

REGISTERED NUMBER: 04415196 (ENGLAND AND WALES)

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

MORGAN SINDALL PROPERTY SERVICES LIMITED

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MORGAN SINDALL PROPERTY SERVICES LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022

Directors	S P Crummett A Hayward (resigned 28 April 2023) P D Boyle (appointed 28 April 2023) S W Butler (appointed 01 September 2023) J C Morgan P D Reader K Nawaz (resigned 27 June 2023) N Kyriakou (appointed 18 February 2022 and resigned 28 July 2023) D R Eaton (appointed 01 September 2023) P J Copperwheat (appointed 18 February 2022 and resigned 31 March 2023)
Company Secretary	C Sheridan
Head Office	Kent House 14–17 Market Place London W1W 8AJ
Registered Office	Kent House 14–17 Market Place London W1W 8AJ
Independent Auditor	Ernst & Young LLP Statutory Auditor 2 St Peters Square Manchester M2 3DF United Kingdom

MORGAN SINDALL PROPERTY SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Principal activities

Morgan Sindall Property Services Limited ('the Company') and its wholly owned subsidiaries (together 'the Group') form a UK-wide business specialising in the delivery of repairs and maintenance contracts for local councils, facilities management solutions, and data insight solutions. The Group has contracts with numerous councils to maintain council properties, and has a portfolio of 5 facilities management contracts which are Private Finance Initiatives (PFI) contracts.

We do not anticipate any changes to the Group's principal activities in the foreseeable future.

Business review

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

	2022	2021
	£m	£m
Revenue	163.5	133.8
Adjusted operating profit ¹	4.3	4.1
Adjusted operating margin ²	2.6%	3.1%
Profit/(Loss) before tax	1.3	2.1
Bank overdrafts net of cash ³	(16.9)	(15.0)
Forward order book	1,204.4	944.8

¹ Adjusted operating profit/(loss) is the profit/(loss) before interest and tax £2.3m, and amortisation (£2.0m)

² Adjusted operating profit divided by revenue

³ This includes bank overdrafts of (£17.6m) and cash of £0.7m.

The Group made an adjusted operating profit of £4.3m on revenue of £163.5m. This was due to a revenue increase of 22% from 2021 to 2022. The committed order book at 31 December 2022 was at £1,204.4m, compared to £944.8m at the prior year end. The increase is driven mainly by three new contracts signed and mobilised in 2022 and organic growth on existing contracts through new workstreams and increased volumes as the UK Social Housing market recovers from the effects of the Covid Pandemic. The adjusted operating margin has been impacted in 2022 by significant increases in inflation in relation to the cost of labour, staff and materials.

Financial position and liquidity

The financial position of the Group and the Company are presented in the Balance Sheet. The Group had total shareholder's funds at 31 December 2022 of £28.0m (2021: £27.0m). The Group had net current assets of £22.2m (2021: net current assets of £21.8m), including a net bank overdraft of £16.9m (2021: £15.0m). The Company had net current assets of £9.7m (2021: net current assets £10.7m) including a bank overdraft of £14.7m (2021: £15.5m).

The Company participates in the Morgan Sindall Group's banking arrangements (under which it is a cross guarantor). As at 31 December 2022, the Morgan Sindall Group had net cash balances of £355m. The Morgan Sindall Group also had £15m of committed loan facilities maturing in 2024 and £165m of committed loan facilities maturing in 2025, which were entirely undrawn as at 31 December 2022.

MORGAN SINDALL PROPERTY SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Key performance indicators

The Group's financial key performance indicators are described in the business review above. No other key performance indicators are deemed necessary to explain the development, performance or position of the Group.

Principal risks and uncertainties

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

Financial risk management objectives and policies

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

Credit risk

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

Liquidity risk

This is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group aims to manage liquidity by ensuring that it will always have sufficient resources to meet its liabilities when they fall due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the wider Group's reputation. Liquidity is provided through cash balances and access to the wider Group's committed bank loan facilities.

Interest rate risk

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

Price risk

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

MORGAN SINDALL PROPERTY SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Financial risk management objectives and policies (continued)

Section 172(1) statement

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

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

- Approval of the financial statements for the year ended 31 December 2021.
- Preparation of the Company's five-year strategic plan and annual budget for approval by the Morgan Sindall Group Board.
- Preparation of monthly reports on performance for the Morgan Sindall Group Board, including health and safety, risks and opportunities, and stakeholder engagement.

Further information, including the Morgan Sindall Group's Section 172 statement, can be found in the Morgan Sindall Group's 2022 report and accounts at morgansindall.com.

Engagement with stakeholders

Shareholder

The Group's ultimate shareholder is Morgan Sindall Group plc. We create value for the Morgan Sindall Group by generating strong and sustainable results that translate into dividends. The directors discuss Group performance with the Morgan Sindall Group's executive directors in monthly management meetings and provide executive summaries for the Morgan Sindall Group Board. In addition, the directors routinely engage with the Morgan Sindall Group Board on topics of strategy, governance and performance. Company strategic plans are reviewed by the Morgan Sindall 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 the range of expertise we need to support and make a difference for our clients.

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

MORGAN SINDALL PROPERTY SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Engagement with stakeholders (continued)

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

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

We engage directly with our employees and keep them 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 methods and channels.

We encourage our employees to challenge the status quo and think differently so that they can keep improving, for example. 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.

A savings related share option scheme ("Sharesave") is currently in operation under which employees are given the opportunity to purchase Morgan Sindall Group plc shares in the future at a discount.

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.

Customers

We continue to work on the long-term relationships we have with our clients and partners. To engage better with our customers we use tool we have called "Rant and Rave". This sends out a short survey by text or email at key points in the repair service journey. The applications sentiment engine can understand natural language including slang and emojis enabling us to capture the true essence of the feedback so we can address issues should they arise.

Suppliers

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

MORGAN SINDALL PROPERTY SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Engagement with stakeholders (continued)

Communities

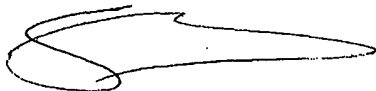
We consult local communities impacted by our proposed development to find out any concerns they may have.

Principal decisions

We define principal decisions as those that are material to the Company and to the Group and those that are significant to our key stakeholder groups as above. As set out above, we have given examples of how the directors have considered the outcomes from our stakeholder engagement, as well as the need to maintain the Company's reputation for high standards of business conduct, and to act fairly between the members of the Company in some of the principal decisions we have taken during the year.

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

Approved by and on behalf of the Board:



S Butler
Finance Director
21 September 2023

MORGAN SINDALL PROPERTY SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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

Going concern

The Group's business activities, together with the factors likely to affect its future development and performance, as well as the financial position of the Company, its cash flows, liquidity position and the borrowing facilities, are described in the Strategic Report on pages 2 to 6.

These financial statements have been prepared on a going concern basis which presumes that the Group has adequate resources to remain in operation and that the directors intend it to do so for the period ending 21 September 2024. In completing this analysis, the Directors have considered the commitment through a letter of financial support from the ultimate parent company, Morgan Sindall Group plc, and the ability of Morgan Sindall Group plc to continue to provide such support.

The Group's future workload is healthy with a secured order book of £1,204.4m and the Group has a strong financial position at the year end with net current assets of £22.2m (2021: net current assets of £21.8m). The Directors have reviewed the Group's forecasts and projections for the period to 21 September 2024, including sensitivity analysis to assess the Group's resilience to the potential financial impact of any plausible losses of revenue or operating profit which could arise from one of the principal risks to the business occurring. This showed that the Group would remain profitable throughout the period to 21 September 2024.

The Group participates in the Morgan Sindall Group's banking arrangements (under which it is a cross guarantor). As at 31 December 2022 the Morgan Sindall Group had net cash balances of £355m. The Morgan Sindall Group also had £15m of committed loan facilities maturing in 2024 and £165m of committed loan facilities maturing in 2025, which were entirely undrawn as at 31 December 2022.

The directors have reviewed Morgan Sindall Group plc's forecast and projections for the going concern period, including sensitivity analysis. The analysis included a reasonable worst case scenario in which the Group's principal risks manifest in aggregate to a severe but plausible level involving the aggregation of these risks. This showed that the Group would remain profitable throughout the going concern period and there is considerable headroom above lending facilities such that there is no expected requirement to utilise the bank facility. In addition, the Group also modelled a scenario that stress tests the Group's forecasts and projects to determine the scenario in which the headroom above the committed bank facility would be exceeded. This model showed that the Group's operating profit would need to deteriorate substantially for the headroom to exceed the committed bank facility. The Group consider this to be implausible. In all scenarios including the reasonable worst case, the Group is able to comply with its financial covenants, operate within its current facilities and meet its liabilities as they fall due up until 21 September 2024.

Based on the above, the directors have a reasonable expectation that the Group have adequate resources to continue in operational existence for the period ending 21 September 2024. Thus, they continue to adopt the going concern basis in preparing the financial statements. Further details can be found in the principal accounting policies in the financial statements.

MORGAN SINDALL PROPERTY SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Directors

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

Directors' indemnities

The Company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Furthermore Morgan Sindall Group maintains liability insurance for its directors and officers and those of its directors and officers of its associated companies. The Group has also indemnified certain directors of its Group companies to the extent permitted by law against any liability incurred in relation to acts or omissions arising in the ordinary course of their duties.

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

Dividends

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

Post balance sheet events

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

Political contributions

The Company made no political contributions during the year (2021: none).

Employment policies

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

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

Employee engagement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interest and that all employees are aware of the financial and economic performance of their business units and the Group as a whole. The Group recognises the need to ensure effective communication with employees and has developed various communication channels taking account of factors such as numbers employed and location, including an employee forum, an intranet and in-house newsletters. A savings related share option scheme ("Sharesave") is currently in operation under which employees are given the opportunity to purchase Morgan Sindall Group plc shares in the future at a discount.

MORGAN SINDALL PROPERTY SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Environmental performance

The Company is committed to minimising its environmental impact both now and in the longer term. We balance this with the need to undertake construction activities for our clients which can have a direct and indirect impact on the environment. Where possible, we encourage our clients to consider more environmentally sustainable products with a longer life expectancy. We also seek to deliver projects in ways that will minimise their impact on the environment by re-using waste and reducing our carbon impact as well as extending the life cycle of the buildings that we construct. The Morgan Sindall Group's Total Commitment to 'improving the environment' sets the strategy for managing our environmental impact. Within this Commitment the Group focuses on climate change and caring for the natural environment by reducing our carbon footprint and re-using and recycling waste where possible. The Group's Commitment sets out clear KPIs and targets for measuring performance and driving improvement. As a subsidiary company, the Company is exempt from reporting separately under the Streamlined Energy and Carbon Reporting programme, further disclosures on the Group's performance, including details of its Green House Gas emissions is disclosed in the strategic report of the Morgan Sindall Group's annual report.

Independent auditor and disclosure of information to the independent auditor

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

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

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

The auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

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 UK-adopted International Accounting Standards (UK IAS) and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

MORGAN SINDALL PROPERTY SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Directors' responsibilities statement (continued)

In preparing the parent company financial statements, the directors are required to:

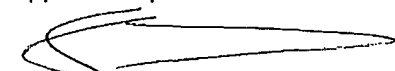
- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern. The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by and on behalf of the Board



S Butler

Finance Director

21 September 2023

MORGAN SINDALL PROPERTY SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL PROPERTY SERVICES LIMITED FOR THE YEAR ENDED 31 DECEMBER 2022

Opinion

We have audited the financial statements of Morgan Sindall Property Services Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Consolidated statement of comprehensive income, the Consolidated Balance Sheet, the Consolidated cashflow statement, the Consolidated statement of changes in equity, the Company balance sheet, the company statement of changes in equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MORGAN SINDALL PROPERTY SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL PROPERTY SERVICES LIMITED FOR THE YEAR ENDED 31 DECEMBER 2022

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period to 21 September 2024.

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MORGAN SINDALL PROPERTY SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL PROPERTY SERVICES LIMITED FOR THE YEAR ENDED 31 DECEMBER 2022

Matters on which we are required to report by exception

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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 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.

MORGAN SINDALL PROPERTY SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL PROPERTY SERVICES LIMITED FOR THE YEAR ENDED 31 DECEMBER 2022

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are frameworks directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (UK adopted International Accounting Standards)) and the relevant tax laws and regulations in the UK.
- We understood how Morgan Sindall Property Services Limited is complying with those frameworks by making enquiries of those charged with governance and management, including those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and papers as well as through consideration of the results of our audit procedures across the company, and including where necessary external management specialists.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business 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 controls that the company has established to address risks identified, or that otherwise prevent, deter, and detect fraud; and how senior management monitors those controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud and error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. In addition to those set out above, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Financial Statements with the requirements of the relevant accounting standards and UK legislation.

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

Use of our report

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

Ernst & Young LLP

Victoria Venning (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester, United Kingdom
21 September 2023

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

	Notes	2022 £000	2021 £000
Revenue	1	163,467	133,762
Cost of sales		(151,801)	(121,908)
Gross profit		11,666	11,854
Amortisation of intangible assets		(1,984)	(1,505)
Other administrative expenses		(7,363)	(7,768)
Operating profit	2	2,319	2,581
Interest payable	5	(1,064)	(529)
Interest receivable	5	8	-
Profit before tax		1,263	2,052
Tax charge	6	(232)	(275)
Profit for the financial year attributable to owners of the Company	19	1,031	1,777
Other comprehensive income		-	-
Total comprehensive income for the year attributable to owners of the Company		1,031	1,777

Continuing operations

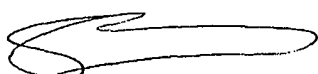
The results for the current and previous financial years all derive from continuing operations.

MORGAN SINDALL PROPERTY SERVICES LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2022

		2022	2021
	Notes	£000	£000
Non-current assets			
Intangible assets	7	3,338	4,087
Property, plant and equipment	8	7,238	4,002
Deferred tax assets	15	498	253
		11,074	8,342
Current assets			
Contract assets	13	73,576	48,524
Trade and other receivables	11	13,729	11,271
Inventories	10	1,329	571
		88,634	60,366
Total assets		99,708	68,708
Current liabilities			
Bank overdrafts	12	(16,881)	(15,028)
Contract liabilities	13	(1,097)	(2,571)
Trade and other payables	14	(46,140)	(20,147)
Current tax liabilities		(783)	(266)
Lease liabilities	22	(1,569)	(561)
		(66,470)	(38,573)
Net current assets		22,164	21,793
Non-current liabilities			
Lease liabilities	22	(5,220)	(3,148)
		(5,220)	(3,148)
Total liabilities		(71,690)	(41,721)
Net assets		28,018	26,987
Equity			
Share capital	16	27,480	27,480
Share premium account	17	911	911
Merger reserve	18	(1,987)	(1,987)
Retained earnings	19	1,614	583
Total equity		28,018	26,987

The financial statements of Morgan Sindall Property Services Limited (company number 04415196) were approved by the Board and authorised for issue on 21 September 2023. They were signed on its behalf by:



..... S Butler, Finance Director
21 September 2023

MORGAN SINDALL PROPERTY SERVICES LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	2021
	Notes	£000	£000
Operating activities			
Profit for the year	19	1,031	1,777
Adjusted for:			
Amortisation of intangible assets	7	1,984	1,505
Depreciation	8	1,490	1,031
Finance costs	5	1,056	529
Income tax expense	6	232	275
Operating cash flows before movements in working capital		5,793	5,117
Increase in trade and other receivables	11	(2,458)	(1,607)
Increase in contract assets	13	(25,052)	(19,747)
(Decrease)/increase in trade and other payables	14	25,860	(2,232)
Increase/(decrease) in contract liabilities	13	(1,474)	243
Decrease in inventories	10	(758)	(217)
Cash used in operations		(3,882)	(23,560)
Income taxes received		33	336
Net cash used in operating activities		(3,849)	(23,224)
Investing activities			
Purchases of intangible assets	7	(1,235)	(1,402)
Purchases of property, plant and equipment	8	(579)	(320)
Net cash used in investing activities		(1,814)	(1,722)
Financing activities			
Increase in share capital		-	20,000
Payment of lease liabilities		(1,252)	(794)
Interest paid		(731)	(410)
Net cash (used in)/generated from financing activities		(1,983)	18,796
Net decrease in cash and cash equivalents		(1,853)	(1,033)
Cash and cash equivalents at 1 January		(15,028)	(13,995)
Cash and cash equivalents at 31 December		(16,881)	(15,028)

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

	Share Capital (Note 16)	Share Premium account (Note 17)	Merger reserve (Note 18)	Retained earnings (Note 19)	Total
	£000	£000	£000	£000	£000
At 1 January 2021	7,480	911	(1,987)	(1,194)	5,210
Issue of share capital	20,000	-	-	-	20,000
Profit for the year and Total comprehensive income	-	-	-	1,777	1,777
At 1 January 2022	27,480	911	(1,987)	583	26,987
Profit for the year and Total comprehensive income	-	-	-	1,031	1,031
At 31 December 2022	27,480	911	(1,987)	1,614	28,018

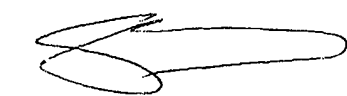
MORGAN SINDALL PROPERTY SERVICES LIMITED

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Intangible assets	7	2,180	3,212
Property, plant and equipment	8	7,122	3,917
Investment in subsidiaries	9	1,987	1,987
Deferred tax asset		477	269
		11,766	9,385
Current assets			
Inventories	10	1,279	551
Contract assets	13	66,592	42,873
Trade and other receivables	11	11,589	11,324
Current tax asset		66	152
		79,526	54,900
Total assets		91,292	64,285
Current liabilities			
Bank overdraft	12	(14,726)	(15,510)
Contract liabilities	13	(1,061)	(2,499)
Trade and other payables	14	(52,434)	(25,622)
Lease liabilities	22	(1,569)	(561)
		(69,790)	(44,191)
Net current assets		9,736	10,710
Non-current liabilities			
Lease liabilities	22	(5,220)	(3,148)
		(5,220)	(3,148)
Total liabilities		(75,010)	(47,340)
Net assets		16,282	16,945
Equity			
Share capital	16	27,480	27,480
Share premium	17	911	911
Retained earnings	19	(12,109)	(11,446)
Total Shareholder's funds		16,282	16,945

The Company reported a loss for the financial year ended 31 December 2022 of £0.7m (2021: £0.1m loss).

The financial statements of Morgan Sindall Property Services Limited (registered number 04415196) were approved by the Board and authorised for issue on 21 September 2023. They were signed on its behalf by:



..... S Butler, Finance Director

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

	Share capital (Note 16) £'000	Share Premium account (Note 17)	Retained earnings (Note 19) £'000	Total £'000
At 1 January 2021	7,480	911	(11,327)	(2,936)
Issue of share capital	20,000	-	-	20,000
Loss for the year and Total comprehensive loss	-	-	(119)	(119)
At 1 January 2022	27,480	911	(11,446)	16,945
Loss for the year and total comprehensive loss	-	-	(663)	(663)
At 31 December 2022	27,480	911	(12,109)	16,282

MORGAN SINDALL PROPERTY SERVICES LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

General information

Morgan Sindall Property Services Limited (the 'Group' or 'Company') is a private company limited by shares, incorporated and domiciled in the UK under the Companies Act 2006 and registered in England and Wales. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 2 to 6. The address of the registered office is given on page 1.

Basis of accounting

The consolidated financial statements have been prepared on the going concern basis and in accordance with UK-adopted International Accounting Standards ('UK IAS'). The Company financial statements have been prepared on the going concern basis in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101. Both the consolidated and Company financial statements have been prepared in accordance with the Companies Act 2006.

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

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

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

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

Ultimate controlling party

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

Adoption of new and revised standards

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

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

- Amendments to IFRS 3 'Reference to the Conceptual Framework'
- Amendments to IAS 16 'Property, Plant and Equipment – Proceeds before Intended Use'
- Amendments to IAS 37 'Onerous Contracts – Cost of Fulfilling a Contract'
- Annual Improvements to IFRS Accounting Standards 2018-2020 cycle

MORGAN SINDALL PROPERTY SERVICES LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

Adoption of new and revised standards (continued)

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

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

- IFRS 17 'Insurance Contracts'
- IFRS 10 and IAS 28 (amendments) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current'
- Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements – Disclosure of Accounting Policies'
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates'
- Amendments to IAS 12 'Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction'
- Amendments to IFRS 16 'Lease Liability in a Sale and Leaseback'

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

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

Going concern

The Group's business activities, together with the factors likely to affect its future development and performance, as well as the financial position of the Company, its cash flows, liquidity position and the borrowing facilities, are described in the Strategic Report on pages 2 to 6.

These financial statements have been prepared on a going concern basis which presumes that the Group has adequate resources to remain in operation and that the directors intend it to do so for the period ending 21 September 2024. In completing this analysis, the Directors have considered the commitment through a letter of financial support from the ultimate parent company, Morgan Sindall Group plc, and the ability of Morgan Sindall Group plc to continue to provide such support.

The Group's future workload is healthy with a secured order book of £1,204.4m and the Group has a strong financial position at the year end with net current assets of £22.2m (2021: net current assets of £21.8m). The Directors have reviewed the Group's forecasts and projections for the period to 21 September 2024, including sensitivity analysis to assess the Group's resilience to the potential financial impact of any plausible losses of revenue or operating profit which could arise from one of the principal risks to the business occurring. This showed that the Group would remain profitable throughout the period to 21 September 2024.

MORGAN SINDALL PROPERTY SERVICES LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

Going concern (continued)

The Group participates in the Morgan Sindall Group's banking arrangements (under which it is a cross guarantor). As at 31 December 2022 the Morgan Sindall Group had net cash balances of £355m. The Morgan Sindall Group also had £15m of committed loan facilities maturing in 2024 and £165m of committed loan facilities maturing in 2025, which were entirely undrawn as at 31 December 2022.

The directors have reviewed Morgan Sindall Group plc's forecast and projections for the going concern period, including sensitivity analysis. The analysis included a reasonable worst case scenario in which the Group's principal risks manifest in aggregate to a severe but plausible level involving the aggregation of these risks. This showed that the Group would remain profitable throughout the going concern period and there is considerable headroom above lending facilities such that there is no expected requirement to utilise the bank facility. In addition, the Group also modelled a scenario that stress tests the Group's forecasts and projects to determine the scenario in which the headroom above the committed bank facility would be exceeded. This model showed that the Group's operating profit would need to deteriorate substantially for the headroom to exceed the committed bank facility. The Group consider this to be implausible. In all scenarios including the reasonable worst case, the Group is able to comply with its financial covenants, operate within its current facilities and meet its liabilities as they fall due up until 21 September 2024.

Based on the above, the directors have a reasonable expectation that the Group have adequate resources to continue in operational existence for the period ending 21 September 2024. Thus, they continue to adopt the going concern basis in preparing the financial statements. Further details can be found in the principal accounting policies in the financial statements.

Basis of consolidation

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

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

Intangible assets

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

MORGAN SINDALL PROPERTY SERVICES LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

Property, plant and equipment

Plant, machinery and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided in equal annual instalments at rates calculated to write off the cost of the assets, over their estimated useful lives as follows:

Plant, equipment, fixtures and fittings	5% per annum
Motor vehicles	33% per annum
Short term leasehold property	the period of the lease (2 – 10 years)

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

Investments in subsidiaries

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

Inventories

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

Revenue

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

Contract accounting

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

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

MORGAN SINDALL PROPERTY SERVICES LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

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 income statement comprises the depreciation of the right-of-use asset and the imputed interest on the lease liability.

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

Pensions

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

Income tax

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

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

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

MORGAN SINDALL PROPERTY SERVICES LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

Income tax (continued)

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

Financial instruments

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

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.

Grants

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

Provisions

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

MORGAN SINDALL PROPERTY SERVICES LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2022

Critical accounting judgements and key sources of estimation uncertainty

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

(a) Critical judgements in applying the Group's accounting policies

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

(b) Key sources of estimation uncertainty

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

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

1. Analysis of revenue

All revenue and profit before taxation relates to the Groups principal activity carried out in the UK, and all is recognised overtime.

2. Operating profit

	2022	2021
	£000	£000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets:		
- Owned assets	328	316
- Right of use assets	1,162	715
Amortisation of intangible fixed assets	1,984	1,505
Expense relating to low value and short-term leases:		
- plant and machinery	1,354	1,159

	2022	2021
	£'000	£'000
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	82	74
Fees payable to the Company's auditor for the audit of annual financial statements of subsidiary companies pursuant to legislation	3	3
Total auditor's remuneration	85	77

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

3. Staff costs

	2022	2021
	£000	£000
Wages and salaries	37,769	30,941
Social security costs	4,194	3,280
Pension costs	1,466	1,182
	43,429	35,403
	No.	No.
The average number of monthly employees (including executive directors) during the year was:	951	786

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

4. Directors' remuneration

	2022	2021
	£000	£000
Directors' remuneration		
Emoluments	1,166	1,165
Company contributions to money purchase pension scheme	35	34
Other benefits	59	40
	1,260	1,239
Remuneration of the highest paid director		
Emoluments	382	512
Company contributions to money purchase pension scheme	4	11
	No.	No.
The number of directors who:		
- are members of money purchase pension schemes	5	4

Total emoluments excludes amounts in respect of share options (granted and/or exercised), pension contributions, benefits under pension schemes and benefits under long term incentive plans. No other benefits were paid during the period.

Two of the directors of the Company received no emoluments (2021: none) in their capacity as directors of this Company. These individuals are remunerated by another company in the wider Morgan Sindall Group and performed no qualifying services during 2022.

5. Interest (payable)/receivable

	2022	2021
	£000	£000
Bank interest payable	(871)	(417)
Interest on lease liabilities	(193)	(112)
Interest payable	(1,064)	(529)
Bank interest receivable	8	-
Net interest payable	(1,056)	(529)

The bank interest payable is due to a bank overdraft facility. This bank overdraft is provided within a wider cash management system operated for the Morgan Sindall Group. The overdraft is repayable on demand, and interest on the overdraft is calculated at a rate of base rate plus 1.5% (2021: 1.5%)

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

6. Tax

	2022	2021
	£000	£000
UK corporation tax charge on profit for the year	214	308
Adjustment in respect of previous years	262	(42)
Total current tax	476	266
Prior year	(261)	(14)
Current year	17	23
Total deferred tax (note 15)	245	9
Total tax expense	232	275

Corporation tax is calculated at 19% (2021: 19%) of the estimable taxable profit for the year. The actual tax charge for the current and preceding year differs from the standard rate for the reasons set out in the following reconciliation:

	2022	2021
	£000	£000
Profit before tax	1,263	2,052
Tax on profit at corporation tax rate	240	390
<i>Factors affecting the charge for the year:</i>		
Adjustments in respect of prior years	1	(57)
Effect of change in tax rate used to calculate deferred tax balances	-	(68)
Other permanent difference	(9)	10
Total tax expense	232	275

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

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

7. Intangible assets

Group	Software
	£000
Cost	
As at 1 January 2021	8,299
Additions	1,402
As at 1 January 2022	9,701
Additions	1,235
Disposals	(2,260)
As at 31 December 2022	8,676
Amortisation	
As at 1 January 2021	(4,109)
Charge for the year	(1,505)
As at 1 January 2022	(5,614)
Charge for the year	(1,984)
Disposals	2,260
As at 31 December 2022	(5,338)
Net book value	
As at 31 December 2022	3,338
As at 31 December 2021	4,087

Intangible assets

Company	Software
	£000
Cost	
As at 1 January 2021	8,299
Additions	691
Transfer of assets to other group companies	(164)
As at 1 January 2022	8,826
Additions	643
Disposals	(2,260)
As at 31 December 2022	7,209
Amortisation	
As at 1 January 2021	(4,109)
Charge for the year	(1,505)
As at 1 January 2022	(5,614)
Charge for the year	(1,675)
Disposals	2,260
As at 31 December 2022	(5,029)
Net book value	
As at 31 December 2022	2,180
As at 31 December 2021	3,212

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

8. Property, plant and equipment

Group	Plant, equipment, fixtures & fittings £000	Motor vehicles £000	Right of use assets - Buildings £000	Right of use assets – Motor vehicles £000	Total £000
Cost					
As at 1 January 2021	4,129	28	3,862	905	8,924
Additions	320	-	126	432	878
Disposals	(3,453)	(28)	(271)	(419)	(4,171)
As at 1 January 2022	996	-	3,717	918	5,631
Additions	579	-	928	3,247	4,754
Disposals	(528)	-	-	(222)	(750)
As at 31 December 2022	1,047	-	4,645	3,943	9,635
Depreciation					
As at 1 January 2021	(3,676)	(28)	(642)	(433)	(4,779)
Charge for the year	(316)	-	(406)	(309)	(1,031)
Disposals	3,453	28	282	418	4,181
As at 1 January 2022	(539)	-	(766)	(324)	(1,629)
Charge for the year	(328)	-	(394)	(768)	(1,490)
Disposals	528	-	-	194	722
As at 31 December 2022	(339)	-	(1,160)	(898)	(2,397)
Net Book Value					
As at 31 December 2022	708	-	3,485	3,045	7,238
As at 31 December 2021	457	-	2,951	594	4,002

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

8. Property, plant and equipment (continued)				
Company	Plant, equipment, fixtures & fittings £000	Right of use assets - Buildings £000	Right of use assets – Motor vehicles £000	Total £000
Cost				
As at 1 January 2021	1,216	3,862	905	5,983
Additions	225	126	432	783
Disposals	(539)	(271)	(419)	(1,229)
As at 1 January 2022	902	3,717	918	5,537
Additions	506	928	3,247	4,681
Disposals	(528)	-	(222)	(750)
As at 31 December 2022	880	4,645	3,943	9,468
Depreciation				
As at 1 January 2021	(763)	(642)	(433)	(1,838)
Charge for the year	(306)	(406)	(309)	(1,021)
Disposals	539	282	418	1,239
As at 1 January 2022	(530)	(766)	(324)	(1,620)
Charge for the year	(286)	(394)	(768)	(1,448)
Disposals	528	-	194	722
As at 31 December 2022	(288)	(1,160)	(898)	(2,346)
Net Book Value				
As at 31 December 2022	592	3,485	3,045	7,122
As at 31 December 2021	372	2,951	594	3,917

9. Investments in subsidiaries	
	Subsidiaries £000
Cost and net book value	
At 1 January 2022	1,987
Additions	-
At 31 December 2022	1,987

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

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

9. Investments in subsidiaries (continued)

Name of company	Principal activity	Proportion of ordinary shares held
Lovell Powerminster Limited	Maintenance of facilities management	100%
Golden I Limited	Provision of data analytics	100%
Manchester Energy Company Limited	Maintenance of facilities management	100%*

*Indirect Holding

10. Inventories

	31 December 2022		31 December 2021	
	Group £000	Company £000	Group £000	Company £000
Small tools and consumables	1,329	1,279	571	551
	1,329	1,279	571	551

11. Trade and other receivables

	31 December 2022		31 December 2021	
	Group £000	Company £000	Group £000	Company £000
Amounts falling due within one year				
Trade receivables	10,727	8,495	8,986	7,530
Amounts owed by Group undertakings	-	117	93	1,624
Prepayments and accrued income	3,002	2,977	2,192	2,170
	13,729	11,589	11,271	11,324

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

At 31 December 2022 retentions held by customers for contract work amounted to £0.6m (31 December 2021: £0.8m). Included in the above trade receivables balance of £10,727K there is a provision for impairment losses of £534K (31 December 2021: £361K). The Company holds third party insurances that may mitigate the contract and legal liabilities described in note 14 - Provisions. Insurance receivables are recognised when reimbursement from insurers is virtually certain.

12. Bank overdrafts

Group Bank Overdrafts is the net sum of Cash and bank balances and Bank overdrafts:

	2022 £000	2021 £000
Cash and bank balances	698	482
Bank overdrafts	(17,579)	(15,510)
	(16,881)	(15,028)

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

13. Contract assets and liabilities

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

	31 December 2022		31 December 2021	
	Group £000	Company £000	Group £000	Company £000
Contract assets	73,576	66,592	48,524	42,873
Contract liabilities	(1,097)	(1,061)	(2,571)	(2,499)

The contract assets primarily relate to the Group's right to consideration for construction work completed but not invoiced at the balance sheet date. The contract assets are transferred to trade receivables when the amounts are certified by the customer. On most contracts certificates are issued by the customer on a monthly basis.

The Group has taken advantage of the practical expedient in paragraph 94 of IFRS 15 to immediately expense the incremental costs of obtaining contracts where the amortisation period of the assets would have been one year or less.

The contract liabilities primarily relate to the advance consideration received from customers in respect of performance obligations which have not yet been fully satisfied and for which revenue has not been recognised. All contract liabilities held at 31 December 2022 are expected to satisfy performance obligations in the next 12 months.

Significant changes in the contract assets and the contract liabilities during the period are as follows:

	2022 £000		2021 £000	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Group				
As at 1 January	48,524	(2,571)	28,777	(2,328)
Revenue recognised				
- performance obligations satisfied in the current period	163,467	2,571	133,762	2,328
Cash received for performance obligations not yet satisfied	-	(1,097)	-	(2,571)
Amounts transferred to trade receivables	(138,415)	-	(114,015)	-
As at 31 December	73,576	(1,097)	48,524	(2,571)

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

13. Contract assets and liabilities (continued)

	2022 £000		2021 £000	
Company	Contract assets	Contract liabilities	Contract assets	Contract liabilities
As at 1 January	42,873	(2,499)	24,441	(2,325)
Revenue recognised				
- performance obligations satisfied in the current period	155,179	2,499	125,982	2,325
Cash received for performance obligations not yet satisfied	-	(1,061)	-	(2,499)
Amounts transferred to trade receivables	(131,460)	-	(107,550)	-
As at 31 December	66,592	(1,061)	42,873	(2,499)

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

	2023 £000	2024 £000	2025+ £000	Total £000
As at 31 December 2022	150,443	148,256	905,731	1,204,430

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

14. Trade and other payables

	31 December 2022		31 December 2021	
	Group	Company	Group	Company
	£000	£000	£000	£000
Trade payables	5,185	5,185	5,950	5,950
Amounts owed to Group undertakings	20,008	27,112	-	6,602
Social security and other taxes	7,429	7,174	5,972	5,676
Accrued expenses	12,792	12,237	7,617	6,786
Other payables	726	726	608	608
	46,140	52,434	20,147	25,622

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

15. Deferred tax asset

	2022	2021
	£000	£000
As at 1 January	253	262
Statement of comprehensive income credit/(charge) (note 6)	245	(9)
Balance at 31 December	498	253

Deferred tax assets consist of the following amounts:

	2022	2021
	£000	£000
Accelerated capital allowances	429	215
Short term timing differences	69	38
	498	253

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

16. Share Capital

	2022	2021
	£000	£000
Allotted, called up and fully paid		
Balance as at 31 December (27,480,101 ordinary shares of £1 each)	27,480	27,480

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

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

17. Share Premium		
	2022	2021
	£000	£000
Balance as at 31 December	911	911

18. Merger Reserve		
	2022	2021
	£000	£000
Balance as at 31 December	(1,987)	(1,987)

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

19. Retained Earnings	31 December 2022		31 December 2021	
	Group	Company	Group	Company
	£000	£000	£000	£000
Balance as at 1 January	583	(11,446)	(1,194)	(11,327)
Profit/(loss) for the year	1,031	(663)	1,777	(119)
Balance as at 31 December	1,614	(12,109)	583	(11,446)

20. Pension commitments

The Company contributes to the Morgan Sindall Retirement Benefits Plan and to other employees' personal pension arrangements. The Morgan Sindall Retirement Benefits Plan is a defined contribution post-retirement benefit plan under which the Company pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. The pension creditor at 31 December 2022 was £0.3m (2021: £0.2m).

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.

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

22. Lease liabilities

The Group and Company leases assets including property, plant and vehicles. The lease terms on motor vehicles range between 1-4 years. There are no variable terms to any of the leases. The maturity profile for the lease liabilities at 31 December 2022 are set out below:

	Buildings		Motor Vehicles	
	2022	2021	2022	2021
	£000	£000	£000	£000
Maturity analysis				
Within one year	431	273	1,138	288
Within one to five years	1,860	1,084	1,862	299
After more than five years	1,498	1,765	-	-
	3,789	3,122	3,000	587

	2022			2021		
	Buildings	Motor Vehicles	Total	Buildings	Motor Vehicles	Total
	£000		£000	£000	£000	£000
As at 1 January	3,122	587	3,709	3,345	467	3,812
Additions	928	3,242	4,170	125	454	579
Terminations	-	(31)	(31)	-	-	-
Repayments	(380)	(872)	(1,252)	(445)	(349)	(794)
Interest expenses	119	74	193	97	15	112
As at 31 December	3,789	3,000	6,789	3,122	587	3,709

23. Related party transactions

In the ordinary course of business and through loan relationships, the Group has traded with its ultimate parent company Morgan Sindall Group together with its subsidiaries. Balances with these entities are disclosed in notes 11 and 13 of these financial statements. The company has taken advantage of the exemption permitted by FRS 101 not to disclose transactions with entities that are wholly owned by the Group.

24. Financial Instruments

Risk exposure

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

Cash and cash equivalents

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

MORGAN SINDALL PROPERTY SERVICES LIMITED

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

24. Financial Instruments (continued)

Capital Management

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

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

The Group is not subject to externally imposed capital requirements.

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

	31 December 2022		31 December 2021	
	Gross trade receivables	Provision for impairment	Gross trade receivables	Provision for impairment
	£000	£000	£000	£000
Not past due	6,289	-	4,293	-
Past due 1 to 30 days	925	-	907	-
Past due 31 to 120 days	879	-	603	-
Past due 121 to 365 days	936	-	2,617	-
Past due greater than one year	2,232	(534)	927	(361)
	11,261	(534)	9,347	(361)

25. Subsequent events

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