	£000
Directors' remuneration		
Emoluments	**2,851**	2,685
Company contributions to money purchase pension scheme	**32**	24
	2,883	2,709
Remuneration of the highest paid director		
Emoluments	**910**	840
Company contributions to money purchase pension scheme	**-**	1

	No.	No.
The number of directors who:		
- are members of money purchase pension schemes	**3**	4
- exercised options over shares in the ultimate Group	**3**	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 (2023: nil) in their capacity as directors of this Company. These individuals are remunerated by another company in the Group and the apportionment of the remuneration in respect of qualifying services as directors of this Company is inconsequential

6. Net interest receivable/payable

	2024	2023
	£000	£000
Bank interest receivable	**2,178**	9,178
Other interest receivable	**9,660**	5,443
Interest receivable	**11,838**	14,621
Bank interest payable	**(180)**	(8,138)
Interest payable on lease liabilities	**(360)**	(329)
Interest payable	**(540)**	(8,467)

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

7. Tax

	2024 £000	2023 £000
UK corporation tax charge on profit for the year	**17,198**	9,536
Adjustment in respect of previous years	**(61)**	(1,003)
Total current tax	**17,137**	8533
Change in tax rate used to calculate deferred tax balances	**(32)**	1,674
Adjustment in respect of previous years	**414**	(855)
Total deferred tax (note 16)	**382**	819
Total tax expense	**17,519**	9,352

Corporation tax is calculated at 25% (2023: 23.5%) 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:

	2024 £000	2023 £000
Profit before tax	**73,453**	51,417
Tax on profit at corporation tax rate	**18,363**	12,083
Factors affecting the charge for the year:		
Expenses not deductible for tax purposes	**93**	93
Other	**(40)**	(261)
Dividend income for which no tax liability is due	**(1,250)**	(705)
Adjustments to tax charge in respect of previous years:		
Other	**353**	(1,858)
Total tax expense	**17,519**	9,352

The UK statutory Corporation Tax rate increased from 19% to 25% from 1 April 2023. Consequently, the applicable tax rate for the Company was 25% (2023: 23.5%). 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 2024 have been calculated at 25% (2023: 25%).

Pillar Two legislation has been enacted in the UK, effective from 1 January 2024. The Company is within the scope of Pillar Two and has assessed its potential exposure to Pillar Two income taxes. The Company does not expect any material exposure to Pillar Two top-up taxes and no provision has been made for Pillar Two top-up taxes.

8. Intangible fixed assets

	Goodwill £000
Cost and net book value	
As at 1 January 2024	120,502
As at 31 December 2024	**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 business combination. The allocation is as follows: Construction £68.7m (2023: £68.7m) and Infrastructure £51.8 (2023: £51.8m).

The Company tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. In testing goodwill and other intangible assets for impairment, the recoverable amount of each cash-generating unit 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 and discount rates. 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 3.4% (2023: 3.3%). 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 12.3% (2023: 12.5%).

The decreased discount rates in 2024 are due to lower gilt yields and reductions in the cost of equity.

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

9. Property, plant and equipment

	Freehold property and land £000	Plant, equipment, fixtures and fittings £000	Right-of-use assets - Leasehold property £000	Total £000
Cost				
As at 1 January 2024	4,258	13,569	10,889	28,716
Additions	-	3,480	2,557	6,037
Disposals	-	(1,724)	(751)	(2,475)
As at 31 December 2024	**4,258**	**15,325**	**12,695**	**32,278**
Accumulated depreciation				
As at 1 January 2024	(22)	(9,611)	(4,819)	(14,452)
Charge for the year	(45)	(2,671)	(2,577)	(5,293)
Disposals	-	1,722	736	2,458
As at 31 December 2024	**(67)**	**(10,560)**	**(6,660)**	**(17,287)**
Net book value				
As at 31 December 2024	**4,191**	**4,765**	**6,035**	**14,991**
As at 31 December 2023	4,236	3,958	6,070	14,264

The Company holds some property, plant and equipment that is fully depreciated. The cost and accumulated depreciation amounts of this fully written down plant, property and equipment is £6.0m (2023: £5.8m).

10. Investments in subsidiaries

	Subsidiaries £000
Cost and net book value	
At 1 January 2024	111,371
At 31 December 2024	**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.

11. Contract assets and liabilities

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

	2024	2023
	£000	£000
Contract assets	**79,139**	58,832
Contract liabilities	**(76,983)**	(54,883)

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 2024 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:

	2024 £000		2023 £000	
	Contract assets	**Contract liabilities**	Contract assets	Contract liabilities
As at 1 January	**58,832**	**(54,883)**	78,254	(50,193)
Revenue recognised				
- performance obligations satisfied in the period	**1,876,797**	**54,883**	1,670,994	50,193
Cash received for performance obligations not yet satisfied	**-**	**(76,983)**	-	(54,883)
Amounts transferred to trade receivables	**(1,856,490)**	**-**	(1,690,416)	-
As at 31 December	**79,139**	**(76,983)**	58,832	(54,883)

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:

	2025	**2026**	**2027+**	**Total**
	£m	**£m**	**£m**	**£m**
As at 31 December 2024	**1,483**	**701**	**573**	**2,757**

12. Trade and other receivables

	2024	2023
	£000	£000
Amounts falling due within one year		
Trade receivables	**63,356**	79,025
Amounts owed by Group undertakings	**375,378**	389,393
Prepayments and accrued income	**1,775**	4,168
Insurance receivables	**21,156**	14,202
Other receivables	**14,083**	6,778
	475,748	493,566
Amounts falling due after more than one year		
Trade receivables	**29,823**	28,512
	505,571	522,078

Amounts owed by Group undertakings are payable on demand, are not interest bearing and are expected to be settled within 12 months from the balance sheet date.

Retentions held by customers for contract work at 31 December 2024 were £57.4m (2023: £53.3m) and are included within trade receivables. 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 customers to ensure that potential issues that could lead to the non-payment of retentions are identified and addressed promptly.

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

13. Cash and bank balances

	2024	2023
	£000	£000
Cash and bank balances	**64,558**	77,560
	64,558	77,560

Included within cash and bank balances is £23.0m (2023: £26.0m) which is the Company's share of cash held within jointly controlled operations.

14. Trade and other payables

	2024	2023
	£000	£000
Amounts falling due within one year		
Trade payables	**63,152**	59,331
Amounts owed to Group undertakings	**9,072**	55,974
Other tax and social security	**59,255**	64,530
Other payables	**3,736**	3,298
Accruals and deferred income	**323,350**	312,854
	458,565	495,987

Trade payables include £32.7m (2023: £32.3m) of retentions payable to sub-contractors, a proportion of which £12.2m (2023: £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 £9.1m (2023: £56.0m), of which £6.8m (2023: £53.9m) is expected to be settled after a period of more than 12 months, are payable on demand and are not interest bearing.

15. Provisions for liabilities

	Building Safety £000	Contract & legal £000	Employee £000	Property £000	Total £000
At 1 January 2024	19,678	11,556	1,080	1,127	33,441
Created	3,737	17,401	-	99	21,237
Utilised	(1,122)	(4,167)	-	-	(5,289)
Released	(265)	(4,133)	(1,080)	-	(5,478)
Balance at 31 December 2024	**22,028**	**20,657**	**-**	**1,226**	**43,911**

Current	22,028	20,657	-	-	42,685
Non-current	-	-	-	1,226	1,226
Balance at 31 December 2024	**22,028**	**20,657**	**-**	**1,226**	**43,911**

Building safety provisions

Management has 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 12 for details of mitigating insurance receivables recognised at the period end.

Note 21 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 12 for details of mitigating insurance assets recognised at the period end.

Note 21 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.

16. Deferred tax liability

	2024	2023
	£000	£000
Balance at 1 January	**15,100**	14,281
Income statement charge (note 7)	**382**	819
Balance at 31 December	**15,482**	15,100

Deferred tax liabilities consist of the following amounts:

	2024	2023
	£000	£000
Accelerated capital allowances	**(2,062)**	(1,908)
Goodwill	**19,018**	18,498
Short term timing differences	**(1,474)**	(1,490)
	15,482	15,100

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

17. Share capital

	2024	2023
	£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.

18. Share premium account

	2024	2023
	£000	£000
Share premium on shares	**11,372**	11,372

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19. Retained earnings

	2024	2023
	£000	£000
Balance as at 1 January	**70,858**	71,393
Profit for the year	**55,934**	42,065
Dividends	**(60,000)**	(42,600)
Balance as at 31 December	**66,792**	70,858

During the year, the Company paid dividends of £60.0m (equivalent to 27.2p per ordinary share) (2023: £42.6m, equivalent to 19.3p per share ordinary share) to its immediate parent company Morgan Sindall Holdings Limited.

20. Pension commitments

The Company contributes to various defined contribution pension schemes for employees. The total cost charged to the statement of comprehensive income of £12.6m (2023: £11.0m) represents contributions payable to the schemes by the Company. The pension creditor at 31 December 2024 was £2.3m (2023: £1.9m).

21. Contingent liabilities

Performance bonds have been entered into in the normal course of business. Performance bond facilities and banking facilities of the Group are supported by cross guarantees given by the Company and other participating companies in the Group. It is not anticipated that any liability will accrue.

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

Building safety

At 31 December 2024, the Company held provisions in respect of liabilities arising from the Building Safety Act and other associated fire regulations totalling £22.0m (2023: £19.7m).

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.

22. 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 2024 are set out below:

	2024		2023		
	Leasehold buildings	**Total**	Leasehold buildings	Other assets	Total
	£000	**£000**	£000	£000	£000
Maturity analysis					
Within one year	**2,552**	**2,552**	1,746	-	1,746
Within two to five years	**3,694**	**3,694**	4,313	-	4,313
After more than five years	**892**	**892**	1,190	-	1,190
Total undiscounted cashflows	**7,138**	**7,138**	7,249	-	7,249
Deduct impact of discounting	**(808)**	**(808)**	(883)	-	(883)
As at 31 December	**6,330**	**6,330**	6,366	-	6,366

	2024		2023		
	Leasehold buildings	**Total**	Leasehold buildings	Other assets	Total
	£000	**£000**	£000	£000	£000
As at 1 January	**6,366**	**6,366**	9,204	165	9,369
Additions	**2,557**	**2,557**	1,966	-	1,966
Terminations	**(15)**	**(15)**	(2,205)	-	(2,205)
Repayments	**(2,938)**	**(2,938)**	(2,915)	(165)	(3,080)
Interest expenses	**360**	**360**	316	-	316
As at 31 December	**6,330**	**6,330**	6,366	-	6,366

23. Related party transactions

In the ordinary course of business, the Company has traded with its parent company Morgan Sindall Group plc together with its subsidiaries. Advantage has been taken of the exemption permitted by FRS 101 not to disclose transactions with entities that are wholly owned by the Group. Balances with these entities are disclosed in notes 12 and 14 of these financial statements.

24. Subsequent events

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