NG Bailey
100 years 1921-2021

NG Bailey Group Limited Financial Statements

26 February 2021

Company registration 1490238

Contents

Financially strong

With a balanced pipeline of work across sustainable and resilient sectors

Net assets

£141.8m

2021	£141.8m
2020	£148.9m
2019	£133.9m

Total cash and investments

£85.8m

2021	£85.8m
2020	£78.2m
2019	£76.6m

Order book

£1.2bn

2021	£1.2bn
2020	£1.4bn
2019	£1.4bn

Underlying operating (loss) / profit*

(£2.7m)

2021	(£2.7m)
2020	£19.8m
2019	£19.4m

* A reconciliation of statutory to underlying results is set out on page 40

OUR 1 STORY

Our Purpose

Together we create and maintain exceptional buildings and infrastructure to enable a society that connects seamlessly, operates efficiently and prospers now and in the future.

Brought to life through our four pillars of excellence

Our people strive to make a difference.

NG Bailey people stand out in our industry - skilled and professional, but also genuine, innovative and positive. We add value for our customers, we put the project first, have the resources, the expertise and a relentless determination to deliver beyond expectation in every situation.

Passion

We put our customers at our core.

Our approach is rooted in our history as a business that builds strong client relationships forged on trust and operational excellence. We listen to our customers and work in partnership with them to deliver postive outcomes no matter how challenging or complex the project is.

Integrity

Together, we operate responsibly.

As a family owned business, working responsibly means delivering value in a safe, secure and sustainable manner. Environmental and social priorities influence the way we do business and enable us to make a difference for our customers, our people and society - as we transform and maintain the places where we work, live and relax.

Responsibility

Our expertise is driven by innovation and ambition.

We have a reputation as problem solvers, applying our innovative spirit and ingenuity to solve the engineering and infrastructure challenges of our nation. Our outputs and solutions are hugely innovative yet practical and our clients trust and expect us to deliver consistently to the highest standard.

Excellence

Supported by our values and engrained in our values statement

Together, for positive impact.

Delivered through our offering

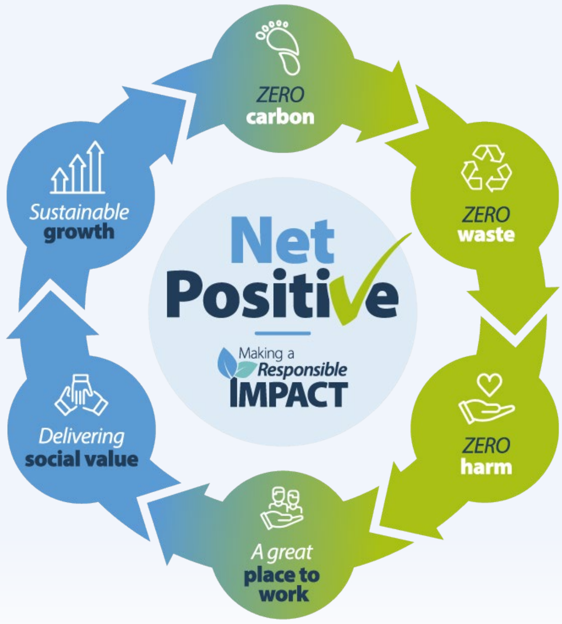
A total built environment offering.

A true end-to-end solution that covers the whole built environment. From initial project concept, through design, engineering, infrastructure, and digital infrastructure solutions onto energy solutions and facilities management.

Engineering Services

NG Bailey 100years 1921-2021

Being a ***responsible, family owned*** business



Delivering customer value

Consistently ***positive customer feedback***

Engineering

- Operational Excellence *(Mechanical & Electrical)*
- Offsite Manufacture
- Sector Expertise

Services

- Facilities & Infrastructure Services
- IT Services
- Freedom *(High Voltage Maintenance & Projects)*

Our ***people***

Inclusive culture through our ***Fairness, Inclusion and Respect programme***

Circa ***3,200**** *employees with consistently* ***high employee*** *engagement*

Prioritised ***wellbeing*** *and keeping our* ***people safe*** *during COVID-19*

Training apprentices since ***1934***

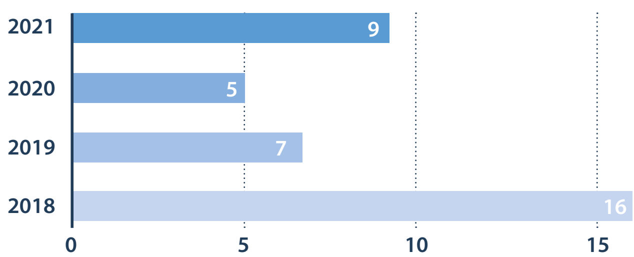
** average for the period*

Safety First & Foremost

Don't Walk By

Our Don't Walk By campaign has continued to support the safety and wellbeing of our people in the workplace

RIDDOR Accidents



RoSPA Awards

2020 RoSPA Order of Distinction

2020 RoSPA Gold Medal Award

ISO 45001 achieved

bsi. ISO 45001 Occupational Health and Safety Management

Prestigious ***ISO 27001*** for ***IT Services***

bsi. ISO/IEC 27001 Information Security Management

NG Bailey

CELEBRATING 100 years 1921-2021

We are the **UK's leading independent** engineering and services business with **100 years of success.**

1921

NG Bailey is founded

12 employees | Turnover £5,000

Formed in a basement in Leeds, installing electrical wiring in a 12th century Norfolk manor house was one of the first projects. 1922 saw Noel Grimshaw Bailey buying out his partner and forming a non-limited company.

1930

Growth and expansion

40 employees | Turnover £30,000

We became a limited company and opened our first electrical goods shop in Leeds. Noel Grimshaw Bailey launched our now well-established apprenticeship scheme by engaging five apprentices to help with the growing workload.

1940

Going nuclear

100 employees | Turnover £139,000

The 1940s saw the company continuing to support the country's war efforts and later focusing on major industrial projects and expansion into the atomic energy industry.

1950

Supporting scientific advancement

1,100 employees | Turnover £1.4m

The 1950s saw continued expansion with a major focus on the country's growing nuclear industry; this field took us overseas to projects in the Middle East.

1960

In full swing

The swinging sixties saw NG Bailey move into pipework installations with the company now offering all types of electrical work, we completed our first multi-storey office block.

1970

Golden years

Our apprenticeship programme saw intake increasing by 35% and in 1978 we also had our largest intake to date, with 144 young people successfully securing a role.

1980

A decade of progress

2,700 employees | Turnover £100m

We expanded further and our Denton Hall office was equipped with new facilities to accommodate the numerous training courses on offer within the business.

1990

Maintenance services begin

We entered the heating, ventilation and cooling market and introduced Bailey Maintenance Services – a forerunner of our Facilities Infrastructure Services offering.

2000

Reaching milestones

We achieved our first Investors in People Award and turnover exceeded £600m. Bailey Prefabrication and Bailey Teswaine, which later became known as Offsite Manufacture and IT Services, were formed.

2010

Shaping the future

Our acquisition of Freedom Group gave us a presence in the electricity distribution network market. We secured our largest contract to date, worth more than £600m, at Hinkley Point C, the UK's first new nuclear power station in two decades.

2020

Working together

Despite the challenges of 2020 we continued to work together to achieve great things. We joined the fight against coronavirus, working collaboratively on the NHS 'Nightingale Hospitals' initiative, to quickly deliver working field hospitals in Manchester, Harrogate, Cardiff, Deeside and Bangor.

2021

An exciting future

In our centenary year, we celebrate being 100 years young, 100 years responsible, 100 years together and 100 years strong. We are immensely proud of the people and projects that have made us the award-winning, industry-leading business we are today.

The future is exciting for NG Bailey.

CELEBRATING

100 years

1921-2021

100 years together

100 years responsible

100 years young

100 years strong

Strategic Report

Business Review

This year marks our 100th year of business and while this is a time for celebration, it has also been one of the most challenging times we've endured since our formation back in 1921, with all aspects of the business being affected in some way by COVID-19.

It has been an unprecedented year, and the Group has worked hard to manage the operational impact of COVID-19 and offer continuing support to our customers, people and communities.

As always, the health and safety of our employees, customers and supply chain remains first and foremost and there has never been a time where this has been more important than over the past 12 months. We continuously assessed and refined our operating procedures to respond to customer requirements and put measures in place to protect our people in line with government requirements.

We're really proud of our people and thankful for their determination, dedication and hard work during what has been a difficult and unpredictable time. Our teams have gone the extra mile to work together and support each other, and have continued to deliver a high level of service. For many of our customers, work carried on during the lockdowns and we continued to deliver vital building and infrastructure services across the UK.

Both our Engineering and Services divisions played a key role in delivering a wide range of services on the UK's Nightingale Hospital Programme. Deploying our offsite capability, we were able to deliver significant output in a very short space of time, supporting the national effort. More information on our work on the Nightingale projects is included on page 13.

Although the pandemic has tested us, it has also highlighted the tenacity of our teams and proven the strength of our strategy, to maintain a balanced portfolio of activities across building construction, infrastructure and services with a focus on recession resilient sectors.

We've also continued to win work and secure a number of contract renewals for a range of clients. We have a healthy order book and a strong pipeline of opportunities.

Whilst the 2020/21 result has inevitably been affected by the industry wide disruption and productivity challenges caused by COVID-19, the Group's reputation and history, strong balance sheet and management team, balanced strategy and solid market positions means we are optimistic and well positioned for the future.

CELEBRATING 100 years 1921-2021

Performance

At the forefront of our performance is our commitment to health, safety and wellbeing with the goal of engaging everyone across our business and supply chain to put 'Safety First & Foremost'.

Our Accident Frequency Rate (AFR) remains industry leading at 0.12 and the number of RIDDORS reported was nine (2020: five). Don't Walk By (DWB) reporting remains encouraging with just under 20,000 reported in the last 12 months, which demonstrates that vigilance and our reporting culture continue to be strong.

DON'T WALK BY!

20,000
reported in the last
12 months

Accident Frequency Rate (AFR) remains industry leading at

0.12

For this coming year, we have implemented a dedicated health and safety action plan, which includes the launch of some significant improvements, with the introduction of a new electronic SHE performance reporting system and a SHE culture development programme across the Group.

Unsurprisingly, COVID-19 has significantly impacted trading and we saw our sales fall 12% to £507m (2020: £573m), with the Group reporting an underlying operating loss (which is before exceptional items and amortisation) of (£2.7m) (2020: profit of £19.8m).

Our Engineering division was affected by a range of issues such as temporary site closures, access restrictions, productivity challenges from social distancing measures, and delays or cancellations of secured and potential projects.

Our Services division saw a wide range of customer responses to the crisis. In particular, there was a sharp reduction in discretionary spending during the initial lockdown, and whilst this has recovered over the remainder of the period, it remains below pre-pandemic levels.

There was a net exceptional cost during the period of £4.5m. This related to the cost of topping up salary payments to furloughed employees above the government's contribution and redundancy payments following the difficult decision to reduce our headcount by around 8% to operate in line with forecast activity levels in the short to medium-term (2020: exceptional profit of £0.9m largely from the sale of office property).

Despite the volatile market conditions, we have seen positive gains and income in the period from our money market investments. The loss before taxation is (£4.4m) (2020: profit of £20.5m).

Resilience

In the current trading environment, one of our key differentiators is the strength of our balance sheet, as our customers look for strength and stability in their supply chain over the lifecycle of their projects. At 26 February 2021, our net assets were £141.8m (2020: £148.9m) and are strongly cash backed, with cash and liquid investments of £86m (2020: £78m).

The Group's defined benefit pension scheme is well funded. At 26 February 2021, the pension scheme had a net surplus of £30.8m (2020: net surplus of £33.4m). The Group is not required to contribute towards the funding of the scheme given its surplus position at the most recent actuarial valuation.

The economic environment is challenging following the pandemic, with uncertainty from Brexit compounding this. This impacts the confidence of customers to make positive investment decisions and we have seen an impact on the order book and the gestation of projects from tender to award date. The resulting productivity challenges and a reduced output, have majorly impacted the industry in which we work, squeezing turnover and margins, which has unfortunately led to a toughening commercial environment.

The construction and engineering sector will take time to recover. With the government's commitment to infrastructure spending in defence, nuclear, rail and healthcare and its decarbonisation targets, we remain optimistic that the markets in which we operate are resilient and we are in a strong position to benefit.

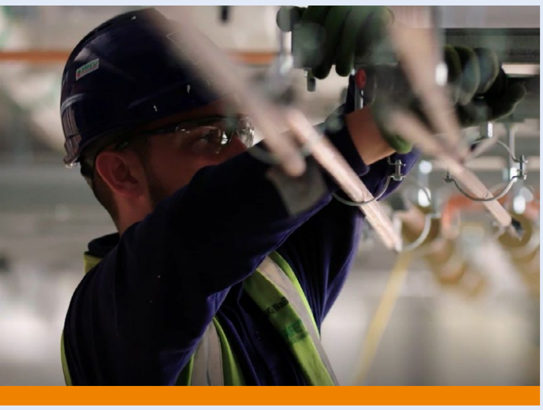
Our strategy is to focus on key UK recovery sectors and our order book and pipeline both align to this. We are cautious in our grow back plans to make sure we don't take on any significant risks and that we continue to be highly selective in our 'bid no bid' and estimation processes, to ensure we win work at margins commensurate with the risk.

Whilst COVID-19 means there may be a few difficult years ahead, with careful management and the continued efforts of everyone in our Group, we will overcome the unprecedented challenges and ensure our business remains resilient and sustainable during its 100-year anniversary and long after.

In the current trading environment, one of our key differentiators is the strength of our balance sheet. Our net assets of £142m are strongly cash-backed with cash and liquid investments of £86m.

We are committed to making further investment in our target areas of work and in our people, to make sure we are ready to thrive as trading conditions start to return to normal.

Our people have worked incredibly hard, living by our values of Passion, Integrity, Responsibility and Excellence. The Board and family would like to thank all our people for their contribution.



Principal activities

Founded in 1921, NG Bailey has grown to become the UK's leading independent engineering and services business.

Engineering

The Engineering division is a leading construction and engineering business, delivering outstanding projects throughout the built environment for a range of customers.

We specialise in the design, offsite manufacture and installation of mechanical and electrical solutions, and have an industry-leading reputation for delivering work and projects responsibly and sustainably. We have the largest specialist offsite manufacturing facility of its kind in the UK.

As a national business with a local presence, our project portfolio includes nuclear new build, defence, state of the art schools, universities and hospitals, cutting edge office spaces and retail venues, railway stations, sports stadiums, data centres and manufacturing facilities.

Services

The Services division's offering brings together our three businesses – Freedom (which encompasses power, networks and professional services), Facilities & Infrastructure Services, and IT Services.

The combined expertise of the division provides facilities engineering services, IT, fabric and project management services, power engineering services and land management capabilities, including operating on the UK electricity infrastructure through our Freedom business.

We offer a highly-attractive end-to-end proposition for our customers across a number of markets in the public and private sector, focusing on outstanding technical expertise, strong values and assured project delivery.

Company

The principal activities of the Company are the management of subsidiary companies, current asset investments and commercial and industrial properties utilised in the Group's businesses.

COVID-19 update

COVID-19 has caused significant economic and social disruption and has had a material impact on the Group. Safety is always first and foremost at NG Bailey and keeping our people, sites and offices safe has been our priority throughout the pandemic. Maintaining strong engagement with our employees and supply chain has been key. We have also preserved our robust financial position and continued to serve our customers in accordance with government guidelines.

Health and safety

COVID-19 specific operating procedures were developed to enable our sites to keep operating while complying with all public health and government guidance, including the Construction Leadership Council guidelines.

Following the government's guidance, our office-based employees were encouraged to work from home wherever possible with remote working facilitated by an investment in our ICT infrastructure. This included the mobilisation of additional equipment and improved mobile devices in the lead up to the initial lockdown, together with the introduction of new remote access and Microsoft Teams software across the Group, enabling our people to connect with colleagues through video calls and virtual meetings.

All our offices were made COVID-19 secure through the introduction of clear signage and guidelines, one-way systems, hand sanitiser stations, occupancy limits for communal spaces and meeting rooms, socially distanced desks, end of week deep cleans and specialised cleaning of areas where there was potential COVID-19 risk.

Operational impact

We were able to adapt quickly to the constantly evolving challenges posed during the pandemic through our robust risk management and operational procedures, which have been thoroughly tested and proven to work well.

Our Group Operating Executive (GOE) worked together with the Board to proactively prioritise the main aims and key needs for the Group. During the initial months of the pandemic, frequent Board calls were held to ensure updates were discussed on a timely basis.

Early in the pandemic we had to close around 30% of our sites. Although all our sites are now fully operational again, our overall productivity levels have been affected by social distancing measures, which were essential to keep people safe, but have ultimately had an adverse effect on our contract programmes and margins.

For the Services division, the breadth and size of the customer base has meant a wide range of different customer responses to the crisis. The management team have continuously assessed and refined the operating procedures to respond to customer requirements and protect our people and stakeholders.

Our supply chain partners form an important part of our business and during this difficult period, it was more important than ever that we continued to pay our suppliers on time. We scrutinised our processes and made further improvements to ensure payments were consistent and prompt. This saw the percentage of invoices paid within 60 days significantly improving from 71% in the second half of last year to 92% in the second half of this year.

We utilised the Coronavirus Job Retention Scheme to protect our employee base. As part of supporting our people during COVID-19, we made the decision to top up pay for our people on furlough above the government contribution, including paying 100% of salary to all lower earners in the Group. This resulted in an overall cost to the Group in the period of £3.0m.

Our Board, GOE and senior leadership teams, who are higher paid individuals, all took a reduction in their salary between July and September 2020 to alleviate the impact on others across the business.

Despite these measures, it was clear that there had been a sharp change in the market as a result of COVID-19, with a reduction in expected volumes continuing at least in the short to medium-term. On this basis, the Group took the difficult decision to restructure our cost base with approximately 300 employees leaving the business during the period.

Recently, in recognition of their dedication during the crisis, all our employees have been given an additional day of leave to say thank you.

We were proud to support the fight against COVID-19 by working collectively with key partners throughout the industry to create several Nightingale hospitals across the UK. Both our Engineering and Services divisions came together to successfully deliver field hospitals in Manchester, Harrogate, Cardiff, Deeside and Bangor.

Financial resilience

We have a strong financial base with a robust balance sheet, with cash and liquid investments of £85.8m at 26 February 2021 and available banking facilities of £25m (overdraft facility with the Group's bankers HSBC). The facility was not used during the period with the cash balance remaining strong throughout. No government loan schemes were used during the pandemic. We took the decision to defer VAT payments under the government scheme to provide additional financial headroom, which will be repaid before February 2022.

The Group has sought to reduce variable costs and to preserve cash, where possible. This includes cutting out discretionary spend and deferring and reducing bonus and incentive scheme payments. No final dividend was paid for the period ended February 2020, nor is any proposed for the period ended February 2021.

Whilst the COVID-19 pandemic had a material effect on operations and the recovery may take some time, the Group is on track with its plan to safeguard our people, maintain operational capabilities and to preserve financial resources during the pandemic.

The Board believes the Group has the financial strength, available banking facilities and headroom to emerge from these challenging times in a strong, financially secure position.

The Group has an excellent reputation, extensive operational skills, a balanced portfolio of activities across resilient sectors and a healthy order book at £1.2bn. The Board is confident that the Group is well placed to play a significant role in the long-term opportunities across UK infrastructure, a sector where there is government commitment and that will play an important role in rebuilding the UK economy. As a family owned business of 100 years, we are committed to the long-term success of the business.

30% of our sites **closed early** in the **pandemic**

Circa **1,000** staff on **furlough** (at peak)

Additional **day of leave** in recognition of **dedication during the crisis**

Nightingale Hospitals Initiative

Offsite Manufacture | *24/7 service* | *Fast-track works* | *Collaboration* | *Health & Safety*

We were proud to support the fight against COVID-19 by working collectively with key partners throughout the industry to create several Nightingale hospitals across the UK.

Both our Engineering and Services divisions came together along with our Offsite Manufacture facility playing an essential role to deliver field hospitals in Manchester, Harrogate, Cardiff, Deeside and Bangor.

Time was of the essence and our dedicated Offsite Manufacture facility played a key role in the rapid delivery of these projects. The first bespoke product was designed, manufactured and delivered to site from our Bradford facility within 24-hours and at its peak, completed products were coming off the assembly line every three and a half minutes.

Hundreds of our employees worked round-the-clock to supply almost 100 miles of cabling, pipework and wiring, thousands of brackets, sockets and switches and other essential equipment.

Across the five Nightingale sites, our offsite facility delivered over:

- 22,000 electrical outlets
- 3,000 prefabricated bed head units
- 470 pipework modules
- 70 water heaters
- 70 hand sanitiser stations

More than 1,200 bedhead trunking systems were supplied for the Cardiff hospital alone, the UK's second largest emergency field hospital. In total, 6.5km of bedhead power trunking was fitted and 22,000 electrical outlets; 10km of medical gas pipework; 20km of wiring and 60 piped and wired water heaters and hundreds of circuit breaker leads were manufactured and supplied in less than three weeks.

In Manchester, we were part of the 1,000-strong team that transformed a Grade II listed building into a fully functioning 750 bed hospital in just two weeks. We installed and manufactured essential power and data services, including: 7,242m of copper pipework for essential medical gas supply; 104,608m of data cable and 864m of Unistrut support frames, to carry essential services throughout the hospital.

Harrogate Convention Centre was transformed into a 500 bed critical care hospital and altogether, 440 medical gas pipework modules; 500 bedhead power modules; 70 water / sink modules; 19km of medical gas pipework and 3,500 socket outlets were manufactured, delivered and fitted on site within two weeks.

By producing components offsite, not only were we able to ensure speed of manufacture for these time-sensitive projects, we were also able to enforce social distancing in the controlled environment. It also sped up progress by removing over 12,000 working hours from site.

Collaboration has always been an important part of our ethos; it was especially important for these key projects. Each site saw a different combination of partners and delivery requirements, with specialist teams from across the UK coming together to deliver the works in time. Our work on the NHS Nightingale Hospital projects was recognised at the 2020 Building Awards in the inaugural Proud to Help category.

Section 172 Companies Act 2006 Statement

The Board has chosen to apply the Wates Corporate Governance Principles for Large Private Companies for the period ended 26 February 2021. The Corporate Governance Report, which evidences how the Group applies the principles, is included on pages 23 to 32 and is also available on the Group's website at www.ngbailey.com.

These principles support the Directors in demonstrating how they comply with the requirements of Section 172 of the Companies Act 2006 and how these requirements have impacted the Board's decision making throughout the period.

In line with Section 172, the Board's priority is to ensure that the Directors have acted both individually and collectively in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole with regard to all its stakeholders and maintaining a reputation for high standards of business conduct.

In carrying out this duty during the period, the Directors have had regard for, amongst other matters, the areas set out in the table below with further details given in the Corporate Governance Report.

Area of consideration	Demonstrated by	Further information
Reputation of the business	NG Bailey has a proud heritage and a proven track record of achievement over 100 years. We are a business founded on our values of Passion, Integrity, Responsibility and Excellence which guide the Group's strategy, decisions, processes and culture. The Board believes that in order to continue achieving our goals, we must protect our reputation and relationships with our stakeholders through robust governance on a day-to-day basis, as outlined in our Corporate Governance Report	Pages 23 to 32
Our shareholders and wider family	The Group is a family-owned business and recognises the importance of dialogue with our shareholders. The Board continues to seek to align the Group's strategic direction with the shareholder's long-term aspirations. The Chair of the Board and the two family non-executive Directors are the primary communication routes between the Board and shareholders. An understanding of the shareholders' goals and priorities for the Group is gathered from a programme of communications with the shareholders and wider family.	Page 28
Strategy and long-term impact	The likely consequences on the success and long-term stability of the Group are taken into account when the Board makes decisions. Annually, the Board approves the Group's strategy and monitors its implementation throughout the period. This is facilitated by the Board's agenda of standing items which includes health and safety, financial performance, operational and people matters, risks and opportunities, market conditions and sustainability. The Board and its Committees oversee the Group's comprehensive risk management framework.	Pages 26 and 27
Relationships with employees	The Board recognises that attracting, retaining and developing people is key to its long-term success. The Group aims to be an employer of choice through market-competitive remuneration, training and development and fostering an inclusive culture through our 'Fairness, Inclusion and Respect' programme. We engage through team briefings, regular CEO briefings and our business update videos. Feedback is gathered through regular 'Pulse' surveys and acted upon.	Pages 29 to 31
Relationships with suppliers	Our supply chain partners play a key role in the Group's long-term stability and success. We follow a Customer of Choice strategy in order to manage our supply chain in a responsible and sustainable way and forge close and effective supplier relationships. We recognise the importance of paying the supply chain on time and have taken steps to improve our payment performance further over the last year.	Page 31
Relationships with customers	We listen to feedback from customers through our regular customer engagement surveys to identify improvements and retain our industry-leading reputation. This helps us build strong relationships with customers to support the long-term success of the Group.	Page 31
Impact on communities and the environment	We recognise that our responsibilities extend beyond our immediate operations and we are committed to being a good neighbour in our local communities and minimising our impact on the environment. We have established communication channels with communities to listen to their views and we support our employees and customers in charitable efforts and community projects. We have recently launched our new responsibility strategy 'Net Positive' which supports our long-term goal of doing business in a way that we put more into society, the environment and the global economy than we take out.	Page 32

Key Performance Indicators

Total cash and investments

£85.8m

2021	£85.8m
2020	£78.2m
2019	£76.6m
2018	£84.9m

Net assets

£141.8m

2021	£141.8m
2020	£148.9m
2019	£133.9m
2018	£139.0m

Order book

£1.2bn

2021	£1.2bn
2020	£1.4bn
2019	£1.4bn
2018	£1.0bn

Turnover

£507m

2021	£507m
2020	£573m
2019	£556m
2018	£481m

Underlying operating (loss) / profit*

(£2.7m)

2021	(£2.7m)
2020	£19.8m
2019	£19.4m
2018	£13.7m

Reportable RIDDOR incidents**

9

2021	9
2020	5
2019	7
2018	16

* The Group uses underlying operating profit as a key performance indicator to assess the performance of the Group. The underlying figure provides a consistent measure of business performance year-on-year and is used by management to measure operating performance. Underlying operating profit represents operating profit before exceptional items and amortisation of goodwill and acquired intangible assets. A reconciliation of statutory to underlying results is set out on page 40

** Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

Future Developments

Economic and market conditions continue to be challenging due to uncertainty from COVID-19 and Brexit. The Board and management team continue to monitor and develop the Group's plans to ensure we continue to deliver long-term value to our stakeholders.

Markets

The Group's diversification strategy is well advanced with a balanced set of activities across recession resilient sectors.

The economy is expected to take time to get back to pre-COVID levels with the speed of recovery varying on a sector-by-sector basis with some sectors expected to recover quicker than others. The outlook for our markets is positive with the UK government committing to drive economic recovery through substantial investment in infrastructure and decarbonising our environment.

Significant government commitments that underpin our markets include the National Infrastructure Strategy (which sets out plans to transform UK infrastructure and achieve net zero emissions by 2050), the Defence Spending Review and the Build Back Better roadmap. Over £600bn of public sector investment in infrastructure will be made over the next five years.

We are well positioned to benefit with a strong pipeline of work in key infrastructure sectors (including defence, nuclear, healthcare and rail) and strong credentials in the decarbonisation sector. This is evidenced by the continued strength of our order book (secured and anticipated work) which was £1.2bn at the period end (2020: £1.4bn).

Key sector	Update	Expertise
Defence	In November 2020, the government announced a significant programme of investment in British defence with a £16.5bn increase above its 2019 manifesto commitment (exceed a target of 2% of GDP) to be spent over the next four years	With more than 950 employees with a range of security clearances, our teams have the skills and expertise to deliver an end-to-end service offering which includes the delivery of complex engineering projects through to facilities, infrastructure services such as IT and power engineering services
Nuclear	A key source of large scale, low carbon energy for the UK. The government is providing £525m to bring forward the next generation of new nuclear power stations	NG Bailey engineers have worked in the nuclear sector since the 1950s and continue to deliver precision engineering services today. We are part of the alliance delivering Hinkley Point C and are well placed for the proposed Sizewell C plant
Healthcare	The government has committed to supporting the NHS Build Back Better programme including £3.7bn to deliver 40 new hospitals by 2030	Our expertise encompasses all aspects of healthcare facilities including medical research activities and specialist theatre developments. We have strong experience in this sector including projects at the Sheffield Children's Hospital and Royal Hallamshire Hospital
Rail	The reaffirmed government commitment to phases of HS2 and other rail programmes are set to transform the rail infrastructure in the UK	Our industry leading reputation has been built from flagship projects such as the redevelopment of Birmingham New Street station, London Bridge station and the Northern Line extension project
Decarbonisation	The government is committed to the decarbonisation of the transport and energy sectors to meet the target of net zero carbon emissions by 2050, with a focus on electric vehicles, renewables and battery gigaplants	We have demonstrated our credentials with our work at the UK's prestigious and pioneering new battery development facility, the UK Battery Industrialisation Centre (UKBIC). Since August 2020, we have been working closely with Britishvolt, the UK's foremost investor in battery technologies, to support the development of their scheme for the UK's first battery gigaplant

Interdisciplinary Biomedical Research Building, University of Warwick

Offsite expertise

The Engineering division is a pioneer in the use of offsite manufacturing, with our specialist Offsite Manufacture facility in Yorkshire, the largest of its kind in the UK. As well as significant safety benefits when compared with traditional construction site build conditions, offsite manufacture can also save build costs and significantly reduce deliveries, man hours and on-site waste. Our facility has a proven track record of delivering projects on time, on budget, and defect-free. It also supports our overall aim as a business to work safely, responsibly and sustainably.

Modern methods of construction played a significant role during COVID-19 as sites implemented social distancing measures (resulting in less capacity onsite) whilst remaining open. Offsite manufacturing, which can be done in a safe and socially distanced environment away from the construction site, played a pivotal role in ensuring works continued.

In September 2020, the Group won the Best Use of MEP and POD Technology award and Offsite Pioneer of the Year award from the Offsite Awards in recognition of its work on the Interdisciplinary Biomedical Research Building at the University of Warwick – a £54m state-of-the-art research building built using at least 50% offsite construction.

OFFSITE AWARDS 2020 WINNER OFFSITE PIONEER OF THE YEAR NG BAILEY

OFFSITE AWARDS 2020 WINNER BEST USE OF MEP & POD TECHNOLOGY NG BAILEY

Looking ahead

We have significant financial resources and can deploy capital selectively across sectors that will provide long-term returns as well as invest in our people, systems and processes.

The Group is able to take advantage of selected opportunities. In recent years the Group has acquired the trade and assets of both the Schneider Electric's Substation Engineering Services division and the HV Services division of Fundamentals Limited. These excellent additions for our Freedom business extend our range of services in the HV maintenance and renewable energy sectors and increase the Group's presence in the regulated distribution network market.

The Board and management team continue to monitor and develop the Group's plans to ensure we deliver long-term value to our stakeholders. Our Engineering business' technical expertise, quality of delivery and customer service is widely recognised, and our Services division continues to enhance our customer delivery capabilities.

Whilst economic and market conditions continue to be challenging due to uncertainty from COVID-19 and Brexit, we remain optimistic that the markets in which we operate are resilient and we are in a strong position to benefit.

POC-MAST™

The Group has invested in Freedom's award-winning POC-MAST™ product which offers a safer, faster and more affordable means of connecting to the local power network. In particular, POC-MAST™ is making it easier and more cost effective for renewable energy projects to get connected.

During the period, our Freedom business won the Outstanding Innovation in Future Power and Energy award at the Engineering and Technology Innovation Awards for this POC-MAST™ product.

E&T Innovation AWARDS Winner

The Point of Connection Mast - POC-MAST™ - is an innovative solution that saves cost and reduces the amount of time needed for power outages when connecting to the local power network

Principal Risks & Uncertainties

The Board has an established Risk Management Framework to identify and address the principal risks facing the Group. Further details of the Framework are given in the Corporate Governance section on pages 26 and 27. The Group's principal risks and mitigations are as follows:

Health and safety

Health and safety continues to be a primary focus for the business. 'Safety First & Foremost' is at the heart of everything we do. This has been developed to influence our employees, our customers and our supply chain, through leadership, to behave in a way that puts safety first. In order to achieve this, there are comprehensive health and safety policies and procedures in place along with effective leadership and organisational arrangements to operate, monitor and adapt these procedures and ensure management accountability.

All our sites follow the Construction Leadership Council guidelines to ensure a safe COVID-19 construction site. The guidelines include mandatory procedures that are essential to keep our people safe. Our non-site offices have been opened on a COVID-secure basis with one-way systems, hand sanitiser stations, reduced use of communal spaces and restricted numbers of socially distanced desks.

Market conditions

The Group's services may be affected by an economic downturn and reductions or delays in government and private sector spending. The Group's strategy is to focus on recession resilient sectors with a balanced portfolio across services, building and infrastructure, limiting the exposure to any one area. In particular, the government's spending plans on infrastructure sectors such as defence, rail, hospitals and nuclear and its decarbonisation targets should present opportunities.

COVID-19 and Brexit have both created uncertainty in the UK economy. This may result in customers delaying or cancelling proposed and existing projects. It may also lead to changes in the price and availability of labour and materials. The Group continues to monitor the impact of these events and has developed plans to respond to a range of scenarios. Underpinned by the Group's strong balance sheet, these plans consider market conditions, the availability of the workforce, changes in productivity due to social distancing measures and the availability and price of materials. The Group's forward order book remains healthy at £1.2bn.

Competition

The Group operates in highly competitive sectors, some with low margins. Whilst quality, capability and reputation are key parts of a customer's decision, price remains an important factor. The Group applies a rigorous 'bid no bid' process to ensure we only tender for and win work where the margin is commensurate with the risk. This rigour is increasingly important in the current environment with some competitors accepting lower margins and COVID-19 related risks to 'win' turnover.

The Group continues to focus on cost and efficiency in order to remain competitive in the market. Our continued investment in people, technology and training along with our offsite manufacturing capability and supported by our strong financial postion means the business is well placed to differentiate itself in a competitive environment.

Attracting and retaining talent

The Group recognises that attracting, retaining and developing people is key to its success. The Group has an excellent track record of retaining its employees and aims to be an employer of choice through market-competitive remuneration, training and development, a growing number of apprentice and graduate schemes and fostering an inclusive culture through our 'Fairness, Inclusion and Respect' programme.

Mental and physical wellbeing continues to be an important part of our people policy, and there is a suite of initiatives to support our people when they require it, as outlined on page 30.

Project delivery

The execution of projects involves estimating, planning, designing and delivery, often in complex environments. The Group's activities are controlled by business management systems within each division, which contain frameworks of policies and procedures designed to minimise avoidable risks. The business management systems have been reviewed and adapted during the pandemic to cater for the evolving guidance and restrictions.

Successful project delivery is supported through a combination of management oversight, project reviews, peer reviews, strong commercial management and contract administration processes and customer feedback.

Customers and supply chain

Given the economic uncertainty surrounding COVID-19 and Brexit, and the eventual withdrawal of COVID-19 government support measures, there is the risk of insolvency within the construction industry. The Group continues to appropriately manage its cash flows through robust contract administration of our contracts and undertakes credit checks on customers and the supply chain as a matter of routine. The Group has taken further steps during the year to ensure it pays its supply chain promptly, as shown by the improved payment performance metrics on page 31.

The Group has worked collaboratively with customers to manage the commercial impact of necessary project extensions during COVID-19. There have been varying customer responses with some taking a more pragmatic approach and others a harder commercial stance given the current economic climate. As with all its contracts, the Group will act fairly, with integrity, and with regard to its contractual entitlements.

The Group builds strong supply chain relationships through its 'Customer of Choice' strategy, working closely with suppliers and subcontractors to achieve the highest quality standards for the best price whilst ensuring that we are not over-reliant on any one supplier or subcontractor. The procurement and project teams work hard to agree prices with the supply chain early in a project to reduce our exposure and achieve forecast targets.

Liquidity risk

The Group manages liquidity such that it has sufficient cash resources to meet its liabilities when due. The Group has a strong balance sheet with cash and liquid investments of £85.8m at 26 February 2021, along with banking facilities of £25m in place to provide further headroom. The facilities have not been used as the cash balance has been strong throughout the period. However, the Group is not complacent and continually monitors and stress tests its liquidity position.

System, data, cyber security and GDPR

The Group's ability to enable safe, secure, and resilient business operations is dependent on our systems being robust and secure and our data being protected. It is recognised that a loss of key systems through an information security breach or attack could impact business operations and potentially lead to a loss of confidential data, damaging our reputation.

We are continually developing and upgrading our IT infrastructure, software and cyber threat and assessment capabilities. This has been particularly important during the year with the increased level of remote working. Robust controls and procedures are in place to monitor the performance of the systems and to identify and mitigate external threats. Whilst the cyber threat level has increased during the pandemic (notably phishing attacks), our systems, processes and controls have withstood these threats. We currently hold Cyber Essentials Plus accreditation which demonstrates our commitment to providing secure and robust ICT and information assurance across the Group.

We also continue to develop and enhance data protection procedures in line with regulations and there is a GDPR working group led by the CFO that meets quarterly to discuss and address relevant GDPR matters. All employees undertake regular training in data protection and information security management.

Approved by the Board of Directors on 8 June 2021 and signed on its behalf by:

RCSalmon

R C Salmon
Company Secretary
Registered office:
Denton Hall
Denton, Ilkley
West Yorkshire
LS29 0HH

Streamlined Energy and Carbon Report

This year sees the Group prepare a Streamlined Energy and Carbon Report (SECR) for the first time. The report builds on our previous disclosures made through our Responsibility Reports which are available on our website (www.ngbailey.com).

Reporting period

NG Bailey is reporting for the financial period 2020/21 (March 2020 – February 2021), providing 2019/20 as a comparison year and 2018/19 as a baseline year. We have chosen 2018/19 as the baseline year to reflect the carbon impact of the Group following our acquisition of Freedom in that period.

Reporting boundary

The statutory entities included in the Group's carbon reporting boundary are: NG Bailey Group Limited, NG Bailey Limited, NG Bailey Facilities Services Limited, NG Bailey IT Services Limited, NGBF Holdings Limited and The Freedom Group of Companies Limited. Our reporting boundary is based on the Group's financial reporting period and includes impacts from all material reporting units from the entities listed above. The materiality of our units has been determined by their contribution to our overall impact and our ability to influence the impact of the operations. We are unable to report the impacts from our project and site locations due to the limited availability of accurate data.

Environmental indicators

NG Bailey operates an environmental management system compliant to ISO 14001 standards for all companies that operate as part of the Group. The Group's management system ensures that it meets environmental standards and legislative requirements across all the SECR key environmental impacts.

Measurement methodology

Organisational boundaries were set with reference to the methodology described in the GHG Protocol and ISO 14064-1:2006 standards. An operational control consolidation approach was used to account for our impacts and emissions. The materiality of all our business locations has been determined by their contribution to our overall impact and our ability to influence the impact of the operations.

In 2020/21, for the third consecutive year, our Group carbon impacts have been subject to external verification and assurance. It has been certified that the Group meets the requirements of 'Carbon Reduce' certification having measured its greenhouse gas emissions in accordance with ISO 14064-1:2006 and is committed to managing and reducing its emissions in respect of the operational activities.

Energy and carbon strategy

The Group takes its role as a responsible business seriously and over the past decade we have consistently looked to reduce our environmental impacts through the reduction of energy and carbon. We have benefited from our early investment in renewable energy with a number of our UK locations installing solar photovoltaics for electricity and biomass for heat almost a decade ago. In 2020/21, we switched to sustainable and renewable energy across the Group where we had operational control of the energy supply, and where we did not have operational control we sought to influence landlords to make the switch away from fossil fuels. We are committed to maintaining 100% of our own energy from sustainable or renewable sources. In addition, we recognise the UK's commitments to net zero carbon by 2050 and we are committed to setting a science-based target for the Group by the end of 2021/22 to develop our route to zero carbon.

Operational trends

In 2020/21, we have seen a reduction in our Group carbon footprint. This reduction is attributable to, for the most part, a significant reduction in our business travel due to the impact of COVID-19 restrictions on our business.

- Absolute CO_2e emissions have reduced by 31% from the baseline year of 2018/19, from 8,201t/CO_2e to 5,661 t/CO_2e
- Our absolute emissions reduced by 2,039 tonnes from the prior period, largely due to the impacts of COVID-19 on levels of our activity and restrictions on travel
- Our location-based CO_2 emission intensity ratio has fallen to 1.77 tCO_2e per employee, a reduction of 26% on the prior period and a 29% reduction since the baseline year. Furthermore, when accounting for our market-based reporting our intensity reduces further to 1.63 tCO_2e per employee, a reduction of 27% on the prior period and a 30% reduction since the baseline year
- The emissions arising from business travel in cars and vans has reduced by 30% since the baseline year due to the upgrade of our commercial fleet, the increased use of hybrid vehicles within our fleet and an overall reduction in miles driven as a result of the increased use of technology and connectivity across the Group, particularly during the pandemic

Energy efficiency and carbon reduction achievements since 2018/19

- Since 2018/19, we have generated over 828 MWh of our own energy from our investments in solar photovoltaics across the Group
- In 2020/21, 97% of electricity and gas consumed across the Group has been procured from sustainable and renewable sources, a total of 2,571 MWh. This is an increase on our baseline year of 36%
- We have upgraded our commercial vehicle fleet to Euro VI engines and introduced 4 electric vans on one of our contracts where charging infrastructure is readily available
- By working closely with our fleet provider we have increased the range of hybrid vehicles available to our staff and in the forthcoming year we will introduce a cap of 110gCO_2/km on all internal combustion engine vehicles
- We have encouraged the use of communication technology within our business as an alternative to driving and have subsequently seen a fall in the miles driven across the Group as the uptake of new remote access and Microsoft Teams software has increased

Energy performance

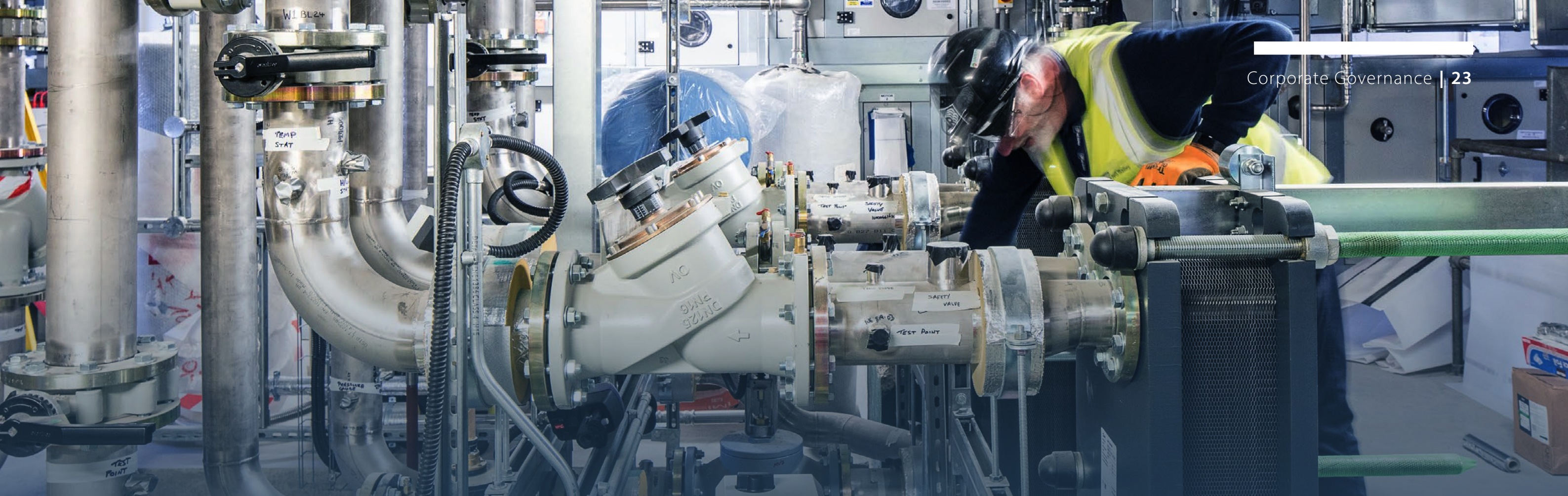
MWh	2020/21 Reporting year	2019/20 Comparative year	2018/19 Baseline year
Gas	642	1,343	1,442
Electricity	2,021	2,441	2,587
Transport fuels	18,302	24,483	20,083
Other energy sources	2,407	1,942	6,688
Total	**23,372**	**30,209**	**30,800**

Carbon performance

t/CO_2e	2020/21 Reporting year	2019/20 Comparative year	2018/19 Baseline year
Scope 1	4,557	5,881	5,538
Scope 2	474	624	733
Scope 3	630	1,195	1,930
Location-based total	**5,661**	**7,700**	**8,201**
Scope 2 - market adjustment	(456)	(469)	(514)
Market-based total	**5,205**	**7,231**	**7,687**

Intensity ratio

Emissions per employee t/CO_2e per employee	2020/21 Reporting year	2019/20 Comparative year	2018/19 Baseline year
Market-based	1.63	2.24	2.34
Location-based	1.77	2.39	2.50



Corporate Governance Report

*For the period ended 26 February 2021, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the **Wates Corporate Governance Principles for Large Private Companies** (published by the Financial Reporting Council in December 2018 and available on their website).*

The Board is committed to the highest standards of corporate governance. Set out below is how the six Wates principles have been applied over the past year.

1. Purpose and leadership

NG Bailey was formed in 1921 and is now the leading independent engineering, construction, services and infrastructure company in the UK with a proud heritage and proven track record of achievement over the last 100 years.

As a family owned business, our family shareholders are actively-involved stewards of the Group, with two family shareholders appointed as family non-executive Directors. The family maintains a visible presence in the Group, supporting a responsible culture across the business.

We are a business founded on our values of Passion, Integrity, Responsibility and Excellence. Under the Board's direction, these values underpin our purpose and vision, and guide the Group's strategy, decisions, processes and culture. These messages are communicated to our people through various routes including leadership conferences, business update videos and regular CEO briefings.

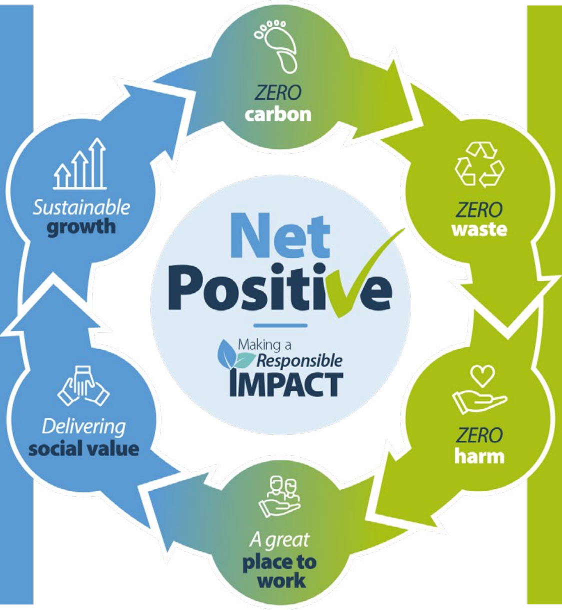
Our purpose is that together we create and maintain exceptional buildings and infrastructure to enable a society that connects seamlessly, operates efficiently and prospers now and in the future. This supports our values statement to together, make a positive impact on society. To do this responsibly, we consider both our current operations and our future activities and recognise that the best way to achieve this is through our projects, and by working with our people, customers, supply chain and communities.

Project *Positive* Commitments

Sustainable **growth**
Responsible and resilient business

Delivering **social value**
Giving our time, expertise and materials for community and charity benefit
Delivering quantifiable social value across the Group

A great **place to work**
Diverse and inclusive employer
A happy and healthy workforce.



Project *ZERO* Commitments

ZERO **carbon**
Set a Science Based Carbon target for the Group
Source 100% of our energy from renewable or sustainable sources
Majority hybrid and electric vehicles fleet
Maximum cap on fleet vehicles set at 75gCO_2/km and under

ZERO **waste**
Transform Offsite manufacturing to a Zero avoidable waste facility
Zero avoidable waste across the Group

ZERO **harm**
Zero RIDDORS
Zero incidents of Modern Slavery
Zero environmental incidents.

'Net Positive' strategy outlining six key ambitions and associated commitments

Our One Approach to business strategy defined our course for operating responsibly over the last three years and came to an end in February 2021. During that time, the strategy delivered strong foundations to enable us to meet our goals of being a safe and sustainable business, a partner of choice in our industry, an employer of choice and giving something back to our communities.

Recently, following a period of stakeholder engagement, we have launched our new responsibility strategy, which sets new ambitious long-term goals for the business. The 'Net Positive' strategy supports our goal of finding a way of doing business that ensures we put more into society, the environment and the global economy than we take out. The strategy outlines six key ambitions as summarised in the diagram on page 23. These commitments are a mix of operational goals that we strive to always meet, including zero harm, being a great place to work and delivering social value and sustainable growth. Alongside these, we have adopted two transformational goals of zero carbon and zero waste that will drive long-term change through our operations. Each commitment is underpinned by long-term deliverables and each year we will define our priorities. The key priority in 2021/22 is to develop our route to zero carbon and we are committed to setting a science-based target for the Group.

Our success is marked by a continuing focus to do things better and to meet the challenges of the day, however tough. Spurred on by a growing demand for creative change, we explore ways of doing things differently whilst maintaining our responsibilities to our stakeholders which is considered further on pages 28 to 32.

2. Board composition

We recognise the value that a diverse range of experience at Board level can offer to our business. Our Board of Directors comprises of two executive Directors (the Chief Executive and Chief Financial Officer) and five non-executive Directors (two are members of the Bailey family and three are independent non-executive Directors). Each of our Directors brings with them a wealth of knowledge and experience relevant to their area of expertise, which we believe provides a solid foundation for the direction and leadership of the Group. The strength of our non-executive Director group allows for constructive challenge of the executive team.

All our Directors have access to the advice and services of the Company Secretary and, if they wish, can take professional advice at the Company's expense. Our Company Secretary ensures that the Board receives appropriate and timely information, that Board procedures are followed and that statutory and regulatory requirements are met.

Our independent non-executive Directors are wholly independent in that they have no material business relationships with the Group that might influence their independence or judgement.

We have a separate Chairman and Chief Executive to ensure an effective balance of responsibility, accountability and decision making. Likewise, all the Directors have opportunities to voice their views at Board meetings and have equal voting rights when making decisions.

Our Chairman (non-executive Director) is responsible for the Board's effectiveness and sets its agenda. He facilitates the effective contribution of the non-executive Directors and ensures a positive and constructive relationships across the Board and with shareholders.

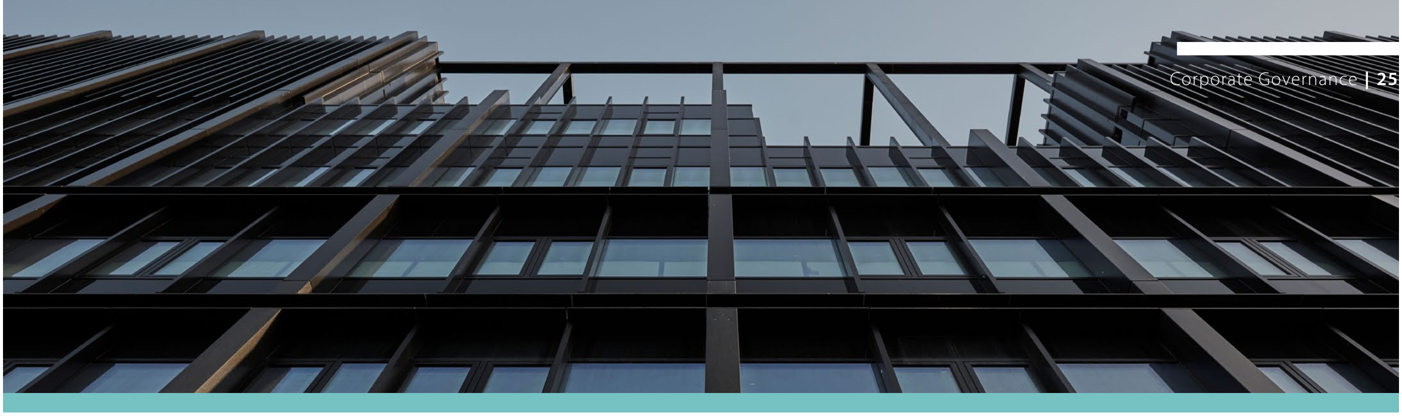
Our Chief Executive is responsible for the operational management of the Group. He is accountable to the Board for carrying out the Group's strategy, including its corporate responsibility commitments.

Whilst the Board maintains oversight over all its duties, certain of these are executed through committees which have clearly defined terms of reference. Family and / or independent non-executive Directors are members of these committees so there is an appropriate degree of challenge and influence in these areas.

The Directors maintain and develop their skills, knowledge and familiarity with the Group through meetings with senior management and shareholders and visiting operations (such as visits to construction sites). There is an induction programme for all new Directors which is tailored to their specific experience and knowledge and which provides access to all parts of the business.

The Board periodically reviews its effectiveness and programme. The most recent internal effectiveness review took place in December 2019 and concluded that the Board was comfortable with its activities and the approach it was taking. Some suggestions to further enhance its effectiveness were made, such as continuing to support succession planning. A dedicated succession planning meeting is held every year with members of the Board.

We acknowledge that Board diversity is a challenge across our sector and are committed to fostering an inclusive culture that encourages diversity across the Group including at the most senior levels. Workforce diversity is discussed in more detail in on page 27.



Group Board					
Chaired by the independent non-executive Chairman and comprising of seven Directors listed on page 33.					
Group Subcommittees					
Audit Committee	Remuneration Committee	Nomination Committee	Pensions Steering Committee	Family Employment and Development Committee	Investment Committee
Group Operating Executive (GOE)					
Chaired by the Chief Executive, David Hurcomb, the GOE is the senior leadership team for driving the operational and strategic performance of the business. The members of the GOE are the Chief Executive, Chief Financial Officer, Group HR Director, Group Commercial Director and the Managing Directors of the two operating divisions, Engineering and Services.					

Audit Committee

The Audit Committee is responsible for reviewing the Group's systems of internal control and risk management. It receives reports from both the internal and external auditors on the effectiveness of those controls and recommendations for their improvement.

The Committee meets four times a year. These meetings are also attended by the Chief Financial Officer and the Group Financial Controller. The Head of Audit and Assurance and other Group executives and the external auditors, RSM UK Audit LLP, are invited to attend for specific items on the Audit Committee's business timetable.

The Board is satisfied that at least one member of the Audit Committee has relevant financial experience and knowledge to allow for an appropriate level of constructive challenge.

Remuneration Committee

The Remuneration Committee is responsible for making proposals to the Board concerning remuneration for the executive Directors and the senior executives and managers and approving the annual salary pay award for the Group.

The Committee meetings are attended by the Chief Executive and the Group HR Director when it is considered appropriate for them to do so.

Nomination Committee

The Nomination Committee is responsible for monitoring the composition and balance of the Board and making recommendations to the Board on new Board appointments. Dependent upon the appointment being made, the Committee will be selected from the Board as appropriate. The Committee met once during the year to consider the appointment of the Chief Financial Officer.

Pensions Steering Committee

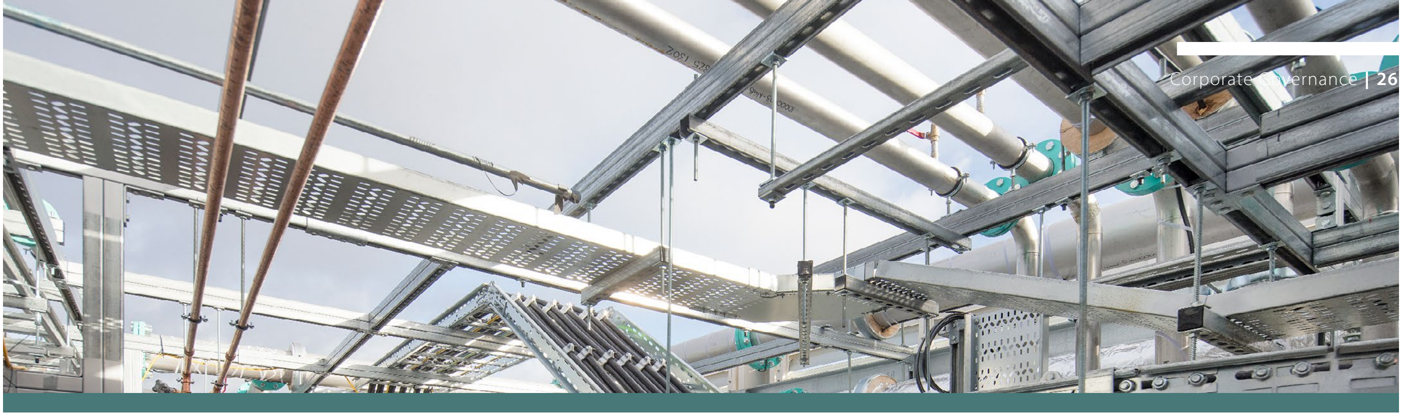
The Pensions Steering Committee is responsible for establishing and reviewing the Group's pension arrangements, strategy and procedures and ensuring that they balance business risk with employee interests over the short, medium and long-term. The Committee advises the Board on a range of matters relating to the Group's pensions arrangements (defined benefit and defined contribution schemes) including compliance evolution, scheme performance and investment strategy decisions.

Family Employment and Development Committee (FEDC)

The Family Employment and Development Committee is responsible for developing family members' knowledge and understanding of the Group and introducing them to the employment opportunities available in the Group. It has a particular focus on the "next generation" of shareholders.

Investment Committee

The Investment Committee is responsible for appointing and overseeing suitable investment managers for our current asset investments and monitoring their performance against agreed benchmarks.



3. Directors' responsibilities

The Board is responsible to the shareholders for the overall success of the Group. The Board reviews and approves the Group's strategy, monitors its implementation and reviews business performance and the control framework in place.

The Group Operating Executive (GOE), led by the Chief Executive, is responsible for developing the Group's strategy and policies and their implementation along with day-to-day management and monitoring of performance. The GOE has a regular cycle of meetings and conference calls throughout the year.

The Board has a programme of seven principal meetings every year and operates an agenda of standing items appropriate to the Group's operating and reporting cycle including health and safety, financial performance, strategy, risks and opportunities, market conditions, operational and people matters and responsibility. During the initial months of the pandemic, additional Board calls were held to ensure updates were provided frequently given the constantly evolving situation. This doubled the number of Board meetings in the period.

The Board has put in place reporting processes and other controls designed to ensure that it is provided with relevant information on a timely basis, which set out authorisation limits and reserve certain significant matters for the Board or its committees.

The Chairman is responsible for effective communication with the shareholders and undertakes the task of evaluation of performance and commitment of individual members of the Board, the Board of Directors as a whole and its committees. The performance of the Chairman is evaluated by the Chair of the Audit Committee.

The Group's conflicts of interest policies are outlined in the Code of Integrity for Employees which applies to all employees including the Directors and other members of the wider leadership team. The Code requires employees to act honestly, fairly and with transparency and not act in a manner which could discredit them or NG Bailey or put themselves in a position which may result in a conflict of interest. A register of potential conflicts is maintained and 'conflicts of interest' is a standing agenda item at each Board meeting.

4. Opportunity and risk

The overall sustainability and success of our Group depends upon our ability to identify risks and opportunities in both the short and long-term.

Opportunities

Short-term opportunities are identified and addressed as part of the monthly business performance and quarterly forecast review processes which are attended by the Chief Executive, Chief Financial Officer and members of the senior leadership teams of the Group's divisions.

Long-term strategic opportunities are considered as part of the annual Group strategy process which is presented to the Board. This includes an assessment of how the Group creates and preserves value for the long-term including both financial and non-financial risks and opportunities.

Risks

The Group operates a Risk Management Framework across the business in order to identify risks which threaten the objectives of the Group, what systems and controls are in place to manage these risks and what further action may need to be taken to reduce these risks to acceptable levels.

The Group's systems and controls, which have been developed and refined over many years, are designed to ensure that the Group's exposure to significant risks is properly managed in a timely manner. The Board has overall responsibility for reviewing the effectiveness of these systems and controls and directly considering the key risks and exposures within the Group.

Risk registers that include an assessment of the potential impact and likelihood of identified risks and outline the current controls in place to bring the risks to an acceptable level are maintained at various levels:

- Board risk register
- GOE risk register
- Divisional and functional risk registers

The Board risk register is in place to capture the most significant risks faced by the Group, Board and shareholders, and which require oversight and monitoring at a Board level. The register is reviewed by the Board annually.

The GOE maintains an overall Group risk register containing the principal risks faced by the Group and undertakes a full risk review biannually, facilitated by the Head of Audit and Assurance. These principal risks and uncertainties are outlined in the Strategic Report on pages 19 and 20. The Chief Executive formally presents the GOE risk register to the Board for discussion and review biannually.

Each division and key functional area maintains a risk register supported by the Head of Audit and Assurance to ensure consistency and rigour. The divisional and functional risk registers are reviewed annually on a cyclical basis by the Audit Committee. The Audit Committee selects key activities for more detailed review each year covering how the activities are managed and the processes and controls in place to mitigate risk in these areas.

Our delegated authorities matrices (DAMs) clearly set out our financial and commercial authorisation framework and form a central part of our governance approach. Alongside each division's detailed policies and procedures, these combine to help guide responsible decision making throughout the business. Oversight is maintained over corporate policies to ensure they are regularly reviewed and updated, and any changes are approved and controlled.

Additionally, the Internal Audit and Assurance function assists the Board in understanding threats and opportunities relating to the Group's assets, reputation and sustainability. Risk-based audits of the control framework provide assurance over the adequacy and effectiveness of existing controls and the integrity of reported information. Actions from these audits are tracked through to completion with progress reported to the Audit Committee.

The Group's systems and controls are designed to manage rather than eliminate risks and can only provide reasonable and not absolute assurance. A crisis management exercise, using the NG Bailey Crisis Management Plan (CMP), is carried out annually by the GOE to rehearse the Group's response to, and recovery from, a crisis situation. The crisis management approach was used to support the Group's response to the COVID-19 situation.

5. Remuneration

The Remuneration Committee's primary responsibility is ensuring that remuneration is set at a level which reflects the long-term interests of the Group, shareholders and employees. This recognises that to deliver our strategic aims we need to retain, motivate, and where necessary attract, senior executives and other employees of the highest quality.

The Remuneration Committee has a clearly defined terms of reference and is responsible for making proposals to the Board concerning remuneration for executive Directors and the GOE. In addition, it has an oversight role with regards to the remuneration policy for senior managers (normally the first layer of management below GOE level). In carrying out these responsibilities, the Committee considers remuneration packages throughout the Group and also approves the annual salary pay award for the wider workforce.

The Committee seeks external support when it feels it is necessary to fulfil its duties and takes advice and guidance from a number of recognised external advisors. This includes specialists in executive pay and benefit benchmarking, executive pay process and methodology, pensions and employee benefits.

Pay for senior executives is aligned with both short and long-term performance. Short-term performance is recognised through our senior management bonus scheme with criteria requiring both financial and non-financial achievement. The non-financial objectives are linked to the Group's priorities and values including health and safety, sustainability and people development. Long-term success is rewarded through our Long-Term Incentive Plan (open to members of the GOE) which aligns remuneration with the long-term objectives of the Group such as value growth for the Group and shareholder return.

Our Board, GOE and senior leadership teams, who are higher paid individuals, all took a reduction in their salary between July and September 2020 to alleviate the impact of the pandemic on others across the business. Similarly, there has been no senior manager bonus scheme or Long-Term Incentive Plan for the period ended 26 February 2021.

Annually the Committee reports Directors' pay to the shareholders at the Annual General Meeting.

For our workforce, we offer a competitive package of salary, fixed and flexible benefits and employee discounts across the Group. This is reviewed annually to ensure that our people are fairly rewarded for their work in the light of market conditions whilst individual salary reviews are linked to personal performance as measured through our annual performance assessment process. Many of our front-end workforce are covered by national agreements and as such their pay and benefits are defined by these. We regularly review this to ensure that the Group, as a minimum, complies with these requirements.

We recognise that workforce diversity and gender pay are areas for improvement within our industry and that this will take time. We are committed to our principles of Fairness, Inclusion and Respect (FIR) and we believe that utilising these will enable us to attract, recruit and retain the best people, ensuring equity at the point of selection and making NG Bailey a place where everyone feels welcomed and valued. The outcome will be a diverse and talented workforce that will continue to make NG Bailey an outstanding organisation.

We actively promote and support initiatives to encourage inclusivity, for all employees to pursue their careers within our sector and partner with organisations to support this including ENEI (Employers Network for Equality and Inclusion); a leading employer network promoting equality and inclusion in the workplace. We are a proud member of The 5% Club, a select group of companies committed to increasing the number of apprentices and graduates in the workforce, and we work with Serious About Youth in London, sponsoring their 'Construkt' work readiness programme, providing a fast-track route to our apprenticeship recruitment process for interested candidates. These initiatives will pay dividends in the future as the trainees, graduates and apprentices we recruit today develop into the senior leaders of tomorrow.

6. Stakeholders

Our employees, customers, suppliers, communities and other stakeholders expect the highest levels of operational and technical excellence from us as a business. The Board believes that in order to achieve our goals and protect our reputation and relationships with our stakeholders, robust governance and effective communication are essential on a day-to-day basis.

This year we carried out a review with our stakeholders to identify the issues that matter most to them. We examined the environmental, social and supply chain issues that are of most concern to our stakeholders against those that pose risks or present opportunities to the Group. This analysis enabled us to identify the material issues that our stakeholders want us to prioritise as a business - the findings are set out below.

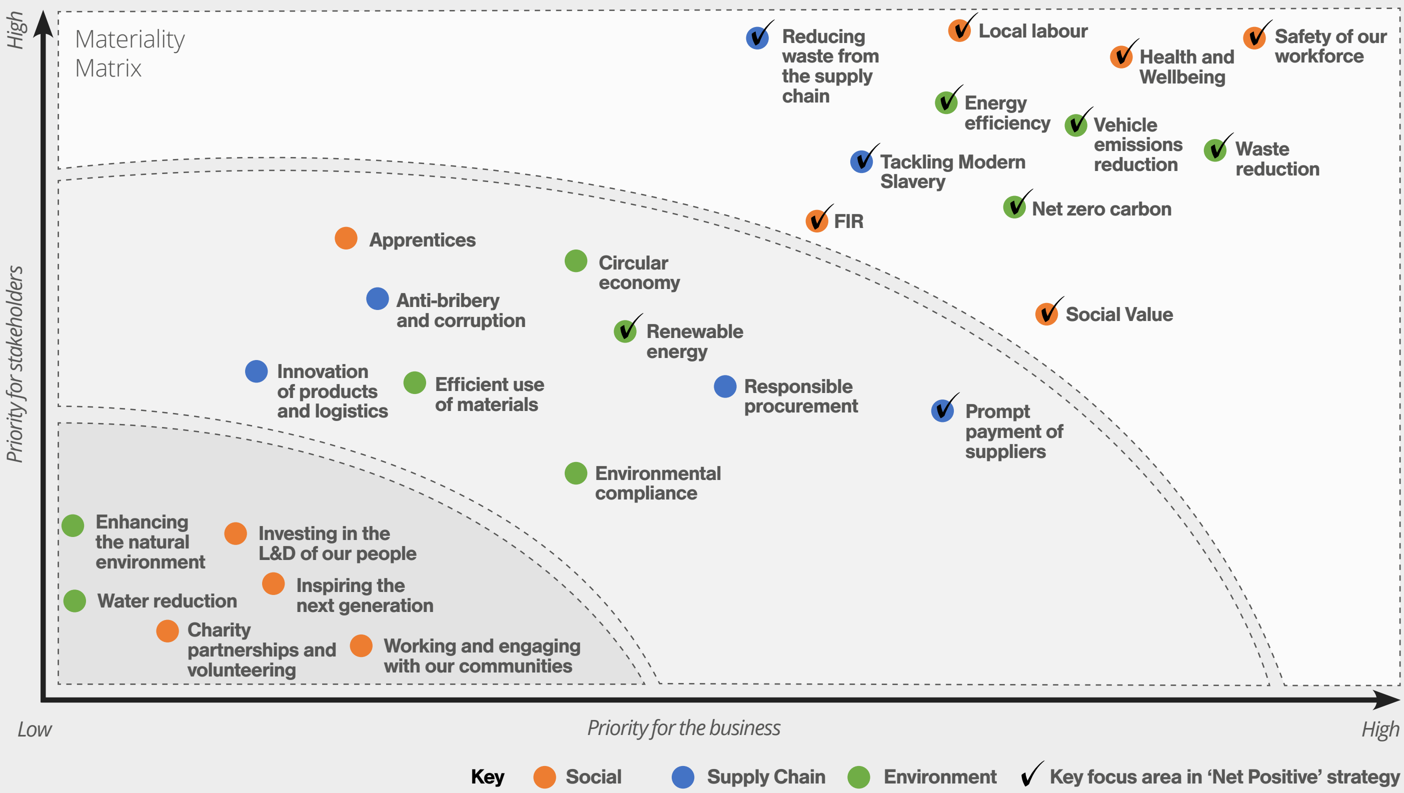
Our shareholders and wider family

The Group is a family-owned business and recognises the importance of dialogue with our shareholders. The family's Guiding Principles aim to capture the family's long-term aspirations for the business including leadership excellence, being an employer of choice and acting as a responsible business. The Board continues to seek to align the Group's strategic direction with these Guiding Principles.

The Chairman of the Board and the two family non-executive Directors are the primary communication routes between the Board and shareholders. The Family Council is a representative body for the family responsible for developing responsible owners, facilitating communication between the family and the business via the Board and encouraging healthy relationships within the family and with the Board.

The family non-executive Directors are both members of the Family Council to provide a communication link between the Board, the shareholders and the wider family.

All Board members attend the Annual General Meeting and are available to answer questions from the shareholders. The Chairman, Chief Executive and Chief Financial Officer meet with the shareholders on two further occasions each year to review strategic objectives and the performance of the Group. Members of the senior management team also provide business updates on various topics during these family update sessions. This programme of communications provides an opportunity for the business to understand the shareholders' goals and priorities for the Group. Engagement with the next generation of shareholders is supported by the Group at the annual 'Next Generation' event.



Northern line extension project with SAY work experience candidates

Our people

Our people are at the heart of everything we do. We recognise their commitment, technical expertise and endeavours in helping us achieve our goals. We recognise and reward exceptional performance from our employees through the employee recognition scheme value awards and our long service awards.

Our Group-wide commitment to putting health and safety first and foremost is core to how we operate with a Safety, Health and Environment (SHE) update at every Board meeting. A key focus this year has been ensuring all our offices and sites are COVID-19 secure and remain safe working environments. Our Don't Walk By campaign has continued to support the safety and wellbeing of our people in the workplace.

We continue to develop and invest in our approach to health and safety and for this coming year we are launching some significant improvements including our new electronic safety reporting system MySafety and a SHE culture development programme to help focus our employees' attention and actions on safety.

Our work towards ensuring a safe working environment for our people and those around us resulted in success at the 2020 RoSPA Awards where we received five Gold Awards, six President's Awards and the RoSPA Order of Distinction for our outstanding health and safety performance over the last 16 years.

Fairness, Inclusion and Respect (FIR) is a key focus for our business. As part of our commitment to being an employer of choice we recognise the important role that a diverse and inclusive culture plays in our organisation. As a minimum we expect all our people and those working on our behalf to treat those around them in a fair, inclusive and respectful manner. Our Equality, Diversity and Inclusion guide alongside our Code of Integrity for Business Partners addresses our expectations in this regard. Our Fairness, Inclusion and Respect Strategic Leadership Group provides the leadership and drive in this area.

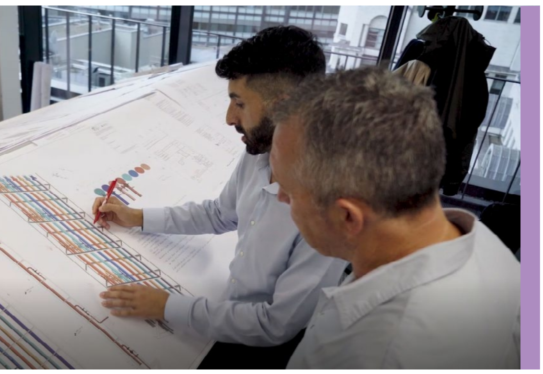
We have a clearly defined outcome to be recognised as an employer of choice and one of our key strategic objectives is to engage, train and retain our people.

Talent is attracted and retained through clear career paths across the Group and adult training in technical and leadership skills, alongside a growing number of apprentice schemes. We employed our first apprentice in 1934 and since then have successfully trained nearly 6,000 people in their chosen field. During COVID-19, we effectively utilised virtual platforms and digital learning to ensure that our apprenticeship training was unaffected and all critical safety, certified or accredited training continued.

Regular 'Pulse' surveys provide insight into what the Group's people are thinking and feeling and help to shape our people strategy. The results and feedback of the December 2020 employee 'Pulse' survey were generally positive. Importantly, most employees agreed that the Group puts safety first and foremost.

FAIRNESS
INCLUSION
RESPECT

Diverse and inclusive culture



Success at the 2020 RoSPA Awards

2020
RoSPA
Order of Distinction

Employer of choice

Engage, **train** and **retain**

Team briefings, regular CEO briefings and our business update videos further enable the Group to engage and communicate with its people. A 'one-stop-shop' for all communication and news is provided by the employee portal 'MyNGBailey'.

A workplace forum has been established in the Engineering business to improve the level of engagement and collaboration. The aims of the forum are to enhance quality, safety and productivity on our project sites, and ensure that the interests, ideas and concerns of all employees are heard, understood and responded to.

We have in place our 'Speak Up' policy which encourages employees to raise their concerns in confidence if they observe or suspect misconduct or inappropriate behaviour. Employees who speak up are protected when raising concerns in good faith and a number of channels are provided to raise concerns including via an external independent organisation.

In support of our strategic commitment to have a happy and healthy workforce, we have invested in a Group-wide Working Well strategy that has been designed to encourage individual wellbeing to deliver business and personal success together. The Working Well Hub makes resources, information and practical support accessible to all our people.

Mental and physical wellbeing continues to be an important part of our people policy and there is a suite of initiatives to support our people when they require it. We promote our wellbeing offering via internal channels including regular wellbeing communications to remind employees of the support programmes in place and a series of campaigns encouraging physical and mental health wellbeing including a mental health awareness week. We provide 24/7 support via our Employee Assistance Programme, a completely confidential and personal service offering counselling and advice for all employees.

Wellbeing

Working Well Hub

24/7 **Helpline support** via our **Employee Assistance Programme**

Regular wellbeing communications

Mental Health Foundation MENTAL HEALTH AWARENESS WEEK

Physical and **mental health** campaigns

Through our Modern Workplace programme, we are heavily investing in our ICT systems and improving the technology we use to support our philosophy of 'making it easier to work here'. Increased remote working during the pandemic was facilitated by an investment in our ICT infrastructure, including additional equipment and improved mobile devices in the lead up to the initial lockdown, together with the introduction of new remote access and Microsoft Teams software to enable our people to connect with colleagues through video calls and virtual meetings.

Our customers

Customer engagement surveys are carried out quarterly to determine the Net Promoter Score for the businesses. These scores continue to demonstrate our recognised, market leading client delivery capabilities. The findings allow us to directly respond to customers' needs, build and maintain relationships with them and continue to showcase the Group's reputation as a partner of choice in the industry.

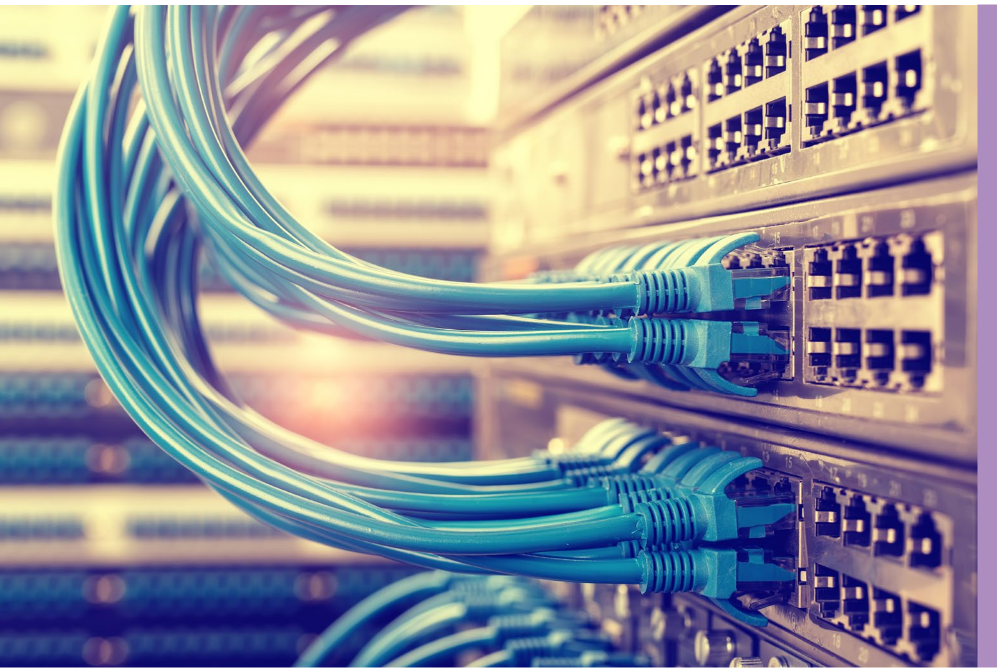
Our suppliers

Our supply chain partners form an important part of our business and play a key role in our continued success. We want to build and maintain a supply chain that embodies our values and vision. We follow a Customer of Choice strategy so we can manage our supply chain in a responsible and sustainable way and also make sure we have a selection of suppliers and subcontractors who not only perform well but undertake their activities to the highest quality standards and safety expectations.

The introduction of Payment Practices and Performance Reporting has increased the level of scrutiny of how companies pay their suppliers. Payment performance in our sector is inherently challenging due to complex supply chains, contractual terms and the impact of disputes. We closely monitor our payment performance and regularly report on it to the Board and Audit Committee.

We recognise the importance of supporting our supply chain and as such we carried out a full review of our supplier payment processes in the period to identify further ways to improve and ensure payments are paid on time. This resulted in significant improvement in our payment performance reporting with the percentage of invoices paid within 60 days increasing from 71% in the second half of last year to 92% in the second half of this year. Our payment performance will continue to be an area of focus as we look to improve further.

Labour exploitation and modern slavery are risks that our industry, business and wider supply chain face and we are committed to combatting this in partnership with others. The Group is a signatory to the Gangmasters and Labour Abuse Authority Construction protocol, a public commitment of our efforts in this area, and is an affiliate member of the TISC (Transparency in the Supply Chain) reporting website. Our Anti-Slavery and Human Trafficking Policy and Modern Slavery Act Statement can be found on our website www.ngbailey.com.



Connecting people virtually through our **Modern Workplace programme**

Partner of choice in the industry

Significant improvement in our **supplier payment performance**

Pension Trustee

We regularly communicate and work collaboratively with the Pension Trustee of our defined benefit pension scheme (The Pension and Life Assurance Plan of NG Bailey). This ensures that decisions made by both the Group and the defined benefit pension scheme reflect the interests of all stakeholders, particularly the members of the scheme.

Our communities

We recognise that our responsibilities extend beyond our immediate operations, into the communities we work within and wider society as a whole. As part of this we voluntarily publish our responsibility performance (available on our website www.ngbailey.com) which explains our progress against our commitments as part of our responsibility strategy.

In 2018, we adopted the UN's 17 Sustainable Development Goals (SDGs) as part of our responsibility reporting to demonstrate our impact beyond the business and our new 'Net Positive' responsibility strategy continues to align to them. In recognition of our commitments and progress towards these global goals, we are the only company in our sector to be awarded the top five-star rating by Support the Goals, an initiative to rate and recognise businesses that support the SDGs.

We are always willing to listen to the concerns of our communities and have established communication channels via our website to facilitate this. We make every effort to ensure we operate as a good neighbour in our local communities making considerations for appearance, noise, environmental and access impacts as a result of our work.

We recognise that our sector needs to engage a diverse range of individuals if we are to continue to be successful. In light of this we are engaging with young people and educators in relation to their adoption of science, technology, engineering and maths (STEM). Our engagement programme – INSPIRE – seeks to bring real life experience and role models into the learning environment for the benefit of young people and to help encourage them into STEM careers that help to address the current skills shortage. COVID-19 and the impact on schools and colleges has naturally slowed our programme in the period which will regain momentum as the restrictions are eased.

We have donated 125 laptops and computers to schools in the UK through our relationship with SE Recycling, one of the UK's leading ICT recycling companies. This enabled us to responsibly and sustainably recycle our redundant IT equipment and at the same time help schools with donations to support children with online learning.

As a business we play an important role in the communities we work in. We invest in supporting our employees in their charitable efforts through financial and in-kind support and charitable cash donations in the period totalled £8k (2020: £23k). Our employee nominated charity partnership with The British Heart Foundation ("BHF") came to an end in September 2020 with the value of the partnership being over £76k (including £19k donations to BHF shops). Alongside this, we continue to work with our customers to support community projects where appropriate.

One of our key considerations as a Group is to reduce our impact on the environment and we have a strong history of achievement and were an early adopter of low carbon technologies. Further details can be found in our Streamlined Energy and Carbon Reporting on pages 21 and 22.

STEM LEARNING

Bring real life experience and role models via our engagement programme – **INSPIRE**

We operate as a **good neighbour** in our **local** communities

Donated **125 laptops** and **computers** to schools in the UK

SUPPORT THE GOALS

JOIN THE MOVEMENT

We are the **only company in our sector that are five-star rated by 'Support the Goals'**, an initiative to rate and recognise businesses that support the UN's Sustainable Development Goals.

Making a Responsible IMPACT

Our new **'Net Positive' responsibility strategy** is aligned to the UN's Sustainable Development Goals

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Report of the Directors

The Directors present their report and the audited consolidated financial statements for the period ended 26 February 2021.

Directors

The Directors who held office during the period and subsequently were as follows:

Kevin Whiteman	1 2 3 4 5 6	(Chairman)
David Hurcomb	4	(Chief Executive)
Jonathan Stockton *(appointed 1 July 2020)*	4 5 7	(Chief Financial Officer)
Mike Porter *(resigned 30 June 2020)*	4 5 7	(Chief Financial Officer)
Chris Bailey	1 2 3 4 7	
Peter Emery	1 3 4	
Claire East	1 2 4 6	
Jane Moriarty	1 2 4 5 6 7	

1 Non-Executive Director

2 Member of the Audit Committee (chaired by Jane Moriarty)

3 Member of the Remuneration Committee (chaired by Peter Emery)

4 Member of the Nomination Committee (chaired either by the Chairman or an independent non-executive director)

5 Member of the Pensions Steering Committee (chaired by Jonathan Stockton)

6 Member of the Family Employment and Development Committee (chaired by Kevin Whiteman)

7 Member of the Investment Committee (chaired by Jane Moriarty)

Results & Dividends

Details of the results for the period are set out in the Consolidated Income Statement on page 40.

Notwithstanding the strong financial position of the Group, no final dividend is proposed for the period ended 26 February 2021 (2020: £nil).

Financial Risk Management & Policies

The Group's principal financial assets are cash and deposits, trade and other debtors, amounts recoverable on contracts and investments. The Group's credit risk is primarily in relation to trade debtors and amounts recoverable on contracts. The financial strength of customers is assessed prior to entering into a contract and is regularly reviewed together with exposure during the course of the contract.

Management of liquidity risk is achieved by close monitoring of cash flow and by matching creditors and debtors within contractual obligations and the implementation of effective cash collection techniques. The Group does not use complex financial instruments and surplus cash is deposited with large UK financial institutions.

Changes in the market value of certain financial assets can affect the income and financial position of the Group, notably its current asset investments. The risk is managed by a sub-committee of the Board (Investment Committee) that is responsible for appointing and overseeing suitable investment managers and monitoring their performance against agreed benchmarks with regards to changes in risk profile.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 16 to 18. The principal risks and uncertainties facing the Group, together with a description of how these risks are addressed are set out in the Strategic Report on pages 19 and 20.

The Group's reputation, strong balance sheet, balanced strategy and solid market positions mean it is optimistic and well positioned for the future. The Group has contracts with many customers and suppliers across different industries. With the government's commitment to infrastructure spending in defence, nuclear, healthcare and rail and its targets to decarbonise our environment, the Group remains positive that the markets in which it operates will remain resilient, albeit the timing of the economic recovery following COVID-19 is uncertain.

The Group has considerable liquid financial resources including cash and deposits of £42.3m and current asset investments with a market value of £43.5m at 26 February 2021. Additionally, the Group has available undrawn bank facilities amounting to £25.0m (through the Group's overdraft facility). The Group's cash has continued to remain resilient and it has not utilised its overdraft facility throughout the reporting period or subsequently.

In arriving at their opinion on going concern, the Directors have considered the Group's forecast for 12 months from the date of approval of these financial statements. The forecast was prepared based on current productivity with a high proportion of the Group's revenue in the forecast period already secured.

Given the economic and trading uncertainties resulting from COVID-19, the Directors have deemed it appropriate to carry out stress testing to model the impact of potential, albeit remote, downside scenarios. Even under these downside scenarios, the cash flow forecasts indicate the Group would have comfortable headroom on available resources throughout the forecast period.

Based on this assessment, the Directors have a reasonable expectation that the Company and the Group have adequate resources, liquidity and banking facilities to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Total cash and Investments

£85.8m

Cash and deposits

£42.3m

Current asset investments

£43.5m

Directors' Liability Insurance

As permitted by the Articles of Association, the Directors have the benefit of an indemnity with RSA Insurance Group Plc, which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The Group also purchased and maintained throughout the financial period directors' and officers' liability insurance in respect of itself and its Directors.

Independent Auditor

A resolution to reappoint RSM UK Audit LLP as the Group's auditor will be proposed at the forthcoming Annual General Meeting.

Disabled Employees

Applications for employment by disabled employees 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 that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Stakeholder Engagement

Details of how the Directors have had regard to the need to foster the Group's business relationships with suppliers, customers, employees and others, and the effect of that regard, including on the principal decisions taken by the Group during the period are outlined in the Corporate Governance Report on pages 28 to 32 and the Section 172 statement on page 14.

Post Balance Sheet Events

There are no post balance sheet events requiring disclosure.

Strategic Report

The Group has chosen in accordance with Section 414C (11) of the Companies Act 2006 to set out in the Group's Strategic Report, information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Schedule 7 to be contained in the Directors' Report. It has done so in respect of principal activities, results and key performance indicators, future developments, activities in the field of research and development, and operational risk management.

Streamlined Energy and Carbon Report

The Streamlined Energy and Carbon Report is presented on pages 21 and 22.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each Director in office at the date the Report of the Directors is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditor is unaware; and
- they have 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 Group and Company's auditor is aware of that information

Approved by the Board of Directors on 8 June 2021 and signed on its behalf by:

R C Salmon
Company Secretary
Registered office:
Denton Hall
Denton, Ilkley
West Yorkshire
LS29 0HH

Independent Auditor's Report to the Members of NG Bailey Group Limited

Report on the financial statements

Opinion

We have audited the financial statements of NG Bailey Group Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the period ended 26 February 2021 which comprise of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, Consolidated and Company Statements of Changes in Equity, Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 26 February 2021 and of the Group's loss for the period 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 Group and Parent 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.

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 or the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in 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.

Independent Auditor's Report to the Members of NG Bailey Group Limited (continued)

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 Report of the Directors for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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 set out on page 35, 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.

Independent Auditor's Report to the Members of NG Bailey Group Limited (continued)

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the Group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the Group and Parent Company operates in and how the Group and Parent Company are complying with the legal and regulatory framework
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS102, the Companies Act 2006, distributable profits legislation and UK pensions and tax compliance legislation. We performed audit procedures to detect non-compliances which may have had a material impact on the financial statements which included agreeing the financial statement disclosures to underlying supporting documentation, review of Board and Committee meeting minutes, enquiries with management, review of correspondence with legal advisors and review of external press releases.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety. We performed audit procedures to inquire of management whether the Group is in compliance with these laws and regulations and inspected correspondence with regulatory authorities.

The Group audit engagement team identified the risk of management override of controls and management bias in accounting estimates as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business. We evaluated whether there was evidence of bias by management in accounting estimates that represented a risk of material misstatement due to fraud. We challenged assumptions and judgements made by management in their significant accounting estimates, in particular in relation to contract accounting, including the expected margin through assessment of post period end performance and stage of completion, through discussions with the relevant individuals, corroborating evidence provided and inspection of period end valuations; the valuation of properties; and defined benefit pension scheme accounting.

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

Independent Auditor's Report to the Members of NG Bailey Group Limited (continued)

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.

RSM UK Audit LLP

Kelly Boorman (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Central Square
5th Floor
29 Wellington Street
Leeds
LS1 4DL
8 June 2021

Consolidated Income Statement

for the 12 month period ended 26 February 2021

	Note	2021			2020		
		Underlying performance* £m	Exceptional items and amortisation £m	Total £m	Underlying performance* £m	Exceptional items and amortisation £m	Total £m
TURNOVER	3	507.0	-	507.0	573.4	-	573.4
Cost of sales		(465.0)	(4.9)	(469.9)	(493.2)	-	(493.2)
GROSS PROFIT		42.0	(4.9)	37.1	80.2	-	80.2
Administrative expenses		(44.7)	(9.9)	(54.6)	(60.4)	(1.8)	(62.2)
Other operating income	4	-	7.7	7.7	-	-	-
OPERATING (LOSS) / PROFIT	4	**(2.7)**	**(7.1)**	**(9.8)**	**19.8**	**(1.8)**	**18.0**
Interest receivable and similar income	7			6.0			3.2
Interest payable and similar charges	7			(0.6)			(0.7)
(LOSS) / PROFIT BEFORE TAXATION				(4.4)			20.5
Tax on (loss) / profit	8			(0.8)			(3.6)
(LOSS) / PROFIT FOR THE FINANCIAL PERIOD				(5.2)			16.9

**Underlying performance represents the result before exceptional items (set out in note 4) and amortisation of goodwill and acquired intangible assets.*

All (loss) / profit for the financial period is attributable to the owners of the Company.

All activities relate to continuing operations.

The notes on pages 45 to 68 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

for the 12 month period ended 26 February 2021

	Note	2021 £m	2020 £m
(LOSS) / PROFIT FOR THE FINANCIAL PERIOD		(5.2)	16.9
Remeasurement of defined benefit pension scheme asset	15	(2.4)	0.5
Property revaluation		-	(0.6)
Deferred tax	19	0.5	0.2
OTHER COMPREHENSIVE (EXPENSE) / INCOME FOR THE PERIOD		(1.9)	0.1
TOTAL COMPREHENSIVE (EXPENSE) / INCOME FOR THE FINANCIAL PERIOD		(7.1)	17.0

All total comprehensive (expense) / income for the financial period is attributable to the owners of the Company.

The notes on pages 45 to 68 form an integral part of these financial statements.

Consolidated Statement of Financial Position

at 26 February 2021
Company Registration No. 1490238

	Note	2021 £m	2020 £m
FIXED ASSETS			
Intangible assets	10	35.6	38.6
Tangible assets	11	36.6	38.9
		72.2	77.5
CURRENT ASSETS			
Stocks	13	1.2	1.6
Debtors: amounts falling due within one year	14	138.4	177.9
Pension scheme asset	15	30.8	33.4
Investments	16	43.5	36.2
Cash and deposits		42.3	42.0
		256.2	291.1
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	(166.6)	(195.8)
NET CURRENT ASSETS		89.6	95.3
TOTAL ASSETS LESS CURRENT LIABILITIES		161.8	172.8
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	(12.4)	(15.9)
PROVISION FOR LIABILITIES	19	(7.6)	(8.0)
NET ASSETS		141.8	148.9
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	20	0.1	0.1
RESERVES			
Revaluation reserve	21	18.1	19.2
Capital redemption reserve	21	-	-
Retained earnings	21	123.6	129.6
		141.7	148.8
TOTAL EQUITY		141.8	148.9

These financial statements were approved by the Board of Directors on 8 June 2021 and were signed on its behalf by:

K I WHITEMAN

D S HURCOMB

The notes on pages 45 to 68 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the 12 month period ended 26 February 2021

	Note	Share capital £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
AT 1 MARCH 2019		**0.1**	**24.1**	**-**	**109.7**	**133.9**
PROFIT FOR THE FINANCIAL PERIOD		**-**	**-**	**-**	**16.9**	**16.9**
Other comprehensive (expense) / income		-	(0.6)	-	0.7	0.1
TOTAL COMPREHENSIVE (EXPENSE) / INCOME FOR THE PERIOD		**-**	**(0.6)**	**-**	**17.6**	**17.0**
Transfer of realised reserve		-	(4.1)	-	4.1	-
Transfer of additional depreciation on revalued assets		-	(0.2)	-	0.2	-
Transactions with owners						
Dividends paid	22	-	-	-	(2.0)	(2.0)
AT 28 FEBRUARY 2020		**0.1**	**19.2**	**-**	**129.6**	**148.9**
LOSS FOR THE FINANCIAL PERIOD		**-**	**-**	**-**	**(5.2)**	**(5.2)**
Other comprehensive expense		-	-	-	(1.9)	(1.9)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		**-**	**-**	**-**	**(7.1)**	**(7.1)**
Transfer of realised reserve		-	(0.9)	-	0.9	-
Transfer of additional depreciation on revalued assets		-	(0.2)	-	0.2	-
AT 26 FEBRUARY 2021		**0.1**	**18.1**	**-**	**123.6**	**141.8**

Included in the retained earnings are £3.9m (2020: £3.9m) of reserves which cannot be distributed to shareholders. These reserves relate to earnings in subsidiary companies which have been capitalised in the financial statements of those companies in earlier periods.

The notes on pages 45 to 68 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the 12 month period ended 26 February 2021

	Note	2021 £m	2020 £m
(LOSS) / PROFIT FOR THE FINANCIAL PERIOD		(5.2)	16.9
Adjustments for:			
Depreciation	4	4.0	4.2
Amortisation of intangible fixed assets	4	3.8	3.7
Loss / (profit) on sale of tangible fixed assets	4	0.1	(2.0)
Interest receivable and similar income	7	(6.0)	(3.2)
Interest payable and similar charges	7	0.6	0.7
Tax charge	8	0.8	3.6
Decrease / (increase) in stock		0.4	(0.3)
Decrease / (increase) in debtors		40.1	(12.2)
Decrease in creditors		(29.2)	(0.2)
Other non-cash items		0.7	0.6
		15.3	(5.1)
NET CASH INFLOW FROM OPERATING ACTIVITIES		10.1	11.8
Taxation paid		(1.3)	(3.0)
NET CASH GENERATED FROM OPERATING ACTIVITIES		8.8	8.8
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of businesses		-	(0.7)
Purchase of tangible assets		(2.7)	(5.8)
Purchase of intangible assets		(0.8)	(2.3)
Proceeds from sale of property		0.9	6.5
Proceeds from sale of tangible fixed assets		-	1.0
NET CASH USED IN INVESTING ACTIVITIES		(2.6)	(1.3)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	22	-	(2.0)
Repayment of bank loans		(3.5)	(5.5)
Bank interest and fees		(0.6)	(0.7)
Dividends and interest from investments (net)		-	0.1
Purchase of investments	16	(7.4)	(9.8)
Sale of investments	16	5.6	10.1
NET CASH USED IN FINANCING ACTIVITIES		(5.9)	(7.8)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	23	0.3	(0.3)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	23	42.0	42.3
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	23	42.3	42.0

The notes on pages 45 to 68 form an integral part of these financial statements.

Notes to the Financial Statements

for the 12 month period ended 26 February 2021

1. Company information

The Company is a private company limited by shares and is incorporated in England. The address of its registered office is Denton Hall, Denton, Ilkley, West Yorkshire, LS29 0HH. The principal activities of the Company are noted in the Strategic Report on page 10.

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods, unless otherwise stated.

Statement of compliance

These Group and Company financial statements are prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' and the Companies Act 2006 including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Acquisitions are accounted for under the acquisition method. All companies within the Group made up their financial statements to 26 February 2021. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Group's share of the results, assets and liabilities of contracts carried out in conjunction with another party as a joint operation are included under each relevant heading in the income statement and the statement of financial position.

Exemptions for qualifying entities under FRS102

The Company is a qualifying entity under FRS102 and therefore has taken advantage of disclosure exemptions available to it. Exemptions have been taken in relation to: financial instruments for the Company, preparing a statement of cash flows for the Company, related party transactions and from disclosing the remuneration of the Company's key management personnel. The Company intends to take the same exemptions in future financial periods.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 16 to 18. The principal risks and uncertainties facing the Group, together with a description of how these risks are addressed are set out in the Strategic Report on pages 19 and 20.

The Group's reputation, strong balance sheet, balanced strategy and solid market positions mean it is optimistic and well positioned for the future. The Group has contracts with many customers and suppliers across different industries. With the government's commitment to infrastructure spending in defence, nuclear, healthcare and rail and its targets to decarbonise our environment, the Group remains positive that the markets in which it operates will remain resilient, albeit the timing of the economic recovery following COVID-19 is uncertain.

The Group has considerable liquid financial resources including cash and deposits of £42.3m and current asset investments with a market value of £43.5m at 26 February 2021. Additionally, the Group has available undrawn bank facilities amounting to £25.0m (through the Group's overdraft facility). The Group's cash has continued to remain resilient and it has not utilised its overdraft facility throughout the reporting period or subsequently.

In arriving at their opinion on going concern, the Directors have considered the Group's forecast for 12 months from the date of approval of these financial statements. The forecast was prepared based on current productivity with a high proportion of the Group's revenue in the forecast period already secured.

2. Accounting policies (continued)

Going concern (continued)

Given the economic and trading uncertainties resulting from COVID-19, the Directors have deemed it appropriate to carry out stress testing to model the impact of potential, albeit remote, downside scenarios. Even under these downside scenarios, the cash flow forecasts indicate the Group would have comfortable headroom on available resources throughout the forecast period.

Based on this assessment, the Directors have a reasonable expectation that the Company and the Group have adequate resources, liquidity and banking facilities to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Critical accounting judgements and estimation uncertainty

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect amounts recognised for assets and liabilities at the reporting date and the amounts of revenue and expenses incurred during the reporting period. Actual outcomes may differ from these judgements, estimates and assumptions.

The estimates and assumptions that have the most significant effect on the carrying value of assets and liabilities of the Group as at 26 February 2021 are discussed below:

a) Revenue and margin recognition

The Group's revenue and margin recognition policies (set out in Turnover, Long-term contracts and Services rendered policies below) are fundamental to how the Group values the work it has carried out in each reporting period. These policies require forecasts to be made of the outcome of long-term construction services and support services contracts, which require assessments and judgements to be made on recovery of pre-contract costs, contract programmes, maintenance and defects liabilities and changes in costs. At 26 February 2021, the value of amounts recoverable on contracts was £73.0m (2020: £103.6m) and the value of payments received on accounts was £0.2m (2020: £6.0m).

b) Valuation of properties

Each period, the Group values its investment properties, either by a Directors' valuation using market indices or by obtaining a professional valuation. Any change in value of these properties from the assessment is reflected in the income statement. At 26 February 2021, the value of investment properties was £3.8m (2020: £4.7m).

Freehold properties are professionally valued externally on five-year cycles and reviewed annually by a Directors' valuation supported by an external desk-top review using market indices. Surpluses or deficits on individual properties are transferred to the revaluation reserve. Where deficits are considered permanent, these are charged to the income statement. At 26 February 2021, the value of freehold properties was £19.7m (2020: £20.3m).

Recent disposals of properties have realised proceeds in line with the carrying value in the financial statements. There have been no events following the reporting date which would indicate there has been a subsequent material movement in the value of properties.

c) Retirement benefit obligations

Details of the Group's defined benefit pension schemes are set out in note 15, including tables showing the sensitivity of the Group pension scheme obligations and assets to various actuarial assumptions agreed by management including: life expectancy, inflation and discount rates.

At 26 February 2021, the retirement benefit asset recognised on the Group's statement of financial position was £30.8m (2020: £33.4m). The effects of changes in the actuarial assumptions underlying the benefit obligation, discount rates and the differences between expected and actual returns on the scheme's assets are classified as actuarial gains and losses.

Turnover

Turnover is stated net of VAT and excludes sales between Group companies. Turnover comprises, in the main, the value of work executed on long-term contracts together with the amounts receivable for services rendered for short-term contracts and other activities.

2. Accounting policies (continued)

Long-term contracts

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided, net of trade discounts, value added and similar sales-based taxes, after eliminating revenue within the Group.

Revenue from long-term contract activities represents the value of the work carried out during the period, including amounts not invoiced. Revenue is recognised as follows:

- when the outcome of individual contracts can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses retrospectively by reference to the stage of completion at the reporting date
- costs are recognised as incurred and revenue is recognised on the basis of the proportion of total costs at the reporting date to the estimated total costs of the contract
- no margin is recognised until the outcome of the contract can be assessed with reasonable certainty
- provision is made for all known or expected losses on individual contracts once such losses are foreseen
- revenue in respect of variations is recognised when it is probable that they will be agreed by the customer. revenue in respect of claims is recognised when negotiations have reached an advanced stage such that it is probable the customer will accept the claim and the probable amount can be measured reliably
- profit / (loss) for the period includes the benefit of claims settled in the period on contracts completed in the previous period
- payments received on account are deducted from work in progress and if in excess of individual contract values are included in creditors

Services rendered

Revenue is recognised by reference to the stage of completion of the service at the end of the period when:

- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the service will flow to the entity
- the stage of completion of the service at the end of the reporting period can be measured reliably
- the costs incurred for the service and the costs to complete the service can be measured reliably
- where the services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period

Government grants

Government grants are recognised once there is reasonable assurance that the Group will comply with the conditions attaching to them and the grant will be received. During the period, the Group received grant income under the government's Coronavirus Job Retention Scheme which was accounted for under the performance model. Amounts received are disclosed within other operating income in the income statement.

Exceptional items

The Group classifies certain one-off charges or credits to the income statement as 'exceptional items' by virtue of their size and / or nature. These are disclosed separately to provide further understanding of the underlying financial performance of the Group.

Stocks

Stocks are stated at the lower of cost and net realisable value after due regard for obsolete and slow-moving stocks. Net realisable value is based on selling price less anticipated costs to sell.

2. Accounting policies (continued)

Tangible fixed assets and investment properties

Freehold land and buildings and investment properties are held at fair value. All other tangible fixed assets are stated at historical cost less provision for impairment and depreciation. Depreciation on tangible fixed assets, which is provided on a straight-line basis, is charged over the following periods:

Freehold buildings	-	25 years
Freehold land	-	nil
Investment properties	-	nil
Plant and machinery	-	3 to 7 years
Motor vehicles	-	4 years
Fixtures and fittings	-	3 to 7 years

Individual freehold properties are valued externally on five-year cycles and reviewed by Directors annually. Surpluses or deficits on individual properties are transferred to the revaluation reserve. Where deficits are considered permanent, these are charged to the income statement.

Investment properties are carried at fair value and are revalued annually. Changes in fair value are recognised in the income statement. Depreciation is not provided in respect of freehold investment properties.

Intangible assets

Intangible assets are stated at cost less amortisation and impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives as follows:

Software	-	7 to 12 years
Development costs	-	7 years
Acquired intangible assets		
Customer relationships	-	10 to 12 years
Order backlog	-	1 to 3 years
Trade names	-	15 years
Technology-based	-	7 years

Amortisation is included in administrative expenses in the income statement.

Development costs relate to the development of the Group's POC-MAST™ product which offers a viable solution to connecting projects to the Grid with significant health and safety, environmental and cost benefits. Acquired intangible assets include customer relationships, trade names, technology-based assets and order backlog on acquisition.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in the estimate being accounted for on a prospective basis.

Directly attributable development costs including those for identifiable and unique software products are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the asset so that it will be available for use
- management intends to complete the asset and use or sell it
- there is an ability to use or sell the asset
- it can be demonstrated how the asset will generate probable future economic benefits
- the expenditure attributable to the asset during its development can be reliably measured

Costs associated with maintaining computer software are recognised as an expense as incurred.

2. Accounting policies (continued)

Goodwill

Goodwill arising on the acquisitions of subsidiary undertakings, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life (which, in the case of Freedom which was acquired in March 2018, is estimated to be 15 years). The Group establishes a reliable estimate of the useful economic life of goodwill based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that influence useful life and assumptions that market participants would consider in respect of similar businesses. Provision is made for any impairment.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of timing differences.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the Group is able to control the reversal of the timing difference
- it is probable that the timing difference will not reverse in the foreseeable future

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously

Deferred tax relating to investment property that is measured at fair value in accordance with accounting standards is measured using the tax rates and allowances that apply to the potential sale of the asset. Current tax or deferred tax assets and liabilities are not discounted.

Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term. Any incentives to enter into operating leases are recognised as a reduction of rental expenses over the lease term on a straight-line basis.

2. Accounting policies (continued)

Defined benefit pension scheme

The Group's defined benefit scheme (The Pension and Life Assurance Plan of NG Bailey) is managed by a Trustee in accordance with the Trust Deed, the scheme rules and statutory requirements. The scheme's funds are invested and managed by independent investment managers and are completely separate from the Group's business.

The scheme's funding is normally appraised at not more than three-yearly intervals by an independent actuary (the triennial valuation). The scheme is funded by contributions from the Group at rates recommended by the actuary. The scheme was closed to future accrual of benefits on 31 May 2010. The Group is not currently required to contribute towards the funding of the scheme as it was in surplus at the most recent actuarial valuation.

The assets of the defined benefit scheme are measured using fair values whilst the pension scheme liabilities are measured using a projected unit method and discounted using an appropriate discount rate. A pension scheme surplus or deficit is recognised in full and in the statement of financial position. The movement in the surplus or deficit is split between operating profit and finance income / (charges) in the income statement and also in the statement of comprehensive income. The expected return on assets is credited to interest receivable and similar income in the income statement. Administrative costs and past service costs of the pension scheme are charged to operating profit in the income statement.

The actuarial gain or loss is reflected through the statement of comprehensive income and is made up of two parts. The first part is the difference between the expected return on assets included in the net interest surplus and returns actually achieved by the scheme's assets. The second part is as a result of any changes in the assumptions used to value the defined benefit obligation and any adjustments arising as a result of actual experience differing from actuarial assumptions.

The scheme had a surplus of £30.8m at 26 February 2021 (2020: £33.4m), gross of deferred tax.

Other pension costs

These include contributions to certain defined contribution schemes which are not part of The Pension and Life Assurance Plan of NG Bailey. Contributions to these schemes are accounted for as incurred and totalled £10.6m (2020: £10.5m).

Cash and deposits

Cash and deposits include cash in hand, overnight deposits and other short-term deposits with original maturities of three months or less.

Investments

Investments are stated at fair value and the changes in fair value are recognised in the income statement. Investment income represents gains / (losses) made on investments sold in the period, interest received, dividends received and the movement in fair value.

Foreign currency

Foreign currency transactions are translated using spot exchange rates at the dates of the transactions. At each period end, foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Financial instruments

i. Financial assets

Basic financial assets, including trade debtors, amounts recoverable on contracts and cash, are measured at amortised cost. Investments are measured at fair value.

ii. Financial liabilities

Basic financial liabilities, including trade creditors, accruals and bank loans, are measured at amortised cost.

2. Accounting policies (continued)

Research and development

Research and development expenditure is written off as incurred, except that development expenditure on an individual project is capitalised as an intangible asset when it meets the criteria set out in the intangible assets accounting policy.

3. Turnover

The turnover of the Group is principally related to the provision of activities in the following sectors in the United Kingdom:

	2021 £m	2020 £m
Analysis of turnover by sector:		
Engineering	294.1	334.9
Services	212.9	238.5
	507.0	573.4

4. Operating profit

	2021 £m	2020 £m
Operating profit is stated after charging / (crediting):		
Amortisation of goodwill and acquired intangible assets	2.6	2.7
Amortisation of other intangible assets	1.2	1.0
Depreciation expense	4.0	4.2
Loss / (profit) on sale of property (2020: including £2.2m exceptional profit)	0.1	(2.3)
Loss on disposal of other tangible assets	-	0.3
Operating lease rentals	1.9	2.4
Fees payable to the Company's auditor and their associates for the audit of the Company's financial statements	-	-
Fees payable to the Company's auditor and their associates for other services to the Group:		
Audit of the Company's subsidiaries	0.2	0.2
Rental income	(0.2)	(0.2)

The auditor's remuneration for the Group was £210k (2020: £190k) in respect of audit fees and £nil (2020: £nil) in respect of other professional fees.

4. Operating profit (continued)

Exceptional items

	2021 £m	2020 £m
Analysis of exceptional items:		
Cost of sales:		
Staff costs of furloughed employees	(4.6)	-
Redundancy payments	(0.3)	-
	(4.9)	-
Administrative expenses:		
Staff costs of furloughed employees	(6.1)	-
Redundancy payments	(1.2)	-
One-off profit on sale of property and associated relocation costs	-	1.3
Closure of office in Northern Ireland	-	(0.4)
	(7.3)	0.9
Other operating income:		
Coronavirus Job Retention Scheme income	7.7	-
	(4.5)	0.9

The Group incurred a net exceptional cost of £3.0m in relation to the topping up of salary payments to furloughed employees over the government's contribution through its Coronavirus Job Retention Scheme and redundancy payments of £1.5m following the difficult decision to reduce our headcount in line with forecast activity levels in the short to medium-term (2020: £nil).

In the previous period, as part of a plan to relocate and reorganise several operating locations in the North of England, the Group sold an office which resulted in a one-off profit on sale of the property of £2.2m. The Group also incurred or became obligated to incur £0.9m of associated relocation costs. Overall this resulted in an exceptional profit of £1.3m in the prior period.

Early in the prior period, in light of challenging market and trading conditions, along with a reduction in the volume and scale of work in the Northern Ireland market, and having undertaken an operational review, the decision was made to close the Group's office in Northern Ireland that was used for the operations of the trading subsidiary Hamsaard 2019 Limited. This resulted in one-off redundancy and office closure costs of £0.4m in the prior period.

5. Employees

	2021 £m	2020 £m
Employee costs during the period:		
Wages and salaries	140.0	145.1
Social security costs	14.9	15.6
Other pension costs: Defined contribution scheme	10.6	10.5
	165.5	171.2

The aggregate payroll costs include redundancy costs of £1.5m (2020: £nil) associated with the restructure during the period to reduce headcount in line with forecast activity levels in the short to medium-term following COVID-19.

5. Employees (continued)

	2021 No.	2020 No.
Average number of employees during the period:		
Management, engineering, sales and administrative	2,081	2,130
Hourly paid	1,121	1,093
	3,202	3,223

Whilst there was a restructuring during the period, the headcount of the Group has not significantly reduced due to recruitment for significant contracts.

The average number of employees of the Company during the period was 156 (2020: 171) and the employee costs of the Company were £8.6m (2020: £12.0m).

The total remuneration of key management personnel was £2,193k (2020: £4,013k) being remuneration of £2,125k (2020: £2,708k) and accrued incentive-based payments of £68k (2020: £1,305k).

6. Directors

Directors' remuneration

	2021 £000	2020 £000
The remuneration of the Directors was as follows:		
Emoluments excluding long-term incentive plans	1,142	1,805
Emoluments accrued under long-term incentive plans	35	213
	1,177	2,018

The Directors took a reduction in their salary of 20% between July and September 2020 as part of the cost control measures put in place during the pandemic.

The Group operated a cash settled long-term incentive plan for the three-year financial period ended 28 February 2020. The annual award under this plan was linked to growth in the enterprise value of the Group during the year, cash settled over the next three years to those still employed by the Group and was available to members of the Group Operating Executive.

The cost of each annual award has been charged to the income statement over its three-year payment period. The charge of £35k for the Directors in the year ended 26 February 2021 related to the award under the long-term incentive plan for the financial year ended 1 March 2019.

There was no award under the long-term incentive plan for its final financial year ended 28 February 2020. There was no long-term incentive plan in place for the financial year ended 26 February 2021.

Pensions

One of the Directors (2020: none) was a member of the Group's defined contribution pension scheme.

6. Directors (continued)

Highest paid Director

The above amounts for remuneration include the following in respect of the highest paid Director:

	2021 £000	2020 £000
Emoluments excluding long-term incentive plans	538	927

Long-term incentive plan remuneration accrued for the highest paid Director was £33k (2020: £161k).

7. Net interest income

a) Interest receivable and similar income

	Note	2021 £m	2020 £m
Net interest income on post-employment benefits	15	0.5	0.9
Changes in fair value of listed investments	16	5.5	2.2
Interest and dividends received (net)		-	0.1
		6.0	3.2

b) Interest payable and similar charges

	2021 £m	2020 £m
Interest expense on bank loans and revolving facility	(0.6)	(0.7)
	(0.6)	(0.7)

8. Tax on (loss) / profit

The tax charge is based on the (loss) / profit for the period and represents:

	2021 £m	2020 £m
Current taxation:		
UK corporation tax	(0.1)	2.4
Foreign tax	0.5	0.3
Adjustments in respect of prior periods	0.3	(0.2)
Total current tax charge	0.7	2.5
Deferred taxation:		
Origination and reversal of timing differences	(0.6)	1.0
Adjustments in respect of prior periods	(0.2)	0.1
Changes in tax rates	0.9	-
Total deferred tax charge	0.1	1.1
Total tax charge	0.8	3.6

8. Tax on (loss) / profit (continued)

The tax assessed for the period is higher than (2020: lower than) the standard rate of corporation tax in the United Kingdom at 19% (2020: 19%). The differences are explained as follows:

	2021 £m	2020 £m
(Loss) / profit before taxation	(4.4)	20.5
(Loss) / profit multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2020: 19%)	(0.8)	3.9
Income not subject to tax	(0.2)	(0.5)
Expenses not deductible for tax purposes	0.4	0.4
Impact of overseas tax rates	0.4	-
Changes in tax rates	0.9	(0.1)
Adjustments in respect of prior periods	0.1	(0.1)
Total tax charge	0.8	3.6

A reduction in the main rate of UK corporation tax from 19% to 17% was substantively enacted on 6 September 2016 to take effect from 1 April 2020. In March 2020, the government announced a planned repeal of the UK corporation tax rate reduction, instead planning to maintain it at 19%. This change was substantively enacted on 17 March 2020.

On 3 March 2021, the Chancellor of the Exchequer announced an increase in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. As this proposed tax change had not been substantively enacted by the reporting date, deferred tax balances at 26 February 2021 have been measured at a rate of 19%, being the rate at which deferred tax assets and liabilities are expected to reverse based on substantively enacted legislation (2020: 17%). The impact of measuring deferred tax balances at 26 February 2021 at a rate of 25% would be to increase the deferred tax liability by £2.4m.

9. Profit of the Company for the financial period

	2021 £m	2020 £m
Profit for the financial period before dividend dealt with in the financial statements of the Company	5.5	14.4

As permitted by Section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements.

10. Intangible assets

CONSOLIDATED	Software £m	Development costs £m	Goodwill £m	Acquired intangibles: Customer relationships £m	Acquired intangibles: Order backlog £m	Acquired intangibles: Trade names £m	Acquired intangibles: Technology-based £m	Acquired intangibles: Acquired intangibles total £m	Total
COST OR VALUATION									
At 29 February 2020	12.6	0.6	16.6	8.0	0.5	5.5	2.3	16.3	46.1
Additions – internally generated	0.8	-	-	-	-	-	-	-	0.8
At 26 February 2021	13.4	0.6	16.6	8.0	0.5	5.5	2.3	16.3	46.9
ACCUMULATED AMORTISATION									
At 29 February 2020	2.3	-	2.1	1.3	0.4	0.7	0.7	3.1	7.5
Charge for the period	1.2	-	1.1	0.7	0.1	0.4	0.3	1.5	3.8
At 26 February 2021	3.5	-	3.2	2.0	0.5	1.1	1.0	4.6	11.3
NET BOOK VALUE									
At 26 February 2021	9.9	0.6	13.4	6.0	-	4.4	1.3	11.7	35.6
At 29 February 2020	10.3	0.6	14.5	6.7	0.1	4.8	1.6	13.2	38.6

COMPANY	Software £m
COST OR VALUATION	
At 29 February 2020	11.2
Additions – internally generated	0.2
At 26 February 2021	11.4
ACCUMULATED AMORTISATION	
At 29 February 2020	2.4
Charge for the period	1.0
At 26 February 2021	3.4
NET BOOK VALUE	
At 26 February 2021	8.0
At 28 February 2020	8.8

The individual intangible asset, excluding goodwill, which is material to the financial statements is the enterprise resource planning system used by certain parts of the Services division which has a carrying amount of £8.0m (2020: £8.8m) and a residual amortisation period of 7 years (2020: 8 years).

11. Tangible assets

CONSOLIDATED	Land and buildings £m	Investment properties £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
COST OR VALUATION					
At 29 February 2020	22.3	4.7	5.8	28.9	61.7
Additions	-	-	0.2	2.5	2.7
Disposals	-	(0.9)	(2.6)	(9.5)	(13.0)
At 26 February 2021	22.3	3.8	3.4	21.9	51.4
ACCUMULATED DEPRECIATION					
At 29 February 2020	2.0	-	4.2	16.6	22.8
Charge for the period	0.6	-	0.5	2.9	4.0
Disposals	-	-	(2.6)	(9.4)	(12.0)
At 26 February 2021	2.6	-	2.1	10.1	14.8
NET BOOK VALUE					
At 26 February 2021	19.7	3.8	1.3	11.8	36.6
At 28 February 2020	20.3	4.7	1.6	12.3	38.9

COMPANY	Land and buildings £m	Investment properties £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
COST OR VALUATION					
At 29 February 2020	22.3	4.7	1.2	26.9	55.1
Additions	-	-	-	2.5	2.5
Disposals	-	(0.9)	(1.1)	(9.4)	(11.4)
At 26 February 2021	22.3	3.8	0.1	20.0	46.2
ACCUMULATED DEPRECIATION					
At 29 February 2020	2.0	-	1.1	15.2	18.3
Charge for the period	0.6	-	-	2.9	3.5
Disposals	-	-	(1.1)	(9.4)	(10.5)
At 26 February 2021	2.6	-	-	8.7	11.3
NET BOOK VALUE					
At 26 February 2021	19.7	3.8	0.1	11.3	34.9
At 28 February 2020	20.3	4.7	0.1	11.7	36.8

11. Tangible assets (continued)

Consolidated and Company

Individual freehold properties are valued externally on five-year cycles and reviewed by Directors annually supported by an external desk-top review using market indices. The valuation and desk-top review at 26 February 2021 were undertaken by independent, professionally qualified RICS valuers. The valuation was carried out in accordance with the Royal Institution of Chartered Surveyors' Red Book.

Investment properties were revalued at 26 February 2021 by a Directors' valuation using market indices supported by an external desk-top review. The desk-top review was undertaken by an independent, professionally qualified RICS valuer with recent experience in the location and class of property being valued.

If stated under historical cost principles, the comparable amount for the total of land and buildings would be:

	2021 £m	2020 £m
Cost	16.4	16.4
Accumulated depreciation	(11.5)	(11.0)
Net book value	4.9	5.4

All other tangible fixed assets are stated at historical cost less accumulated depreciation.

12. Investments in subsidiaries

COMPANY	£m
COST	
At 29 February 2020 and 26 February 2021	0.1
PROVISIONS FOR IMPAIRMENT	
At 29 February 2020 and 26 February 2021	-
NET BOOK VALUE	
At 26 February 2021	0.1
At 28 February 2020	0.1

Subsidiary companies

The subsidiaries which, in the opinion of the Directors, principally affect the result or net assets of the Group are:

Subsidiaries by division:

- Mechanical and electrical engineering services, with a mix of regional and large strategic projects across a range of industry areas including rail, manufacturing, industrial, defence, education, power and nuclear:

    NG Bailey Limited

- Design and installation of electrical infrastructure projects and facilities management and maintenance services to the UK Distribution Network Operator (DNO) sector and to the wider utility and infrastructure industry:

    The Freedom Group of Companies Ltd.

12. Investments in subsidiaries (continued)

Subsidiary companies (continued)

- Design, supply, installation, management and maintenance of voice, data networks and structured cabling solutions and mechanical and electrical, planned and reactive integrated building services maintenance:

  NG Bailey IT Services Limited
  NG Bailey Facilities Services Limited
  Hamsaard 2019 Limited (ceased trading during prior period)

- Hold and manage the Group's investment in The Freedom Group of Companies Ltd:

  NGBF Holdings Limited

- Vehicle leasing:

  Bailey Leasing Limited (ceased trading during the prior period)

NG Bailey Group Limited directly owns 100% of the shares in NG Bailey Limited and Bailey Leasing Limited. NG Bailey Limited owns 100% of the shares in NG Bailey IT Services Limited, NG Bailey Facilities Services Limited and NGBF Holdings Limited. NG Bailey IT Services Limited owns 100% of the shares in Hamsaard 2019 Limited. NGBF Holdings Limited owns 100% of the shares in The Freedom Group of Companies Ltd.

The nominal value of share capital of the subsidiary companies comprises ordinary shares. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

The Group also owns the following dormant subsidiary companies, all of which are exempt from audit as dormant companies:

		Proportion of shares held		
NAME OF COMPANY	Holding	2021	2020	Owner
Bailey Systems Limited	Ordinary	100%	100%	NG Bailey Group Limited
Denton Park Limited	Ordinary	100%	100%	NG Bailey Group Limited
Denton Hall and Estate Limited	Ordinary	100%	-	NG Bailey Group Limited
Bailey Off-Site Limited	Ordinary	100%	100%	NG Bailey Group Limited
SI Site Services Limited	Ordinary	100%	100%	NG Bailey Group Limited
NG Bailey Pensions Trustees Limited	Ordinary	100%	100%	NG Bailey Group Limited
Berdost 2019 Limited	Ordinary	100%	100%	NG Bailey Limited
Bailey Rail Limited	Ordinary	100%	100%	NG Bailey Limited
Bailey Building Management Limited	Ordinary	100%	100%	NG Bailey Limited
Bailey Energy Limited	Ordinary	100%	100%	NG Bailey IT Services Limited
British Power International Limited	Ordinary	100%	100%	The Freedom Group of Companies Ltd.
Morfind 2019 Limited	Ordinary	100%	100%	NGBF Holdings Limited
Morfind 2020 Limited	Ordinary	100%	100%	Morfind 2019 Limited
Morfind 2021 Limited	Ordinary	100%	100%	Morfind 2020 Limited
Morfind 2022 Limited	Ordinary	100%	100%	Morfind 2021 Limited
Morfind 2023 Limited	Ordinary	100%	100%	Morfind 2022 Limited
Morfind 2024 Limited	Ordinary	100%	100%	Morfind 2023 Limited
Morfind 2025 Limited	Ordinary	100%	100%	Morfind 2024 Limited
Morfind 2026 Limited	Ordinary	100%	100%	Morfind 2025 Limited
Morfind 2027 Limited	Ordinary	100%	100%	Morfind 2025 Limited
Morfind 2028 Limited	Ordinary	100%	100%	Morfind 2025 Limited
Morfind 2029 Limited	Ordinary	100%	100%	Morfind 2028 Limited
Morfind 2030 Limited	Ordinary	100%	100%	Morfind 2025 Limited

12. Investments in subsidiaries (continued)

Subsidiary companies (continued)

All of the subsidiaries above are incorporated in England and their registered office is Denton Hall, Denton, Ilkley, West Yorkshire, LS29 0HH, except as shown in the table below:

NAME OF COMPANY	Incorporated in	Registered address
Hamsaard 2019 Limited	Northern Ireland	Carson Mcdowell, Murray House, Murray Street, Belfast, BT1 6DN
Morfind 2021 Limited	Jersey	44 Esplanade, St Helier, Jersey, JE4 9WG

13. Stocks

	Consolidated		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Raw materials	0.8	0.9	0.6	0.7
Work in progress	0.4	0.7	-	-
	1.2	1.6	0.6	0.7

14. Debtors: amounts falling due within one year

	Consolidated		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Amounts recoverable on contracts	73.0	103.6	-	-
Trade debtors	48.5	47.2	0.2	0.3
Other debtors	2.2	8.0	8.0	4.5
Corporation tax	0.6	-	-	0.1
Group relief	-	-	3.8	3.6
Prepayments and accrued income	14.1	19.1	0.5	1.1
	138.4	177.9	12.5	9.6

15. Pension scheme

The Group participates in defined benefit pension schemes; The Pension and Life Assurance Plan of NG Bailey and a Prudential Platinum arrangement. The Prudential Platinum arrangement is a sectionalised multi-employer scheme which applies to less than 1% of the Group's employees with an immaterial surplus which is restricted to £nil due to future non-recovery of this asset. Therefore, it is not further disclosed in these financial statements.

The Pension and Life Assurance Plan of NG Bailey is set up as a separate trust, independent of the Group and is supervised by an independent Trustee. The Trustee is responsible for the operation and the governance of the scheme, including making decisions regarding the scheme's funding and investment strategy in conjunction with the Group. The scheme does not have any active members. Most of the scheme's current pensioners are covered by an insurance policy, although they remain the responsibility of the scheme.

a) Information from the actuary's review of the pension scheme

The most recent actuarial valuation of the scheme assets and the present value of the defined benefit obligation were carried out at 1 March 2018. The next formal actuarial valuation will be carried out as at 1 March 2021.

The Group is not currently required to contribute towards the funding of the scheme as it was in surplus at the most recent actuarial valuation. Administrative expenses are expected to be met from the scheme's assets.

i) Contribution rates

The scheme has a 60ths final salary section, a 60ths career average section and an 80ths career average section. The 60ths final salary and 60ths career average sections were closed to future accrual of benefits on 29 February 2008. The 80ths career average section was closed to future accrual of benefits on 31 May 2010. The scheme is externally funded and was contracted-out of the second-tier of State pension provision.

ii) Basis

The valuation was prepared using the projected unit method.

b) Information relating to Financial Reporting Standard No. 102 "Retirement benefits"

The actuarial valuation described above has been projected to 26 February 2021 with an allowance for the impact of Guaranteed Minimum Pension (GMP) equalisation and two insurance buy-in transactions which occurred during the prior period using assumptions that are consistent with the requirements of FRS102. A further allowance for the impact of equalising the benefits of members who have historically transferred out of the scheme for GMPs has been included in this period, recognised as a past service charge.

Investments have been valued, for this purpose, at fair value.

For FRS102 purposes the following financial assumptions have been used:

	2021 % p.a.	2020 % p.a.
Consumer Prices Index inflation ('CPI')	2.55	2.20
Retail Prices Index inflation ('RPI')	3.15	3.00
Rate of increase for deferred pensions in excess of GMP	2.55	2.20
Rate of increase for deferred pensions GMP benefits	4.55	4.20
Rate of increase for pensions in payment (post 2008)	1.95	1.75
Rate of increase for pensions in payment (post 1997, pre 2008)	2.55	2.25
Rate of increase for pensions in payment (pre 1997)	0.00	0.00
Discount rate	2.00	1.65

15. Pension scheme (continued)

b) Information relating to Financial Reporting Standard No. 102 "Retirement benefits" (continued)

The most significant non-financial assumption is the assumed rate of longevity. Post-retirement mortality at 26 February 2021 has been assumed to be in accordance with 105% of the published self-administered pension scheme survey standard tables projected from 2007 using 2019 CMI core projections with a 1.25% p.a. long-term trend improvement for males and females (2020: 2018 CMI core projections with a 1.25% p.a. long-term trend improvement for males and females). For the 2019 tables, a smoothing factor of 7.0 was used and an initial addition to mortality improvements of 0.25% was used to reflect the fact that the mortality improvements have tended to be quicker for members of occupational pension schemes compared with the population of England and Wales (2020: for the 2018 tables, a smoothing factor of 7.5 and an initial addition to mortality improvements of 0.5%).

At 26 February 2021, the implied life expectancies are as follows:

	Males Years	Females Years
For a member aged 65 at 26 February 2021	86.6	88.6
For a member aged 45 at 26 February 2021	88.0	89.9

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	Change in assumption	Impact on liabilities
Discount rate	0.1% -/+	£7.2m +/-
Inflation and pension increases	0.1% +/-	£5.4m +/-
Life expectancy	1 year +/-	£13.6m +/-

The above sensitivities in the value of the scheme's liabilities are based on changing each assumption in isolation while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. The scheme has a hedging strategy, which is achieved by investing in a Liability Driven Investment (LDI) portfolio. This is an investment in a fund containing a range of assets which respond to market movements in a way that closely matches how the scheme's liabilities respond to changes in interest rates and inflation. This LDI portfolio will mean that the balance sheet position of the scheme is less sensitive to changes in interest rates or inflation than the sensitivities above for the scheme's liabilities in isolation.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2021	2020
Equities	10.4%	8.4%
Property	2.4%	2.8%
Semi-liquid credit fund	14.0%	13.7%
Multi-asset funds	12.2%	11.3%
LDI portfolio	24.1%	28.3%
Annuities	27.4%	28.0%
Cash	9.5%	7.5%

15. Pension scheme (continued)

b) Information relating to Financial Reporting Standard No. 102 "Retirement benefits" (continued)

The scheme assets do not include any of the Group's financial instruments nor is any property occupied by any Group entity.

To capitalise on the strong position of the scheme, the scheme has purchased insurance contracts (annuities) which match the majority of the scheme's pensioner liabilities. The scheme holds the insurance policies as investments which are valued at the estimated value of the related liabilities.

The scheme invests in a semi-liquid credit fund that aims to generate enhanced returns by investing in a combination of semi-liquid debt instruments issued by organisations with high quality credit ratings to take advantage of the scheme's ability to invest over a medium-term horizon. The scheme also holds multi-asset funds that seek to provide a total return, taking into account both capital and income returns over the long-term through multiple asset classes which are together expected to generate growth with comparatively lower risk than investing in worldwide equities alone.

	2021 £m	2020 £m
Analysis of the movement in the scheme surplus during the period		
Surplus at 29 February 2020	33.4	32.6
Actuarial (loss) / gain	(2.4)	0.5
Net interest income	0.5	0.9
Scheme administration expenses	(0.6)	(0.6)
Past service cost (see below)	(0.1)	-
Surplus at 26 February 2021	30.8	33.4

In previous years, the Group has recognised an additional scheme liability following the judgement on the Lloyds Banking Group High Court hearing with regards to Guaranteed Minimum Pension (GMP) equalisation which was published on 26 October 2018. The judgement indicated that pension trustees should amend scheme benefits to equalise for the effect of unequal GMPs and indicated an acceptable range of methods for how to do so. In November 2020, there was a further judgement in respect of the Lloyds case which confirmed that past transfers out of pension schemes should also be revisited to equalise GMPs. The impact of this further GMP ruling was to increase the defined benefit obligation by £0.1m (before tax) which was charged to the income statement in the current period as a past service cost.

	Note	2021 £m	2020 £m
Amounts charged to operating (loss) / profit in respect of defined benefit schemes			
Scheme administration expenses		0.6	0.6
Past service cost		0.1	-
Amounts credited to interest receivable and similar income			
Net interest income on defined benefit asset	7	(0.5)	(0.9)
Total consolidated income statement cost / (credit) before deduction of tax		0.2	(0.3)

15. Pension scheme (continued)

b) Information relating to Financial Reporting Standard No. 102 "Retirement benefits" (continued)

	2021 £m	2020 £m
Analysis of amounts recognised in other comprehensive (expense) / income		
(Loss) / gain on pension scheme assets	(16.0)	55.6
Gain / (loss) on change of assumptions	13.6	(69.2)
Experience gain	-	14.1
Total actuarial (loss) / gain recognised in other comprehensive (expense) / income	(2.4)	0.5

	2021 £m	2020 £m
Analysis of the change in the present value of the scheme's liabilities		
Liabilities at 29 February 2020	373.7	318.4
Past service cost	0.1	-
Interest cost	6.1	8.5
Actuarial (gain) / loss	(13.6)	55.1
Benefits paid	(8.5)	(8.3)
Liabilities at 26 February 2021	357.8	373.7

	2021 £m	2020 £m
Analysis of the change in the fair value of the scheme's assets		
Assets at 29 February 2020	407.1	351.0
Interest income	6.6	9.4
(Loss) / gain on scheme assets excluding interest income	(16.0)	55.6
Scheme administration expenses	(0.6)	(0.6)
Benefits paid	(8.5)	(8.3)
Assets at 26 February 2021	388.6	407.1

The scheme's liabilities reduced by £13.6m (2020: increased by £69.2m) due to changes in actuarial assumptions. The reduction in the current period is mostly due to the increase in the discount rate caused by the rise in corporate bond yields over the period, along with a small reduction in life expectancy after updating the future mortality assumptions. The large increase in the prior period was mainly due to the significant fall in the discount rate (due to corporate bond yields falling) over the period, along with updated expectations of future life expectancy improvements at that time. This increase was partially offset by a decrease in the assumed inflation rate over the period.

In addition, in the prior period allowance has been made for updated scheme membership data from the latest triennial actuarial valuation of the scheme as at 1 March 2018 which reduced the scheme's liabilities by £14.1m and reflects the actual experience of the scheme turning out differently to actuarial assumptions since the 2015 triennial actuarial valuation.

Assets of the scheme had a loss of £16.0m excluding interest income (2020: a gain of £55.6m) over the period driven mostly by changes in the value of the scheme's LDI investments, which are designed to respond to market movements in a way that closely matches how pension scheme liabilities respond to interest rate and inflation.

Estimated contributions for the period from 26 February 2021

Further estimated contributions by the employer for the period beginning 26 February 2021 are £nil (2020: £nil).

15. Pension scheme (continued)

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Five year history					
Scheme liabilities	(357.8)	(373.7)	(318.4)	(310.4)	(322.0)
Scheme assets	388.6	407.1	351.0	345.8	347.6
Asset	30.8	33.4	32.6	35.4	25.6
(Loss) / gain on scheme assets	(16.0)	55.6	(1.4)	(3.1)	66.5
Percentage of scheme assets	4.1%	13.7%	0.4%	0.9%	19.1%
Experience gain on scheme liabilities	-	14.1	-	-	-
Percentage of scheme liabilities	0.0%	3.8%	0.0%	0.0%	0.0%

Scheme assets are valued at bid price, or in the case of annuities, at the estimated value of the related liabilities.

16. Investments

	Consolidated and Company	
	2021 £m	2020 £m
Listed investments at fair value		
Listed on a recognised investment exchange	28.0	23.6
Listed on an exchange of repute outside the United Kingdom	15.5	12.6
	43.5	36.2

	£m
Listed investments	
At 29 February 2020	36.2
Purchase of investments	7.4
Sale of investments	(5.6)
Fair value movement	5.5
At 26 February 2021	43.5

17. Creditors: amounts falling due within one year

	Consolidated		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Payments received on account	0.2	6.0	-	-
Trade creditors	50.1	93.4	0.5	2.5
Accruals	64.9	60.3	7.6	7.4
Bank loans	2.0	2.0	2.0	2.0
Other taxation and social security	34.1	15.4	0.2	0.3
Deferred income	15.3	18.7	-	-
Amounts owed to subsidiary companies	-	-	41.3	35.5
	166.6	195.8	51.6	47.7

Amounts owed to subsidiary undertakings are unsecured, interest free and are repayable on demand.

Other taxation and social security includes the amount payable for VAT deferred under the government scheme.

18. Creditors: amounts falling due after more than one year

	Consolidated and Company	
	2021 £m	2020 £m
Bank loans	12.4	15.9

Bank loans, included within creditors, are analysed as follows:

	Consolidated and Company	
	2021 £m	2020 £m
Term loan	14.4	16.4
Revolving credit facility	-	1.5
	14.4	17.9

The term loan of £20.0m is held with HSBC Bank PLC and is repayable in quarterly instalments of £0.5m with a final repayment of £10.5m due in March 2023. Interest is charged at LIBOR plus 1.9% of the outstanding balance.

The revolving credit facility was fully repaid during the period.

The bank loans were initially recognised net of prepaid transaction costs of £0.2m. The loans are secured by fixed and floating charges over the Group and Company's assets.

19. Provision for liabilities

	Note	Consolidated Deferred tax £m	Company Deferred tax £m
At 29 February 2020		8.0	6.7
Charge to the income statement	8	0.1	1.6
Credit to other comprehensive income		(0.5)	(0.5)
At 26 February 2021		7.6	7.8

Deferred taxation provided for at 19% (2020: 17%) in the financial statements is set out below:

	Consolidated		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Accelerated capital allowances	(0.2)	(0.5)	(0.1)	(0.2)
Revalued property and investment property	0.6	0.9	0.6	0.9
Investments at fair value	1.6	0.5	1.6	0.5
Other short-term timing differences	(0.3)	(0.5)	(0.2)	(0.2)
Losses available to carry forward	(2.2)	(0.4)	-	-
Pension scheme asset	5.9	5.7	5.9	5.7
Acquired intangible assets	2.2	2.3	-	-
	7.6	8.0	7.8	6.7

The amount of the net reversal of deferred tax expected to occur next period is £0.6m (2020: £0.9m) relating to the reversal of other timing differences and utilisation of tax losses. There are unrecognised tax losses of £0.4m at 26 February 2021 (2020: £0.3m).

20. Called up share capital

	Consolidated and Company	
	2021 £m	2020 £m
Share capital - allotted, called up and fully paid		
2,824,657 (2020: 2,824,657) ordinary shares of 5p each	0.1	0.1

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends. The repayment of capital is governed by the terms of the procedures as set out in the Company's Articles of Association.

21. Reserves

Called up share capital represents the nominal value of shares that have been issued.

The capital redemption reserve represents the nominal value of shares repurchased and still held at the end of the reporting period.

Revaluation reserve represents the surplus arising from valuation of properties compared with the historic cost.

Retained earnings include all current and prior period retained profits and losses.

22. Dividends paid

	Consolidated and Company	
	2021 £m	2020 £m
Final 2020 dividend at £nil (2020: final 2019 dividend at £0.71) per 5p share	-	2.0

Notwithstanding the strong financial position of the Group, the Board believes it is important in these unprecedented times to preserve cash. Therefore, no final dividend is proposed for the period ended 26 February 2021.

23. Analysis of charges in net funds

	At 29 February 2020 £m	Cash flow £m	Non-cash changes £m	At 26 February 2021 £m
Cash and deposits	42.0	0.3	-	42.3
Bank loans	(17.9)	3.5	-	(14.4)
Net funds	24.1	3.8	-	27.9

24. Commitments

Operating leases

The Group and Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Consolidated		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
within one year	6.9	6.6	6.2	5.8
within two to five years	13.2	14.9	11.9	12.6
after five years	2.9	3.6	2.5	2.9
	23.0	25.1	20.6	21.3

25. Financial assets and liabilities

The Group's financial instruments may be analysed as follows:

	Consolidated	
	2021 £m	2020 £m
Financial assets		
Financial assets measured at fair value through the income statement	43.5	36.2

Financial assets measured at fair value through the income statement comprise current asset investments in a trading portfolio of listed company shares.

Company Statement of Financial Position

at 26 February 2021
Company Registration No. 1490238

	Note	2021 £m	2020 £m
FIXED ASSETS			
Intangible assets	10	8.0	8.8
Tangible assets	11	34.9	36.8
Investments	12	0.1	0.1
		43.0	45.7
CURRENT ASSETS			
Stocks	13	0.6	0.7
Debtors: amounts falling due within one year	14	12.5	9.6
Pension scheme asset	15	30.8	33.4
Investments	16	43.5	36.2
Cash and deposits		33.5	33.2
		120.9	113.1
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	(51.6)	(47.7)
NET CURRENT ASSETS		69.3	65.4
TOTAL ASSETS LESS CURRENT LIABILITIES		112.3	111.1
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	(12.4)	(15.9)
PROVISION FOR LIABILITIES	19	(7.8)	(6.7)
NET ASSETS		92.1	88.5
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	20	0.1	0.1
RESERVES			
Revaluation reserve	21	18.1	19.2
Capital redemption reserve	21	-	-
Retained earnings	21	73.9	69.2
		92.0	88.4
TOTAL EQUITY		92.1	88.5

As permitted by Section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The profit for the financial period dealt with in the accounts of the Company was £5.5m (2020: £14.4m).

These financial statements were approved by the Board of Directors on 8 June 2021 and were signed on its behalf by:

K I WHITEMAN

D S HURCOMB

The notes on pages 45 to 68 form an integral part of these financial statements.

Company Statement of Changes in Equity

for the 12 month period ended 26 February 2021

	Note	Share capital £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
AT 1 MARCH 2019		**0.1**	**24.1**	**-**	**51.8**	**76.0**
PROFIT FOR THE FINANCIAL PERIOD	9	**-**	**-**	**-**	**14.4**	**14.4**
Remeasurement of defined benefit pension scheme asset	15	-	-	-	0.5	0.5
Property revaluation in period		-	(0.6)	-	-	(0.6)
Deferred tax on pension scheme asset		-	-	-	(0.1)	(0.1)
Deferred tax on revalued property		-	-	-	0.3	0.3
OTHER COMPREHENSIVE (EXPENSE) / INCOME		**-**	**(0.6)**	**-**	**0.7**	**0.1**
TOTAL COMPREHENSIVE (EXPENSE) / INCOME FOR THE PERIOD		**-**	**(0.6)**	**-**	**15.1**	**14.5**
Transfer of realised reserve		-	(4.1)	-	4.1	-
Transfer of additional depreciation on revalued assets		-	(0.2)	-	0.2	-
Transactions with owners Dividends paid	22	-	-	-	(2.0)	(2.0)
AT 28 FEBRUARY 2020		**0.1**	**19.2**	**-**	**69.2**	**88.5**
PROFIT FOR THE FINANCIAL PERIOD	9	**-**	**-**	**-**	**5.5**	**5.5**
Remeasurement of defined benefit pension scheme asset	15	-	-	-	(2.4)	(2.4)
Deferred tax on pension scheme asset		-	-	-	0.5	0.5
OTHER COMPREHENSIVE EXPENSE		**-**	**-**	**-**	**(1.9)**	**(1.9)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-**	**-**	**-**	**3.6**	**3.6**
Transfer of realised reserve		-	(0.9)	-	0.9	-
Transfer of additional depreciation on revalued assets		-	(0.2)	-	0.2	-
AT 26 FEBRUARY 2021		**0.1**	**18.1**	**-**	**73.9**	**92.1**

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