



NG Bailey

NG Bailey Group Limited Financial Statements

28 February 2020

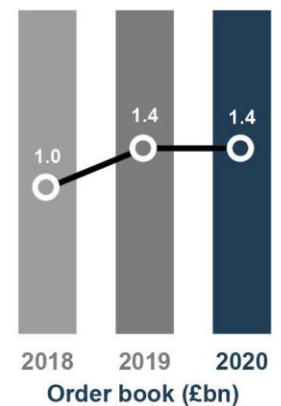
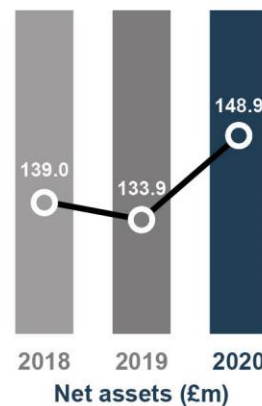
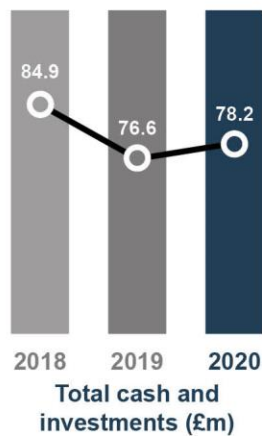
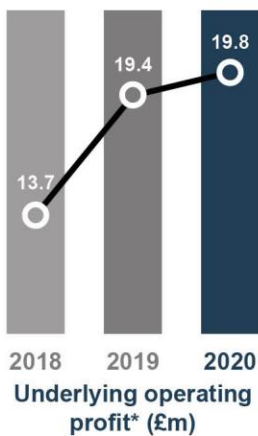
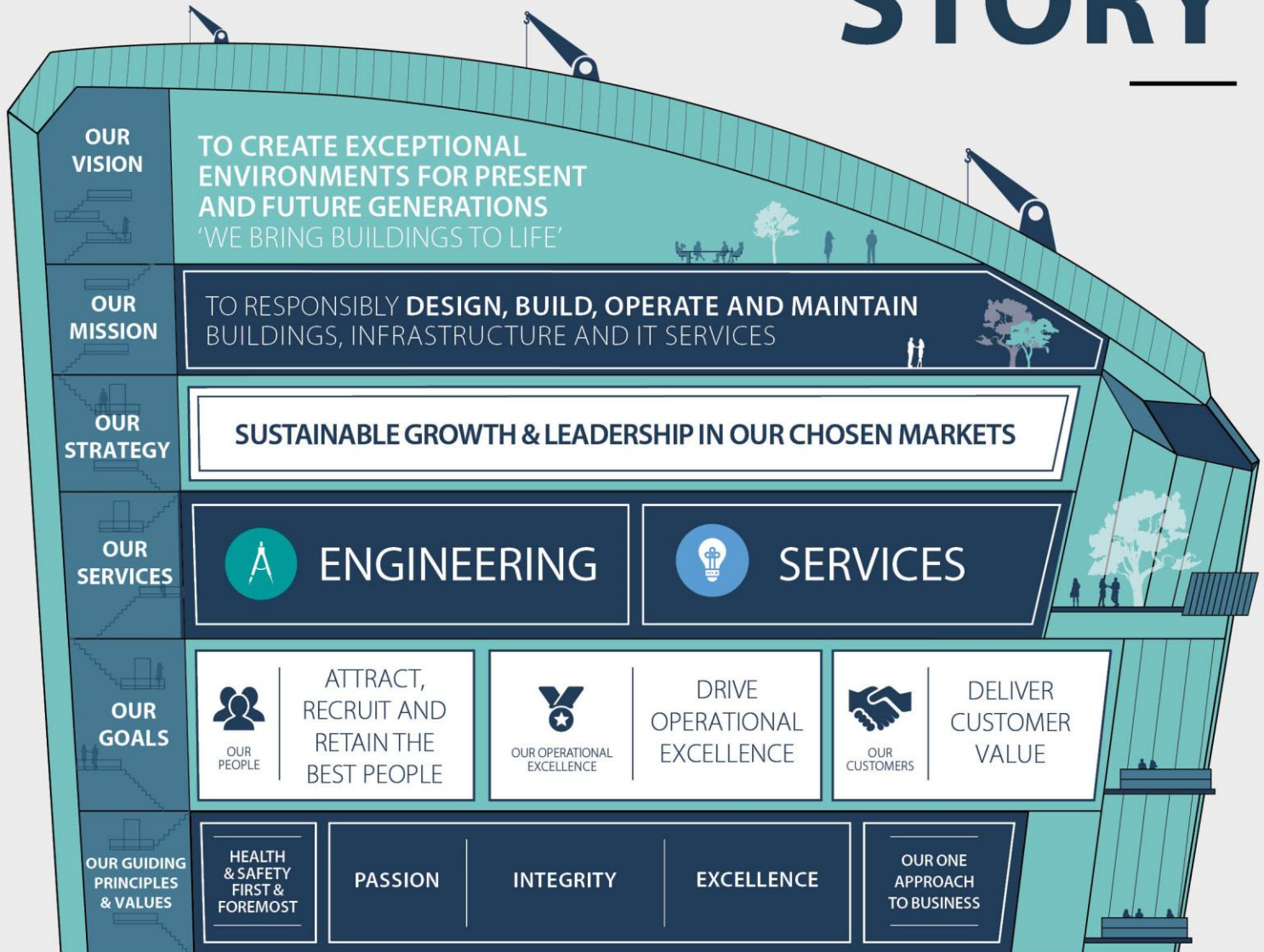


Company registration 1490238

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OUR STORY



**FINANCIALLY
STRONG**

**WITH A BALANCED PIPELINE OF WORK
ACROSS SUSTAINABLE AND RESILIENT
SECTORS**

**Result before exceptional items and amortisation of goodwill and acquired intangible assets*



BEING A RESPONSIBLE, FAMILY OWNED BUSINESS

A PROACTIVE SAFETY CULTURE WHERE SAFETY IS FIRST AND FOREMOST, ALWAYS

AN ENGAGED AND COLLABORATIVE SUPPLY CHAIN

A CONSISTENT REDUCTION IN OUR ENVIRONMENTAL IMPACTS

CHARITY PARTNERSHIPS THAT HAVE MADE A DIFFERENCE FOR OUR PEOPLE

HAVE A POSITIVE IMPACT ON 10,000 LIVES BEYOND OUR BUSINESS



2021 Key Outcomes and Key Workstreams

DELIVERING A BEST IN CLASS CUSTOMER EXPERIENCE

ACTIVELY REDUCING OUR CUSTOMERS' IMPACTS

SUPPORTING OUR CUSTOMERS' SUSTAINABILITY GOALS

A HAPPY AND HEALTHY WORKFORCE

A FAIR AND INCLUSIVE PLACE TO WORK

CLEAR CAREER ROUTES AND OPPORTUNITIES PROVIDED FOR PRESENT AND FUTURE WORKFORCE



DELIVERING CUSTOMER VALUE



Consistently high NPS



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



Consistently high employee engagement



Circa **3,200** employees

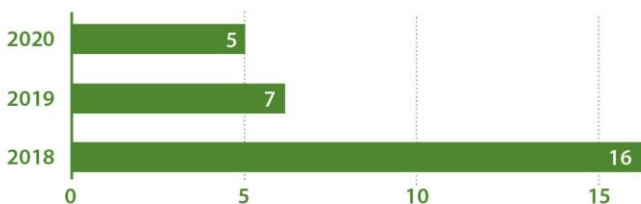


85% retention of graduated apprentices since 2012



SAFETY FIRST & FOREMOST

RIDDOR Accidents



RoSPA Awards



ISO 45001 achieved



Prestigious ISO 27001 for IT Services



Don't Walk By

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

STRATEGIC REPORT

Principal Activities

Founded in 1921, NG Bailey has grown to become the UK's largest 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.

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

A national business with a local presence, its 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 and iconic city landmarks.

Services

The Services division's offering brings together three key areas of expertise – Facilities and Infrastructure Services, IT Services and Freedom.

The division offers a wide range of hard maintenance and design installation services across the public and private sector including operating on the UK electricity infrastructure through our Freedom brand.

The focus is on offering a highly-attractive end-to-end proposition for customers across a number of markets, 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.



Business Review

In these unprecedented times during the COVID-19 pandemic, the health and safety of our employees, customers and supply chain has remained our first priority. We are continuously assessing and refining our operating procedures to respond to customer requirements and put mitigations in place to protect our people in line with government requirements.

The COVID-19 situation escalated rapidly shortly after our February 2020 year end. On 11 March 2020, the World Health Organisation declared a pandemic and on 23 March 2020, the UK government announced the nationwide lockdown. Our strategy of a balanced portfolio across our business activities has provided some resilience against the COVID-19 disruption. For many of our customers, work carries on as we continue to deliver vital building and infrastructure services across the UK. Following the government's recovery strategy launched on 10 May 2020, the Group is working towards safely remobilising activities that have been temporarily paused.

As the position evolves, we continue to monitor and assess the impact of the outbreak on the operational and financial performance of the Group. The strength of our balance sheet and management team mean we are well placed to come through this difficult period. Further information on our COVID-19 response is given on pages 7 and 8.

We are proud of the response of our people, working together as one team and living by our values of Passion, Integrity and Excellence. 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.

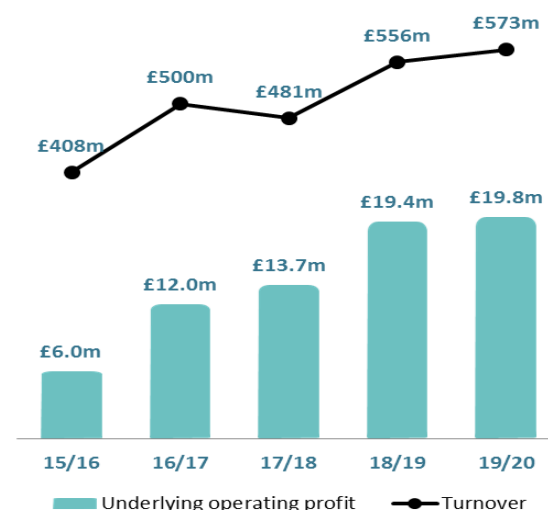
The general economic environment has continued to be challenging in 2019/20 due to the uncertainty surrounding Brexit with COVID-19 adding to this. This impacts the confidence

of customers to make positive investment decisions and we have continued to see an impact on the order book and the gestation of projects from tender to award date. However, with a strong pipeline of opportunities and continued commitment from the government to defence and infrastructure spending, we remain positive that the markets in which we operate will remain resilient.

We continue to deliver against our strategy to achieve a balance in the business across building construction, rail/infrastructure and services. The success of the strategy is reflected in a strong operating performance that has continued to improve year-on-year (see graph below), together with an unparalleled number of industry awards.

At the forefront of our performance is our commitment to health and safety and wellbeing with the goal of engaging everyone across our business and supply chain to put 'Safety First & Foremost'. This year we successfully migrated to the internationally recognised ISO 45001 standard, a clear indicator of the improvements we have made in our processes and systems for managing health and safety. There were five reportable RIDDOR* incidents in the period (2019: 7)

Despite the difficult political and economic environment, we are pleased to report that sales have increased to £573m (2019: £556m) and underlying operating profit (which is before exceptional items and amortisation) is up from £19.4m to £19.8m. Across our businesses we continue to be highly selective in our 'bid no bid'



and estimation processes in order to win work at margins commensurate with the risk.

There was an exceptional profit during the period of £0.9m largely linked to the sale of an office property and the associated move costs (2019: exceptional cost of (£1.2m) for the guaranteed minimum pension ruling impact on the Group's defined benefit pension scheme).

We have seen positive gains and income in the year to 28 February 2020 from our money market investments. Profit before taxation is £20.5m (2019: £16.1m).

In this current trading environment one of our differentiators is the strength of our balance sheet. Net assets were £148.9m at the period end (2019: £133.9m) and were strongly cash backed. We have cash and liquid investments with a market value of £78.2m (2019: £76.6m) at the period end. This continues to be important as customers look for strength and stability in their supply chain over the project life cycle during these uncertain times.

The Group's strong performance in the year ended February 2020 has, once again, been delivered against a backdrop of political and economic uncertainty. Our people have worked incredibly hard to deliver these results. The Board would like to thank all our people for their contribution, particularly in recent times with the challenges brought by the pandemic. Whilst COVID-19 will materially affect the Group's results in 2020/21, and there will be a few difficult years ahead, with careful management and the continued efforts of everyone in our Group, we will overcome the unprecedented challenges.

COVID-19 Pandemic

COVID-19 has caused significant economic and social disruption and is having a material impact on the Group. Our priorities are the safety of our employees, customers, supply chain and the communities in which we operate in, preserving our robust financial position, and continuing to serve our customers in accordance with government guidelines.

1. Health and safety

The senior management team is continuously assessing and refining the Group's operating procedures to respond to customer requirements and protect our people and stakeholders in line with government requirements, notably around social distancing and safe site working practices. The Board has provided oversight during frequent update calls.

In the lead up to lockdown, the Group quickly mobilised the provision of additional equipment to enable home working for our people who can work remotely.

2. Operational impact

As is the case throughout most UK businesses, this unprecedented event has caused disruption to the Group's operations. In the Engineering division, whilst around 70% of sites have remained open during the lockdown period, around 30% have been temporarily closed. For those that remained open, productivity has been affected by the social distancing measures to keep people safe. Work is underway to remobilise our closed sites safely, in line with government guidance. Social



distancing measures are expected to be in place for some time and this will adversely impact 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. In particular, there has been a contraction in discretionary customer spending which may continue over the coming months.

The reduced activity has meant the Group is utilising the government's Coronavirus Job Retention Scheme. For our workforce that have been furloughed, their pay has been topped up to 80% of pay, rising to 100% for lower earners (in excess of the government's contribution in many cases). In recent weeks, the Group has started to reduce the number of people furloughed as the lockdown is lifted.

3. Financial resilience

The Group has a very strong financial base, with a robust balance sheet, with cash and investments at 28 February 2020 of £78m.

In addition, the Group has available banking facilities of £35m (£30m overdraft facility and £5m revolving credit facility). Facilities were confirmed with the Group's bankers, HSBC, in May 2020 to ensure there is significant financial headroom under a range of different downside scenarios. The Group will keep the size of facilities under review over the next 12 months. This has been agreed with HSBC as the right approach until the impact of COVID-19 is better understood along with the medium-term economic impacts. Once we reach this point, we will reassess our facility requirements as part of the Group's longer-term capital planning.

In assessing the Group's going concern and viability, the Board has considered the potential

impact of the COVID-19 pandemic on the Group, notably the productivity reductions from ongoing social distancing measures and stress testing the forecasts to consider the impact of a further UK lockdown. Based on this assessment, the Board believes the Group has the financial strength, available banking facilities and headroom to withstand the disruption from COVID-19 for the foreseeable future and will emerge from these challenging times in a strong, financially secure position.

The Group has also sought to reduce variable costs and to preserve cash, where possible. This includes cutting out discretionary spend and deferring bonuses and incentive scheme payments until the situation has settled. No final dividend has been proposed for the year ended February 2020. The Group has also utilised the available Government support such as deferring VAT payments and the Coronavirus Job Retention Scheme. The Board will continue to review the Group's strategy and the cost base as the impact of COVID-19 is better understood.

Whilst the COVID-19 pandemic is having a material effect on current operations, the Group is on track with its plan to safeguard our people, maintain operational capabilities and to preserve financial resources. As a family owned business of almost 100 years, it is clear the Group is a long-term business. The Group has an excellent reputation, extensive operational skills and a balanced portfolio of activities across resilient sectors. 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.



Section 172

Companies Act 2006

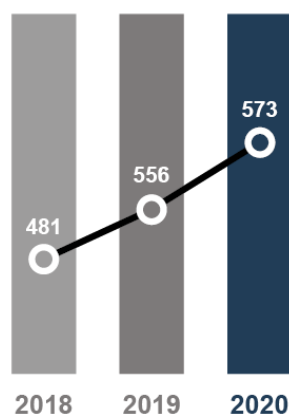
The Board has chosen to apply the Wates Corporate Governance Principles for Large Private Companies for the year ended 28 February 2020. The Corporate Governance Report, which evidences how the Group applies the principles, is included on pages 14 to 23 and is also available on the Group's website at www.ngbailey.com.

These principles support the Directors in demonstrating how they comply with the requirements of Section 172 of the Companies

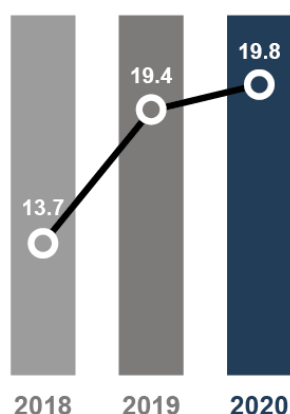
Act 2006 and how these requirements have impacted the Board's decision making throughout the period. In line with Section 172, the Board's priority is to ensure that the Directors have acted both individually and collectively in a way that they consider, in good faith, would be most likely to promote 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 almost 100 years. We are a business founded on our values of Passion, Integrity 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 14 to 23
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.	Pages 20 & 21
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 17 & 18
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 virtual roadshow. Feedback is gathered through annual Investors in People and biannual 'Pulse' surveys and acted upon.	Pages 21 & 22
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.	Page 22
Relationships with customers	We listen to feedback from customers from 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 22
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 where appropriate.	Page 23

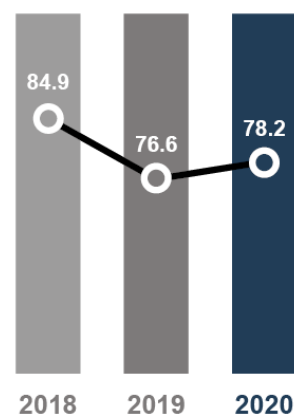
Key Performance Indicators



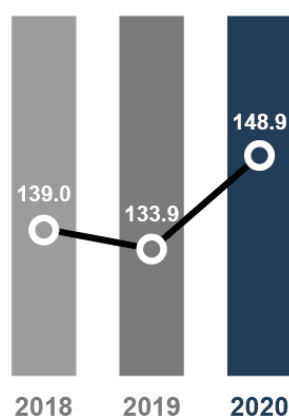
Turnover (£m)



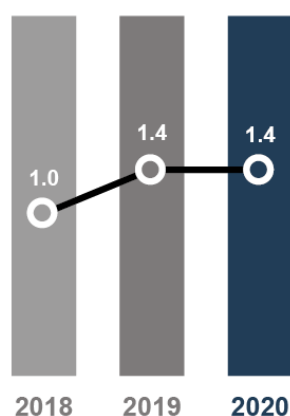
Underlying operating profit* (£m)



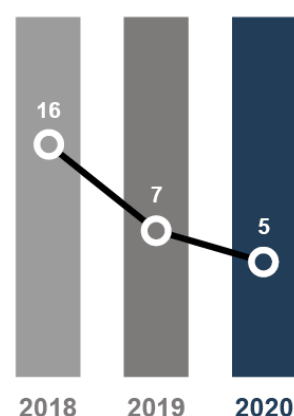
Total cash and investments** (£m)



Net assets (£m)



Order book (£bn)



Reportable RIDDOR*** incidents

* 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 31.

** Cash and investments in 2019 were after a £6.8m buy back of shares from a shareholder and a one-off interim dividend of £8.2m

*** Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

Future Developments

As the COVID-19 situation is continuously evolving, combined with ongoing Brexit uncertainties during the transition process, the Board and management team continue to monitor and develop the Group's response in order to continue delivering long-term value to our stakeholders. Further information on our COVID-19 response is given on pages 7 and 8.

We have a very strong balance sheet and the resources to invest selectively in growth areas, systems, processes and people to provide better returns in the longer-term. This is evidenced by the continued strength of our order book (secured and anticipated work) which was £1.4bn at the period end (2019: £1.4bn).

Our Engineering business' technical expertise is widely recognised and our Services division continues to enhance our customer delivery capabilities.

The Engineering division is a pioneer in the use of offsite manufacture with the largest specialist offsite manufacture facility 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.

The Group has invested in Freedom's POC-MAST™ product which offers a viable solution to connecting projects to the Grid with significant health and safety, environmental and cost benefits.

The Group is able to take advantage of selected opportunities such as the acquisition of the trade and assets of the Schneider Electric's Substation Engineering Services ("SES") division in December 2019 which provided a route for the Group to strengthen its power and

infrastructure offering and increase its presence in the regulated electricity distribution network market.

The Directors believe that the diversification strategy is well advanced and delivers value now and in the long-term.

OUR INNOVATIVE POC-MAST™ OFFERS A VIABLE SOLUTION TO CONNECTING PROJECTS TO THE GRID WITH SIGNIFICANT HEALTH & SAFETY, ENVIRONMENTAL AND COST BENEFITS



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 17 and 18. 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 and 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 these procedures and ensure management accountability.

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 and nuclear should present opportunities.

COVID-19 and the Brexit transition period both create uncertainty in the UK economy. This may result in customers delaying or cancelling proposed and existing projects. 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 of materials. The Group's forward order book



remains healthy at £1.4bn, the vast majority of which is in the UK.

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.

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 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.

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. Successful project delivery is supported through a combination of management oversight, project reviews, peer reviews and customer feedback.

Customers and supply chain

Given the economic uncertainty surrounding COVID-19 and Brexit, there remains 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 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 £78.2m at February 2020, along with banking facilities of £35m in place to provide further headroom which have been increased during the COVID-19 period. However, the Group is not complacent and continually monitors and stress tests its liquidity position.

Approved by the Board of Directors on 10 June 2020 and signed on its behalf by:



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

CORPORATE GOVERNANCE REPORT

For the year ended 28 February 2020, 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 largest independent engineering, construction, services and infrastructure company in the UK with a proud heritage and proven track record of achievement over almost 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 and Excellence. Under the Board's direction, these values underpin our vision and mission, and guide the Group's strategy, decisions, processes and culture. These messages are communicated to the workforce through various routes including leadership conferences, our virtual roadshow and regular CEO briefings.

Our vision is to be the best at creating exceptional environments for present and future generations. This couples with our mission "to responsibly, design, build, operate and maintain buildings, infrastructure and IT services". To do this responsibly, we consider both our current operations and our future legacy and recognise that the best way to achieve this is through our projects, and by working with our people, customers, supply chain and communities.

Our One Approach to business strategy defines our course for operating responsibly. This builds on the success we have already achieved and responds to the most material issues for our business. Its four key outcomes, targeted to be achieved through 11 workstreams by 2021, are summarised in the diagram below).



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 20 to 23.

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 relationship 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 independent non-executive Directors are members of these committees so that they are able to provide an appropriate degree of challenge and influence in these areas.

The Directors maintain and develop their skills, knowledge and familiarity with the Group through meeting 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. It recently reviewed its effectiveness internally and concluded that it 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, and will be incorporated into the Board's future programme.

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.

GROUP BOARD

Chaired by the independent non-executive Chairman and comprising of seven Directors (listed on page 24).

BOARD SUBCOMMITTEES

Audit Committee	Remuneration Committee	Nomination Committee	Pensions Steering Committee	Family Employment and Development Committee	Investment Committee
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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, Group Strategy & Performance 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 Internal Audit and other Group executives 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. The Committee did not meet in the period. Dependent upon the appointment being made, the Committee will be selected from the Board as appropriate.

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 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 sustainability.

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 which 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 annual 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 the 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 deal with 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 major 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 Internal Audit. These principal risks and uncertainties are outlined in the Strategic Report on pages 12 and 13. 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 Internal Audit 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 review each year covering how activities are managed including risks and mitigating actions.

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. The NG Bailey Policy Committee has oversight over corporate policies which ensures that policies are regularly reviewed and updated, and any changes are approved and controlled.

Additionally, the Internal Audit 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 in order to deliver our strategic aims we need to retain, motivate, and where necessary attract, senior executives of the highest quality.

The Remuneration Committee has a clearly defined terms of reference (which is reviewed annually) 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 takes into account 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. In particular, 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.

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 against the market to ensure that our people are fairly rewarded for their work whilst individual salary reviews are linked to personal performance as measured through our annual performance assessment process. A large number 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 gender pay remains an area of challenge in our industry and we continue to work towards improving our performance as outlined in our Gender Pay Report which can be found on our website (www.ngbailey.com). Whilst we are confident that we pay people the same for doing the same job, our gender pay figures reflect a business with a predominantly male workforce who in some cases almost exclusively occupy the most senior jobs in the organisation. Although we go to great lengths to encourage women and minority groups to pursue their careers within our sector, it will take time before these initiatives have an impact on our gender pay figures 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.

Last year, we took the opportunity to engage our stakeholders through a materiality review to identify the issues that matter most to our business and our stakeholders. We examined the economic, social and environmental issues that are of most concern to our stakeholders against those that pose risks or present opportunities to NG Bailey. 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 and further information is provided in our Responsibility Report which is available on our website (www.ngbailey.com).

Our shareholders and wider family

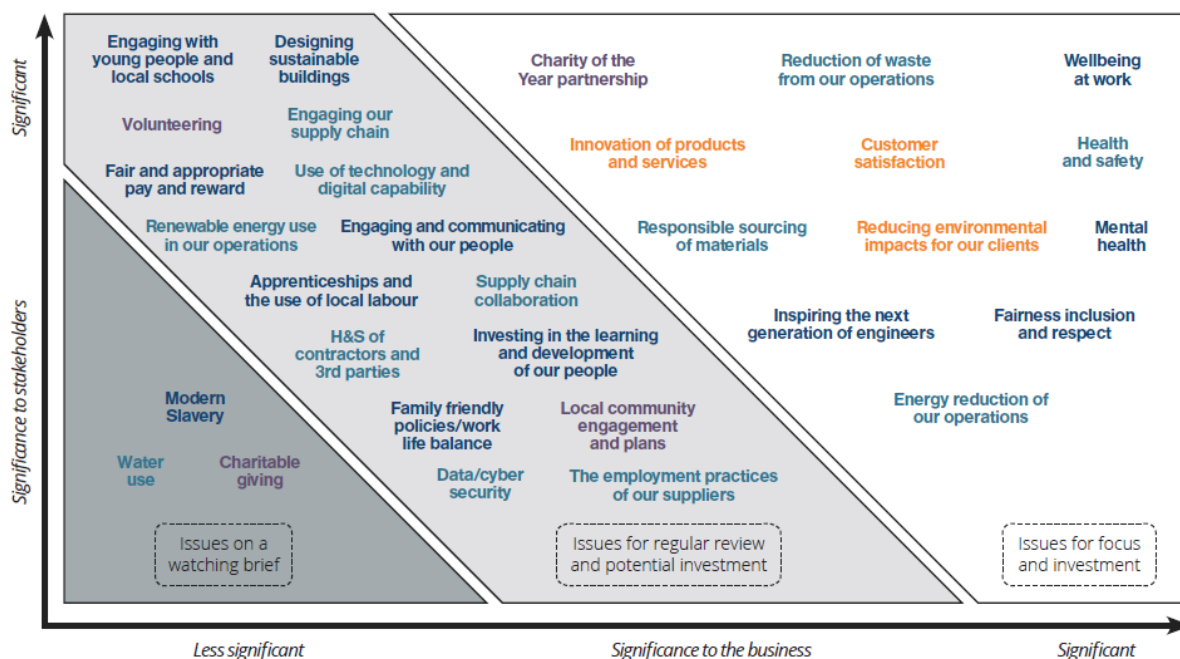
The Group is a family-owned business and recognises the importance of dialogue with our shareholders. The Board continues to seek to align the Group's strategic direction with the shareholders' long-term aspirations for sustainability and growth.

The Chair 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

NG Bailey Materiality Matrix



Key - alignment to key strategy outcome

- Recognised employer of choice
- The partner of choice in our industry
- A safe and sustainable business
- Giving something back

Executive and Chief Financial Officer meet with the shareholders on two further occasions during the financial year to review strategic objectives and the performance of the Group. 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.

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. We continue to develop and invest in our approach to health and safety, engaging everyone who works on our behalf. Our Don't Walk By campaign has continued to support the safety and wellbeing of our people in the workplace and our annual Safety First & Foremost Awards recognise outstanding contributions from our people in this area. A Safety, Health and Environment (SHE) update is given at every Board meeting. 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.

"We act responsibly and place fairness, inclusion and respect at the heart of the way we treat each other, our customers and our communities"

David Hurcomb, Chief Executive

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 over 6,000 people in their chosen field.



The Group is certified to Bronze standard by Investors in People – an important external validation of the Group's policies and performance in engaging with its employees. Annual Investors in People and biannual 'Pulse' surveys provide insight into what the Group's people are thinking and feeling and help to shape the people strategy going forwards.

Team briefings, regular CEO briefings and our virtual roadshow 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 is a 'one-stop-shop' of resources, information and practical support accessible to all our people. This has been further supported by the delivery of mental health awareness training for over 400 managers, 97 employees trained in CPR, sharing of information from our charity partner, The British Heart Foundation, and our public commitment to change our thinking and action on mental health by signing the "Time to Change" employer pledge.

We have also invested in our Modern Workplace programme which is focused around investing in our ICT systems and improving the

technology we use to make it easier for employees to do their job and work flexibly whilst moving us forward as a business. The programme incorporates updates to hardware, software, skills and behaviours.

Our customers

Customer engagement surveys are carried out quarterly to determine the Net Promoter Score for the Group. The findings allow the business 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 in this area. Our performance is improving, however the Board recognises that there is scope for progress in this area and the business is working towards achieving improvement.



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. 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 requires people who are more digitally literate and collaborative than has been necessary in the past. 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.

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 provide further investment through our employee nominated charity partnership, The British Heart Foundation ("BHF"). Charitable cash donations in the period totalled £23k (2019: £22k); in addition to £60k raised for the BHF (including £12k 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 our impact on the environment and we have a

strong history of adopting low carbon technologies within the Group. We have an explicit target to reduce our carbon intensity per employee by 5% every year as well as minimising the waste we generate as a result of the services we deliver. This year, following continued efforts across the Group, we have reduced our carbon intensity by 5% largely as a result of the changes we have made to our fleet.

All our offices are now powered by zero-carbon electricity and green gas, another step to help us further reduce our carbon footprint.

With regards to waste, we continue to work with our on-site teams and supply chain to examine how we can prevent the generation of waste from source, and where waste does reach us, we are looking at innovative and novel techniques of reusing or recycling the waste to ensure it does not reach landfill.

We remain committed to reducing our environmental impacts and full details of our efforts can be found in our annual Responsibility Report (available on our website www.ngbailey.com).



REPORT OF THE DIRECTORS

for the period ended 28 February 2020

The Directors present their report and the audited consolidated financial statements for the period ended 28 February 2020. The following disclosures have been included in the Strategic Report: principal activities, results and key performance indicators, future developments and operational risk management.

Directors

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

Kevin Whiteman	❶❷❸❹❺❻	(Chairman)
David Hurcomb		(Chief Executive)
Mike Porter	❺❷	(Chief Financial Officer)
Chris Bailey	❶❷❸❹❷	
Peter Emery	❶❸❹	
Claire East	❶❷❹❻	
Jane Moriarty	❶❷❹❺❻❷	

- ❶ Non-Executive Director
- ❷ Member of the Audit Committee (chaired by Jane Moriarty)
- ❸ Member of the Remuneration Committee (chaired by Peter Emery)
- ❹ Member of the Nomination Committee (chaired either by the Chairman or an independent non-executive director)
- ❺ Member of the Pensions Committee (chaired by Mike Porter)
- ❻ Member of the Family Employment and Development Committee (chaired by Kevin Whiteman)
- ❷ 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 31.

A final dividend for the period ended 1 March 2019 was paid on 23 August 2019 at the rate of £0.71 per share on the ordinary shares of 5p each amounting to £2.0m.

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 28 February 2020.

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 any 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 5 to 13. 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 12 and 13.

The Group has contracts with a number of customers and suppliers across different industries. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

The Group has considerable liquid financial resources including cash and short-term deposits of £42.0m and current asset investments with a market value of £36.2m at 28 February 2020. Additionally, the Group has available bank facilities amounting to £35m made up of an overdraft facility of £30m and a revolving credit facility of £5m.

The facilities were agreed with the Group's bankers, HSBC, to ensure there is significant financial headroom under a range of different downside scenarios. The Group will keep the size of facilities under review over the next 12 months. Once the impact of COVID-19 is better understood along with the medium-term economic impacts, the Group will reassess its requirement for the facilities as part of its longer-term capital planning.

In assessing the Group's going concern and viability, the Directors have considered the potential impact of the COVID-19 pandemic on the Group, notably the productivity reductions from ongoing social distancing measures and further stress testing the forecasts to consider the impact of a further UK lockdown.

Based on this assessment and after making enquiries, including a review of forecasts and taking into account possible changes to trading performance, for a period extending to 12 months from the date of signing the financial statements, 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.

£78.2m

Total Cash
and Investments

£42.0m

Cash and deposits

£36.2m

Current asset investments

Directors' Liability Insurance

As permitted by the Articles of Association, the Directors have the benefit of an indemnity with XL Insurance Company SE, 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

Following a competitive tender process, RSM UK Audit LLP were appointed as the Company's auditor. A resolution to reappoint RSM UK Audit LLP 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 20 to 23 and the Section 172 statement on page 9.

Post Balance Sheet Events

The COVID-19 situation escalated rapidly shortly after the Group's year end of 28 February 2020. On 11 March 2020, the World Health Organisation declared a pandemic and on 23 March 2020, the government announced the nationwide lockdown, both dates after the Group's year end. Consequently, COVID-19 is considered a non-adjusting post balance sheet event for the Group.

Further information on the Group's COVID-19 response is given in the Strategic Report on pages 7 and 8. Whilst COVID-19 will materially affect the Group's results in 2020/21, the strength of our balance sheet and management team, along with the operational plans in place to mitigate the current disruption, mean the Group is well placed to come through this difficult period.

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 10 June 2020 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 'Company') and its subsidiaries (the 'Group') for the period ended 28 February 2020 which comprise the consolidated and Company statements of financial position as at 28 February 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated and Company statements of changes in equity for the period then ended and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 Company's affairs as at 28 February 2020 and of the Group's profit 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 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NG BAILEY GROUP LIMITED (CONTINUED)

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Directors for the 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 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 27, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NG BAILEY GROUP LIMITED (CONTINUED)

Responsibilities of Directors (continued)

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

Auditor's responsibilities for the audit of the financial statements

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

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.

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

Daniel Varley (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
10 June 2020

CONSOLIDATED INCOME STATEMENT

for the 12 month period ended 28 February 2020

	Note	Underlying performance*	Exceptional items and amortisation	Total	Underlying performance*	Exceptional items and amortisation	Total
		2020 £m	2020 £m	2020 £m	2019 £m	2019 £m	2019 £m
TURNOVER	3	573.4	-	573.4	555.7	-	555.7
Cost of sales		(493.2)	-	(493.2)	(474.7)	-	(474.7)
GROSS PROFIT		80.2	-	80.2	81.0	-	81.0
Administrative expenses		(60.4)	(1.8)	(62.2)	(61.6)	(3.7)	(65.3)
OPERATING PROFIT	4	19.8	(1.8)	18.0	19.4	(3.7)	15.7
Interest receivable and similar income	7			3.2			1.0
Interest payable and similar charges	7			(0.7)			(0.6)
PROFIT BEFORE TAXATION				20.5			16.1
Tax on profit	8			(3.6)			(2.8)
PROFIT FOR THE FINANCIAL PERIOD				16.9			13.3

*Underlying performance represents the result before exceptional items and amortisation of goodwill and acquired intangible assets.

All profit for the financial period is attributable to the owners of the Company.

All activities relate to continuing operations.

The notes on pages 36 to 59 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 12 month period ended 28 February 2020

	Note	2020 £m	2019 £m
Profit for the financial period		<u>16.9</u>	<u>13.3</u>
Remeasurement of defined benefit pension scheme asset	15	0.5	(2.2)
Property revaluation	11	(0.6)	0.5
Deferred tax		0.2	0.3
		<u> </u>	<u> </u>
Other comprehensive income/(expense) for the period		0.1	(1.4)
		<u> </u>	<u> </u>
Total comprehensive income for the financial period		<u><u>17.0</u></u>	<u><u>11.9</u></u>

All total comprehensive income for the financial period is attributable to the owners of the Company.

The notes on pages 36 to 59 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 28 February 2020

Company Registration No. 1490238

	Note	2020 £m	2019 £m
FIXED ASSETS			
Intangible assets	10	38.6	40.0
Tangible assets	11	<u>38.9</u>	<u>43.4</u>
		77.5	83.4
CURRENT ASSETS			
Stocks	13	1.6	1.3
Debtors: amounts falling due within one year	14	177.9	163.2
Pension scheme asset	15	33.4	32.6
Investments	16	36.2	34.3
Cash and deposits		<u>42.0</u>	<u>42.3</u>
		291.1	273.7
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	17	<u>(195.8)</u>	<u>(198.5)</u>
NET CURRENT ASSETS		<u>95.3</u>	<u>75.2</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		172.8	158.6
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
	18	(15.9)	(17.6)
PROVISION FOR LIABILITIES			
	19	<u>(8.0)</u>	<u>(7.1)</u>
NET ASSETS		<u>148.9</u>	<u>133.9</u>
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL			
	20	0.1	0.1
RESERVES			
Revaluation reserve	21	19.2	24.1
Capital redemption reserve	21	-	-
Retained earnings	21	<u>129.6</u>	<u>109.7</u>
		148.8	133.8
TOTAL EQUITY		<u>148.9</u>	<u>133.9</u>

These financial statements were approved by the Board of Directors on 10 June 2020 and were signed on its behalf by:



K I WHITEMAN

D S HURCOMB

The notes on pages 36 to 59 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 28 February 2020

	Note	Share capital £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 2 March 2018		0.1	23.8	-	115.1	139.0
Profit for the financial period		-	-	-	13.3	13.3
Other comprehensive income/(expense)		-	0.4	-	(1.8)	(1.4)
Total comprehensive income for the period		-	0.4	-	11.5	11.9
Transfer of additional depreciation on revalued assets		-	(0.1)	-	0.1	-
<i>Transactions with owners</i>						
Purchase of own shares		-	-	-	(6.8)	(6.8)
Dividends paid	22	-	-	-	(10.2)	(10.2)
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	-
<i>Transactions with owners</i>						
Dividends paid	22	-	-	-	(2.0)	(2.0)
At 28 February 2020		0.1	19.2	-	129.6	148.9

Included in the retained earnings are £3.9m (2019: £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 36 to 59 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 28 February 2020

	Note	2020 £m	2019 £m
PROFIT FOR THE FINANCIAL PERIOD		16.9	13.3
Adjustments for:			
Depreciation	4	4.2	9.6
Amortisation of intangible fixed assets	4	3.7	3.1
Profit on sale of tangible fixed assets	4	(2.0)	-
Interest receivable and similar income	7	(3.2)	(1.0)
Interest payable and similar charges	7	0.7	0.6
Tax charge	8	3.6	2.8
(Increase)/decrease in stock		(0.3)	1.2
Increase in debtors		(12.2)	(8.2)
Decrease in creditors		(0.2)	(5.5)
Other non-cash items		0.6	1.7
		<u>(5.1)</u>	<u>1.7</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES		11.8	17.6
Taxation paid		(3.0)	(0.8)
NET CASH GENERATED FROM OPERATING ACTIVITIES		<u>8.8</u>	<u>16.8</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of businesses	10	(0.7)	(33.1)
Purchase of tangible assets		(5.8)	(4.6)
Purchase of intangible assets		(2.3)	(2.7)
Proceeds from sale of property		6.5	0.6
Proceeds from sale of tangible fixed assets		1.0	9.1
		<u>1.0</u>	<u>9.1</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(1.3)</u>	<u>(30.7)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	22	(2.0)	(10.2)
Purchase of own shares		-	(6.8)
Receipts from bank loans		-	24.8
Repayment of bank loans		(5.5)	(1.5)
Bank interest and fees		(0.7)	(0.6)
Finance leases		-	(0.2)
Dividends and interest from investments (net)		0.1	-
Purchase of investments	16	(9.8)	(9.5)
Sale of investments	16	10.1	9.4
		<u>10.1</u>	<u>9.4</u>
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		<u>(7.8)</u>	<u>5.4</u>
DECREASE IN CASH AND CASH EQUIVALENTS			
	23	(0.3)	(8.5)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	23	<u>42.3</u>	<u>50.8</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	23	<u><u>42.0</u></u>	<u><u>42.3</u></u>

The notes on pages 36 to 59 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 28 February 2020

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 5.

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 Standards 102 'The Financial Report 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.

The Group and Company adopted the amendments to FRS102 published in the Triennial Review 2017. The Company is opting to measure investment property rented to other Group entities in accordance with Section 17 Property, Plant and Equipment, applied prospectively. Otherwise the amendments do not have a material effect on the Group or Company's financial statements.

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 28 February 2020. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Group's share of the results, asset 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 key management personnel. The Company intends to take the same exemptions in future financial periods.

2. ACCOUNTING POLICIES (CONTINUED)

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 5 to 13. 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 12 and 13.

The Group has contracts with a number of customers and suppliers across different industries. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

The Group has considerable liquid financial resources including cash and short-term deposits of £42.0m and current asset investments with a market value of £36.2m at 28 February 2020. Additionally, the Group has available bank facilities amounting to £35m made up of an overdraft facility of £30m and a revolving credit facility of £5m.

Facilities have been established to ensure there is significant financial headroom under a range of different downside scenarios and the size of facilities will be kept under review over the next 12 months. This has been agreed with the Group's bankers, HSBC, as the right approach until the impact of COVID-19 is better understood along with the medium-term economic impacts. Once this point is reached, the Group will reassess its requirement for the facility as part of its longer-term capital planning.

In assessing the Group's going concern and viability, the Directors have considered the potential impact of the COVID-19 pandemic on the Group, notably the productivity reductions from ongoing social distancing measures and stress testing to consider the impact of a further UK lockdown, similar to that seen during the three months from March to May 2020.

Based on this assessment and after making enquiries, including a review of forecasts and taking into account possible changes to trading performance, for a period extending to 12 months from the date of signing the financial statements, 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 28 February 2020 are discussed below:

a) Revenue and margin recognition

The Group's revenue recognition and margin recognition policies (set out in Turnover and Long-term contracts 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.

2. ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgements and estimation uncertainty (continued)

b) Valuation of investment 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 28 February 2020, the value of investment properties was £4.7m (2019: £8.3m). Recent disposals of properties have realised proceeds in line with the carrying value in the financial statements.

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 28 February 2020, the retirement benefit asset recognised on the Group's statement of financial position was £33.4m (2019: £32.6m). 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.

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 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

2. ACCOUNTING POLICIES (CONTINUED)

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

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, including production overheads, 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 completion and selling costs.

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	-	1 to 15 years

2. ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

Amortisation is included in administrative expenses in the consolidated 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, tradenames, 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 software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- the expenditure attributable to the software during its development can be reliably measured

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

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 consolidated 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 statement of financial position 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 statement of financial position 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.

2. ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the statement of financial position 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.

Pensions

Defined benefit 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 and finance charges in the income statement and also in the statement of comprehensive income. The full service cost of the pension scheme is charged to operating profit, net of increases in the value of benefits already accrued and the expected return on assets charged to other financing costs.

2. ACCOUNTING POLICIES (CONTINUED)

Pensions (continued)

Defined benefit scheme (continued)

The actuarial gain or loss is reflected through the statement of comprehensive income and is made up of the difference between the expected return on assets and those actually achieved and also any changes in the assumptions and experiences used in the valuations.

The scheme had a surplus of £33.4m at 28 February 2020 (2019: £32.6m), 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 £10.5m (2019: £9.5m).

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 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.

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. SEGMENTAL ANALYSIS

The turnover, operating profit and net assets of the Group are principally related to the provision of activities in the following sectors in the United Kingdom:

Analysis of turnover by sector:	2020 £m	2019 £m
Engineering	334.9	315.0
Services	<u>238.5</u>	<u>240.7</u>
	<u>573.4</u>	<u>555.7</u>

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):	2020 £m	2019 £m
Amortisation of goodwill and acquired intangible assets	2.7	2.5
Amortisation of other intangible assets	1.0	0.6
Depreciation expense	4.2	9.6
Profit on sale of property		
Including £2.2m exceptional profit (2019: £nil)	(2.3)	-
Loss on disposal of other tangible assets	0.3	-
Operating lease rentals	2.4	2.3
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 £190k (2019: PricewaterhouseCoopers LLP £224k) in respect of audit fees and £nil (2019: £nil) in respect of other professional fees.

Exceptional items

As part of a plan to relocate and reorganise several operating locations in the North of England, the Group sold an office in the period 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 period.

Early in the 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 period.

4. OPERATING PROFIT (CONTINUED)

Exceptional items (continued)

In the previous period, the Group recognised an additional defined benefit pension scheme liability following the judgment 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. The impact of GMP on the defined benefit pension scheme net assets was to increase the defined benefit obligations by £1.2m (before tax) which was charged to the income statement as a one-off past service cost during the previous financial period.

5. EMPLOYEES

	2020 £m	2019 £m
Employee costs during the period:		
Wages and salaries	145.1	143.1
Social security costs	15.6	15.4
Other pension costs:		
Defined benefit scheme	-	0.1
Defined contribution scheme	10.5	9.5
	<u>10.5</u>	<u>9.6</u>
	<u>171.2</u>	<u>168.1</u>

The average number of employees of the Group during the period was 3,223 (2019: 3,224). The average number of employees of the Company during the period was 171 (2019: 172) and the employee costs of the Company were £12.0m (2019: £13.1m).

The total remuneration of key management personnel was £4,013k (2019: £5,330k) being remuneration of £2,708k (2019: £2,496k) and accrued incentive based payments of £1,305k (2019: £2,834k).

6. DIRECTORS

	2020 £000	2019 £000
Directors' remuneration		

The remuneration of the Directors was as follows:

Emoluments excluding long-term incentive plans	1,805	1,853
Emoluments accrued under long-term incentive plans	<u>213</u>	<u>870</u>
	<u>2,018</u>	<u>2,723</u>

The Group operates a cash settled long-term incentive plan. This is linked to growth in the enterprise value of the business over the current period, cash settled over the next three years to those still employed by the Group and is available to certain members of the Group Operating Executive.

Pensions

No Directors (2019: none) were members of Group pension schemes.

6. DIRECTORS (CONTINUED)

	2020 £000	2019 £000
Highest paid Director		

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

Emoluments excluding long-term incentive plans	<u>927</u>	<u>964</u>
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Long-term incentive plan remuneration accrued for the highest paid Director was £161k (2019: £668k).

7. NET INTEREST INCOME

a) Interest receivable and similar income

	Note	2020 £m	2019 £m
Net interest income on post-employment benefits	15	0.9	0.9
Changes in fair value of listed investments	16	2.2	0.2
Interest and dividends received (net)		<u>0.1</u>	<u>(0.1)</u>
		<u>3.2</u>	<u>1.0</u>

b) Interest payable and similar charges

	2020 £m	2019 £m
Interest expense on bank loans and revolving facility	<u>(0.7)</u>	<u>(0.6)</u>
	<u>(0.7)</u>	<u>(0.6)</u>

8. TAX ON PROFIT

The tax charge is based on the profit for the period and represents:

	2020 £m	2019 £m
Current taxation:		
UK corporation tax	2.4	2.3
Foreign tax	0.3	0.2
Adjustments in respect of prior periods	<u>(0.2)</u>	<u>0.1</u>
Total current tax charge	2.5	2.6
Deferred taxation:		
Origination and reversal of timing differences	1.0	0.6
Adjustments in respect of prior periods	0.1	(0.3)
Changes in tax rates	<u>-</u>	<u>(0.1)</u>
Total deferred tax charge	<u>1.1</u>	<u>0.2</u>
Total tax charge	<u>3.6</u>	<u>2.8</u>

8. TAX ON PROFIT (CONTINUED)

The tax assessed for the period is lower than (2019: lower than) the standard rate of corporation tax in the United Kingdom at 19% (2019: 19%). The differences are explained as follows:

	2020 £m	2019 £m
Profit before taxation	<u>20.5</u>	<u>16.1</u>
Profit multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2019: 19%)	3.9	3.1
Income not subject to tax	(0.5)	(0.3)
Expenses not deductible for tax purposes	0.4	0.4
Effects of chargeable gains	-	(0.1)
Changes in tax rates	(0.1)	(0.1)
Adjustments in respect of prior periods	<u>(0.1)</u>	<u>(0.2)</u>
Total tax charge	<u>3.6</u>	<u>2.8</u>

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%. As this proposed tax change had not been substantively enacted by the balance sheet date, deferred tax balances at 28 February 2020 have been measured at a rate of 17%, being the rate at which deferred tax assets and liabilities are expected to reverse based on substantively enacted legislation (2019: 17%). The impact of measuring deferred tax balances at 28 February 2020 at a rate of 19% would be to increase the deferred tax liability by £1.0m.

9. PROFIT OF COMPANY FOR THE FINANCIAL PERIOD

	2020 £m	2019 £m
Profit for the financial period before dividend dealt with in the financial statements of the Company	<u>14.4</u>	<u>10.2</u>

As permitted by s408 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 £m	Total £m
Cost or valuation					
At 2 March 2019	11.0	-	16.6	16.3	43.9
Additions – internally generated	1.7	0.6	-	-	2.3
Disposals	(0.1)	-	-	-	(0.1)
At 28 February 2020	<u>12.6</u>	<u>0.6</u>	<u>16.6</u>	<u>16.3</u>	<u>46.1</u>
Accumulated amortisation					
At 2 March 2019	1.4	-	1.0	1.5	3.9
Charge for the period	1.0	-	1.1	1.6	3.7
Disposals	(0.1)	-	-	-	(0.1)
At 28 February 2020	<u>2.3</u>	<u>-</u>	<u>2.1</u>	<u>3.1</u>	<u>7.5</u>
Net book value					
At 28 February 2020	<u>10.3</u>	<u>0.6</u>	<u>14.5</u>	<u>13.2</u>	<u>38.6</u>
At 1 March 2019	<u>9.6</u>	<u>-</u>	<u>15.6</u>	<u>14.8</u>	<u>40.0</u>

On 31 December 2019, the Group acquired the trade and certain assets of Schneider Electric's Substation Engineering Service business. Work is ongoing to finalise the completion accounts. No goodwill has arisen on the acquisition since the expected consideration is expected to be broadly equal to the fair value of the acquired asset. The business is an established service provider to the UK's electricity distribution network and specialises in the design, supply, installation and commissioning services for high voltage substations and networks. In addition to increasing the Group's presence in the regulated electricity distribution network market, the acquisition also develops its high voltage maintenance offering to both public and private customers.

Acquired intangibles arose on the acquisition of Freedom in 2018 and relate to customer relationships, tradenames, technology-based assets and order backlog on acquisition.

COMPANY	Software £m
Cost or valuation	
At 2 March 2019	10.3
Additions – internally generated	<u>0.9</u>
At 28 February 2020	<u>11.2</u>
Accumulated amortisation	
At 2 March 2019	1.4
Charge for the period	<u>1.0</u>
At 28 February 2020	<u>2.4</u>
Net book value	
At 28 February 2020	<u>8.8</u>
At 1 March 2019	<u>8.9</u>

11. TANGIBLE ASSETS

	Land and Buildings £m	Investment properties £m	Plant and Machinery £m	Motor Vehicles £m	Fixtures and Fittings £m	Total £m
CONSOLIDATED						
Cost or valuation						
At 2 March 2019	24.0	8.3	43.8	1.5	25.9	103.5
Additions	-	-	0.7	-	5.1	5.8
Adjustment on revaluation	(0.7)	-	-	-	-	(0.7)
Disposals	(1.0)	(3.6)	(38.7)	(1.5)	(2.1)	(46.9)
At 28 February 2020	22.3	4.7	5.8	-	28.9	61.7
Accumulated depreciation						
At 2 March 2019	1.8	-	42.3	0.9	15.1	60.1
Charge for the period	0.7	-	0.6	0.1	2.8	4.2
Adjustment on revaluation	(0.1)	-	-	-	-	(0.1)
Disposals	(0.4)	-	(38.7)	(1.0)	(1.3)	(41.4)
At 28 February 2020	2.0	-	4.2	-	16.6	22.8
Net book value						
At 28 February 2020	20.3	4.7	1.6	-	12.3	38.9
At 1 March 2019	22.2	8.3	1.5	0.6	10.8	43.4
COMPANY						
Cost or valuation						
At 2 March 2019	12.2	20.4	1.2	-	23.4	57.2
Transitional adjustment	11.8	(12.1)	-	-	-	(0.3)
Additions	-	-	-	-	4.8	4.8
Adjustment on revaluation	(0.7)	-	-	-	-	(0.7)
Disposals	(1.0)	(3.6)	-	-	(1.3)	(5.9)
At 28 February 2020	22.3	4.7	1.2	-	26.9	55.1
Accumulated depreciation						
At 2 March 2019	1.8	0.3	1.1	-	13.3	16.5
Transitional adjustment	-	(0.3)	-	-	-	(0.3)
Charge for the period	0.7	-	-	-	2.7	3.4
Adjustment on revaluation	(0.1)	-	-	-	-	(0.1)
Disposals	(0.4)	-	-	-	(0.8)	(1.2)
At 28 February 2020	2.0	-	1.1	-	15.2	18.3
Net book value						
At 28 February 2020	20.3	4.7	0.1	-	11.7	36.8
At 1 March 2019	10.4	20.1	0.1	-	10.1	40.7

11. TANGIBLE ASSETS (CONTINUED)

Consolidated and Company

Certain properties have been recognised as being held for investment purposes and are categorised accordingly as investment properties. These are subject to annual Directors' review of the valuation. All valuations were on a fair value basis, using market indices or by obtaining a professional valuation and have been incorporated in the financial statements.

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

	2020 £m	2019 £m
Cost	18.4	20.2
Accumulated depreciation	<u>(12.3)</u>	<u>(13.3)</u>
Net book value	<u>6.1</u>	<u>6.9</u>

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

12. INVESTMENTS IN SUBSIDIARIES

COMPANY	£m
Cost	
At 2 March 2019 and 28 February 2020	<u>0.1</u>
Provisions for impairment	
At 2 March 2019 and 28 February 2020	<u>-</u>
Net book value	
At 28 February 2020	<u>0.1</u>
At 1 March 2019	<u>0.1</u>

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)

- 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

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

NGBF Holdings Limited

- Vehicle leasing:

Bailey Leasing Limited

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:

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

12. INVESTMENTS IN SUBSIDIARIES (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	
	2020	2019	2020	2019
	£m	£m	£m	£m
Raw materials	0.9	1.0	0.7	0.6
Work in progress	0.7	0.3	-	-
	<u>1.6</u>	<u>1.3</u>	<u>0.7</u>	<u>0.6</u>

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Company	
	2020	2019	2020	2019
	£m	£m	£m	£m
Amounts recoverable on contracts	103.6	99.8	-	-
Trade debtors	47.2	37.5	0.3	1.1
Other debtors	8.0	7.3	4.5	4.3
Corporation tax	-	-	0.1	0.7
Group relief	-	-	3.6	0.3
Prepayments and accrued income	<u>19.1</u>	<u>18.6</u>	<u>1.1</u>	<u>2.1</u>
	<u>177.9</u>	<u>163.2</u>	<u>9.6</u>	<u>8.5</u>

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 multi-employer scheme which applies to less than 1% of the Group's employees with immaterial liabilities and therefore 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. All of the scheme's current pensioners are insured.

15. PENSION SCHEME (CONTINUED)

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

The most recent actuarial valuations of the scheme assets and the present value of the defined benefit obligation were carried out at 1 March 2018. The next formal valuation is being 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 28 February 2020 with an allowance for the impact of Guaranteed Minimum Pension (GMP) equalisation and two insurance buy-in transactions which occurred during the period using assumptions that are consistent with the requirements of FRS102.

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

For FRS102 purposes the following financial assumptions have been used:

	2020	2019
	% p.a.	% p.a.
Consumer Prices Index inflation ('CPI')	2.20	2.30
Retail Prices Index inflation ('RPI')	3.00	3.30
Rate of increase for deferred pensions in excess of GMP	2.20	2.30
Rate of increase for deferred pensions GMP benefits	4.20	4.30
Rate of increase for pensions in payment (post 2008)	1.75	1.80
Rate of increase for pensions in payment (post 1997 pre 2008)	2.25	2.30
Rate of increase for pensions in payment (pre 1997)	0.00	0.00
Discount rate	1.65	2.70

The most significant non-financial assumption is the assumed rate of longevity. Post-retirement mortality at 28 February 2020 has been assumed to be in accordance with 105% of the published self-administered pension scheme survey standard tables projected from 2002 using 2018 CMI core projections with a 1.25% p.a. long-term trend improvement for males and females (2019: 2017 CMI core projections with a 1.25% p.a. long-term trend improvement for males and females). For the 2018 tables, a smoothing factor of 7.5 was used and an initial addition to mortality improvements of 0.5% was used to reflect the fact the mortality improvements have tended to be quicker for members of occupational pension schemes compared with the population of England and Wales.

15. PENSION SCHEME (CONTINUED)

At 28 February 2020, the implied life expectancies are as follows:

	Males Years	Females Years
For a member aged 65 at 28 February 2020	87.0	88.9
For a member aged 45 at 28 February 2020	88.5	90.5

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

	Change in assumption	Impact on liabilities
Discount rate	0.1% -/+	£7.5m +/-
Inflation and pension increases	0.1% +/-	£5.2m +/-
Life expectancy	1 year +/-	£13.5m +/-

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

	2020	2019
Equities	8.4%	9.4%
Property	2.8%	3.1%
Corporate bonds	-	12.1%
Diversified credit funds	25.0%	-
LDI portfolio	28.3%	48.7%
Annuities	28.0%	13.2%
Cash	7.5%	13.5%

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

The LDI (Liability Driven Investment) portfolio is an investment in a fund containing a range of assets which respond to market movements in a way that closely matches how pension scheme liabilities respond.

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

The scheme invests in diversified credit funds that aim to generate enhanced returns by investing in a combination of semi-liquid credit assets with high quality credit rating organisations to take advantage of the scheme's ability to invest over a medium-term horizon.

Analysis of the movement in the scheme surplus during the period:

	2020 £m	2019 £m
Surplus at 2 March 2019	32.6	35.4
Contributions paid by the Company	-	0.2
Actuarial gain/(loss)	0.5	(2.2)
Net interest income	0.9	0.9
Scheme administration expenses	(0.6)	(0.6)
Past service cost (see below)	-	(1.2)
Settlement credit	-	0.1
Surplus at 28 February 2020	33.4	32.6

15. PENSION SCHEME (CONTINUED)

During the prior period, the Group recognised an additional scheme liability following the judgment 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. The impact of GMP on the defined benefit pension scheme net assets was to increase the defined benefit obligations by £1.2m (before tax) which was charged to the income statement in the prior period as a one-off exceptional past service cost.

Amounts charged to operating profit in respect of defined benefit schemes	2020 £m	2019 £m
Scheme administration expenses	0.6	0.6
Settlement credit	-	(0.1)
Amounts credited to other finance income		
Net interest on defined benefit asset (note 7)	<u>(0.9)</u>	<u>(0.9)</u>
Total consolidated income statement credit before deduction of tax	<u><u>(0.3)</u></u>	<u><u>(0.4)</u></u>

In addition, in the prior period, an exceptional past service cost was reflected for GMP equalisation of £1.2m

Analysis of amounts recognised in other comprehensive income	2020 £m	2019 £m
Gain/(loss) on pension scheme assets	55.6	(1.4)
Loss on change of assumptions	(69.2)	(0.8)
Experience gain	<u>14.1</u>	<u>-</u>
Total actuarial gain/(loss) recognised in other comprehensive income	<u>0.5</u>	<u>(2.2)</u>

Analysis of the change in the present value of the scheme's liabilities	2020 £m	2019 £m
Liabilities at 2 March 2019	318.4	310.4
Past service cost	-	1.2
Settlement credit	-	(0.1)
Interest cost	8.5	7.9
Actuarial loss	55.1	0.8
Benefits paid	(8.3)	(7.8)
Clerical Medical annuity (see below)	<u>-</u>	<u>6.0</u>
Liabilities at 28 February 2020	<u>373.7</u>	<u>318.4</u>

15. PENSION SCHEME (CONTINUED)

Analysis of the change in the fair value of the scheme's assets	2020 £m	2019 £m
Assets at 2 March 2019	351.0	345.8
Interest income	9.4	8.8
Return on scheme assets excluding interest income	55.6	(1.4)
Scheme administration expenses	(0.6)	(0.6)
Company contributions	-	0.2
Benefits paid	(8.3)	(7.8)
Clerical Medical annuity (see below)	-	6.0
Assets at 28 February 2020	<u>407.1</u>	<u>351.0</u>

The scheme's liabilities increased by £69.2m (2019: £0.8m) due to changes in actuarial assumptions. This 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. This increase was partially offset by a decrease in the assumed inflation rate over the period. In addition, allowance has been made for updated scheme membership data from the latest triennial actuarial valuation of the scheme as at 1 March 2018 which reduces the scheme's liabilities by £14.1m (2019: £nil) 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 positive return of £55.6m excluding interest income (2019: loss of £1.4m) over the period driven by large increases 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.

The scheme holds a small proportion of its assets in annuity policies with Clerical Medical which provide a direct match for the liabilities of a subset of the scheme's pensioner members. In the prior period, the Directors concluded that it would be more appropriate to disclose scheme assets and liabilities gross in accordance with FRS102. Prior to this, Clerical Medical pension scheme assets and liabilities were presented on a net basis, due to being an annuity policy and having zero impact on the income statement. This change increased total pension assets and total pension liabilities by £6.0m in the prior period.

Estimated contributions for the period from 28 February 2020

Further estimated contributions by the employer for the period beginning 28 February 2020 are £nil (2019: £nil)

Five year history	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Scheme liabilities	(373.7)	(318.4)	(310.4)	(322.0)	(243.3)
Scheme assets	<u>407.1</u>	<u>351.0</u>	<u>345.8</u>	<u>347.6</u>	<u>276.5</u>
Asset	<u>33.4</u>	<u>32.6</u>	<u>35.4</u>	<u>25.6</u>	<u>33.2</u>
Gain/(loss) on scheme assets	55.6	(1.4)	(3.1)	66.5	(2.3)
Percentage of scheme assets	13.7%	0.4%	0.9%	19.1%	0.8%
Experience gain on scheme liabilities	14.1	-	-	-	0.1
Percentage of scheme liabilities	3.8%	0.0%	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	
		2020	2019
		£m	£m
At fair value:			
Listed investments			
Listed on a recognised investment exchange		23.6	21.5
Listed on an exchange of repute outside the United Kingdom		12.6	12.8
		<u>36.2</u>	<u>34.3</u>
Listed investments			
	£m		
At 2 March 2019	34.3		
Purchase of investments	9.8		
Sale of investments	(10.1)		
Fair value movement	<u>2.2</u>		
At 28 February 2020	<u>36.2</u>		

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Company	
	2020	2019	2020	2019
	£m	£m	£m	£m
Payments received on account	6.0	8.0	-	-
Trade creditors	93.4	95.3	2.5	2.0
Accruals	60.3	55.3	7.4	8.6
Bank loans	2.0	5.7	2.0	5.7
Corporation tax	-	1.3	-	-
Other taxation and social security	15.4	18.9	0.3	0.3
Deferred income	18.7	14.0	-	-
Amounts owed to subsidiary companies	-	-	35.5	46.5
	<u>195.8</u>	<u>198.5</u>	<u>47.7</u>	<u>63.1</u>

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

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

		Consolidated and Company	
		2020	2019
		£m	£m
Bank loans		<u>15.9</u>	<u>17.6</u>

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

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

	Consolidated and Company	
	2020	2019
	£m	£m
Term loan	16.4	18.4
Revolving credit facility	1.5	4.9
	<u>17.9</u>	<u>23.3</u>

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 of £5.0m is held with HSBC Bank PLC and expires in September 2021. Interest is charged at LIBOR plus 1.75% on the drawn-down amount.

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

	Consolidated Deferred tax £m	Company Deferred tax £m
At 2 March 2019	7.1	7.2
Charge/(credit) to the income statement (note 8)	1.1	(0.3)
Credit to other comprehensive income	<u>(0.2)</u>	<u>(0.2)</u>
At 28 February 2020	<u>8.0</u>	<u>6.7</u>

Deferred taxation provided for at 17% (2019: 17%) in the financial statements is set out below:

	Consolidated	
	2020	2019
	£m	£m
Accelerated capital allowances	(0.5)	(1.2)
Revalued property and investment property	0.9	1.8
Investments at fair value	0.5	0.3
Other short-term timing differences	(0.5)	(0.5)
Losses available to carry forward	(0.4)	(1.2)
Pension scheme asset	5.7	5.4
Acquired intangible assets	<u>2.3</u>	<u>2.5</u>
	<u>8.0</u>	<u>7.1</u>

The amount of the net reversal of deferred tax expected to occur next period is £0.9m (2019: £0.9m) relating to the reversal of other timing differences and utilisation of tax losses. There are unrecognised tax losses of £0.3m at 28 February 2020 (2019: £0.3m).

20. CALLED UP SHARE CAPITAL

	Consolidated and Company	
	2019	2019
	£m	£m
Share capital		
Allotted, called up and fully paid		
2,824,657 (2019: 2,824,657) ordinary shares of 5p each	<u>0.1</u>	<u>0.1</u>

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	
	2020	2019
	£m	£m
Interim dividend at £nil (2019: £2.90) per 5p share	-	8.2
Final 2019 dividend at £0.71 (2019: final 2018 dividend at £0.71) per 5p share	<u>2.0</u>	<u>2.0</u>
	<u>2.0</u>	<u>10.2</u>

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 28 February 2020.

23. ANALYSIS OF CHANGES IN NET FUNDS

	At 2 March 2019 £m	Cash Flow £m	Non-cash changes £m	At 28 February 2020 £m
Cash and deposits	42.3	(0.3)	-	42.0
Bank loans	<u>(23.3)</u>	<u>5.5</u>	<u>(0.1)</u>	<u>(17.9)</u>
Net funds	<u>19.0</u>	<u>5.2</u>	<u>(0.1)</u>	<u>24.1</u>

Non-cash changes represent amortisation of prepaid transaction costs.

24. COMMITMENTS

Operating leases

Commitments under operating leases which expire:

	Consolidated		Company	
	2020	2019	2020	2019
	£m	£m	£m	£m
within one year	6.6	5.9	5.8	4.9
within two to five years	14.9	14.7	12.6	11.8
after five years	3.6	6.2	2.9	3.8
	<u>25.1</u>	<u>26.8</u>	<u>21.3</u>	<u>20.5</u>

25. FINANCIAL ASSETS AND LIABILITIES

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

	Consolidated	
	2020	2019
	£m	£m
Financial assets		
Financial assets measured at fair value through the income statement	36.2	34.3
Financial assets that are debt instruments measured at amortised cost	<u>185.6</u>	<u>172.9</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>177.6</u>	<u>181.9</u>

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

Financial assets measured at amortised cost comprise amounts recoverable on contracts, trade debtors, other debtors and short-term deposits.

Financial liabilities measured at amortised cost comprise payments received on account, trade creditors, accruals and other creditors and bank loans.

26. POST BALANCE SHEET EVENTS: COVID-19

The COVID-19 situation escalated rapidly shortly after the Group's year end of 28 February 2020. On 11 March 2020, the World Health Organisation declared a pandemic and on 23 March 2020, the government announced the nationwide lockdown, both dates after the Group's year end. Consequently, COVID-19 is considered a non-adjusting post balance sheet event for the Group and Company.

Further information on the Group's COVID-19 response is given in the Strategic [Report on pages 7 and 8](#). Whilst COVID-19 will materially affect the Group's results in 2020/21, the Group is currently unable to quantify the impact of COVID-19 on its financial and trading performance accurately given the evolving nature of the situation. The main areas of impact are expected to be contract programmes and margins in Engineering and the level of discretionary spend by the Services' customer base.

Whilst current asset investments are exposed to market movements, their value has recently returned to their pre-COVID-19 levels. Properties owned by the Group are generally retained for the long-term use of the business, with short / medium-term fluctuations in property values less of a consideration.

COMPANY STATEMENT OF FINANCIAL POSITION

at 28 February 2020

Company Registration No. 1490238

	Note	2020 £m	2019 £m
FIXED ASSETS			
Intangible assets	10	8.8	8.9
Tangible assets	11	36.8	40.7
Investments	12	<u>0.1</u>	<u>0.1</u>
		45.7	49.7
CURRENT ASSETS			
Stocks	13	0.7	0.6
Debtors: amounts falling due within one year	14	9.6	8.5
Pension scheme asset	15	33.4	32.6
Investments	16	36.2	34.3
Cash and deposits		<u>33.2</u>	<u>38.2</u>
		113.1	114.2
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	<u>(47.7)</u>	<u>(63.1)</u>
NET CURRENT ASSETS		<u>65.4</u>	<u>51.1</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		111.1	100.8
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	(15.9)	(17.6)
PROVISION FOR LIABILITIES	19	(6.7)	(7.2)
NET ASSETS		<u>88.5</u>	<u>76.0</u>
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	20	0.1	0.1
RESERVES			
Revaluation reserve	21	19.2	24.1
Capital redemption reserve	21	-	-
Retained earnings	21	<u>69.2</u>	<u>51.8</u>
		88.4	75.9
TOTAL EQUITY		<u>88.5</u>	<u>76.0</u>

As permitted by s408 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 £14.4m (2019: £10.2m).

These financial statements were approved by the Board of Directors on 10 June 2020 and were signed on its behalf by:



K I WHITEMAN

D S HURCOMB

The notes on pages 36 to 59 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the period ended 28 February 2020

	Note	Share capital £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 2 March 2018		0.1	23.8	-	60.3	84.2
Profit for the financial period	9	-	-	-	10.2	10.2
Remeasurement of defined benefit pension scheme asset	15	-	-	-	(2.2)	(2.2)
Property revaluation in period		-	0.5	-	-	0.5
Deferred tax on pension scheme asset		-	-	-	0.4	0.4
Deferred tax on revalued property		-	(0.1)	-	-	(0.1)
Other comprehensive income/(expense)		-	0.4	-	(1.8)	(1.4)
Total comprehensive income for the period		-	0.4	-	8.4	8.8
Transfer of additional depreciation on revalued assets		-	(0.1)	-	0.1	-
<i>Transactions with owners</i>						
Purchase of own shares		-	-	-	(6.8)	(6.8)
Dividends paid	22	-	-	-	(10.2)	(10.2)
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	11	-	(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	-
<i>Transactions with owners</i>						
Dividends paid	22	-	-	-	(2.0)	(2.0)
At 28 February 2020		0.1	19.2	-	69.2	88.5

The notes on pages 36 to 59 form an integral part of these financial statements.