NG Bailey

NG Bailey Group Limited

Financial Statements

25 February 2022

Company registration 1490238

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About NG Bailey

We are the UK's leading independent engineering and services business.

Founded in 1921, our business has grown from a small electrical contractor to the award-winning, industry-leading group of companies we are today. We are family-owned with a great heritage. We are proud of all the projects we've successfully delivered to our customers over the years.

Our vision is to create exceptional environments for present and future generations. We believe in bringing buildings and infrastructure to life and we know that the benefits of our work will be felt by generations to come. Many of our projects are contributing to the increasingly important decarbonisation agenda for the UK.

Working across a variety of sectors within the building and infrastructure industry, our innovative, responsible and forward-thinking approach allows us to work on fantastic ground-breaking projects, providing solutions using the latest tools and technologies.

We have offices, manufacturing facilities and sites located across the UK.

Financially strong

With a balanced pipeline of work across sustainable and resilient sectors

Net assets

£146.6m

2021 £141.8m

EBITDA*

£7m

2021 £3m

Order book

£1.2bn

2021 £1.2bn

Cash & investments

£79.1m

2021 £85.8m

* EBITDA is calculated as statutory profit / (loss) adjusted to add back interest, tax, depreciation, amortisation and exceptional items

Our *people*

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

*Around **3,100** employees with consistently **high employee** engagement*

*Prioritise **mental health and wellbeing** and keeping our **people safe***

*Training apprentices since **1934***

Delivering customer value

Consistently ***positive customer feedback***

Engineering
- Operational excellence (Mechanical & Electrical)
- Offsite manufacture
- Sector expertise

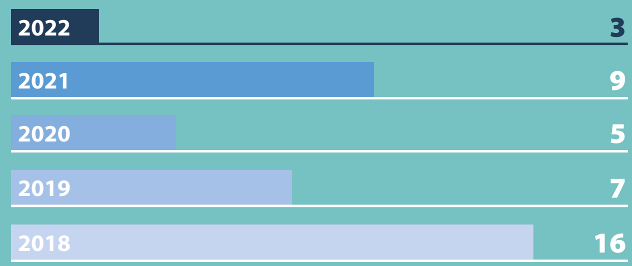
Services
- Outstanding technical expertise
- End-to-end proposition
- Assured project delivery

Safety First & Foremost

Don't Walk By

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

Reportable RIDDOR incidents



RoSPA awards

2022 RoSPA Gold Medal Award

2022 RoSPA Gold Award

2022 RoSPA Order of Distinction

2022 RoSPA President's Award

ISO 45001 achieved across the ***Group***

Occupational health and safety management

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

Information security management

A ***responsible, family owned*** business

NG Bailey

Our One Story

Our One Story articulates our purpose, brought to life through our four pillars of excellence and the fundamental ways in which we operate.

Our Purpose

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

Brought to life through our four pillars of excellence

Our people strive to make a difference.

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

Passion

We put our customers at our core.

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

Integrity

Together, we operate responsibly.

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

Responsibility

Our expertise is driven by innovation and ambition.

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

Excellence

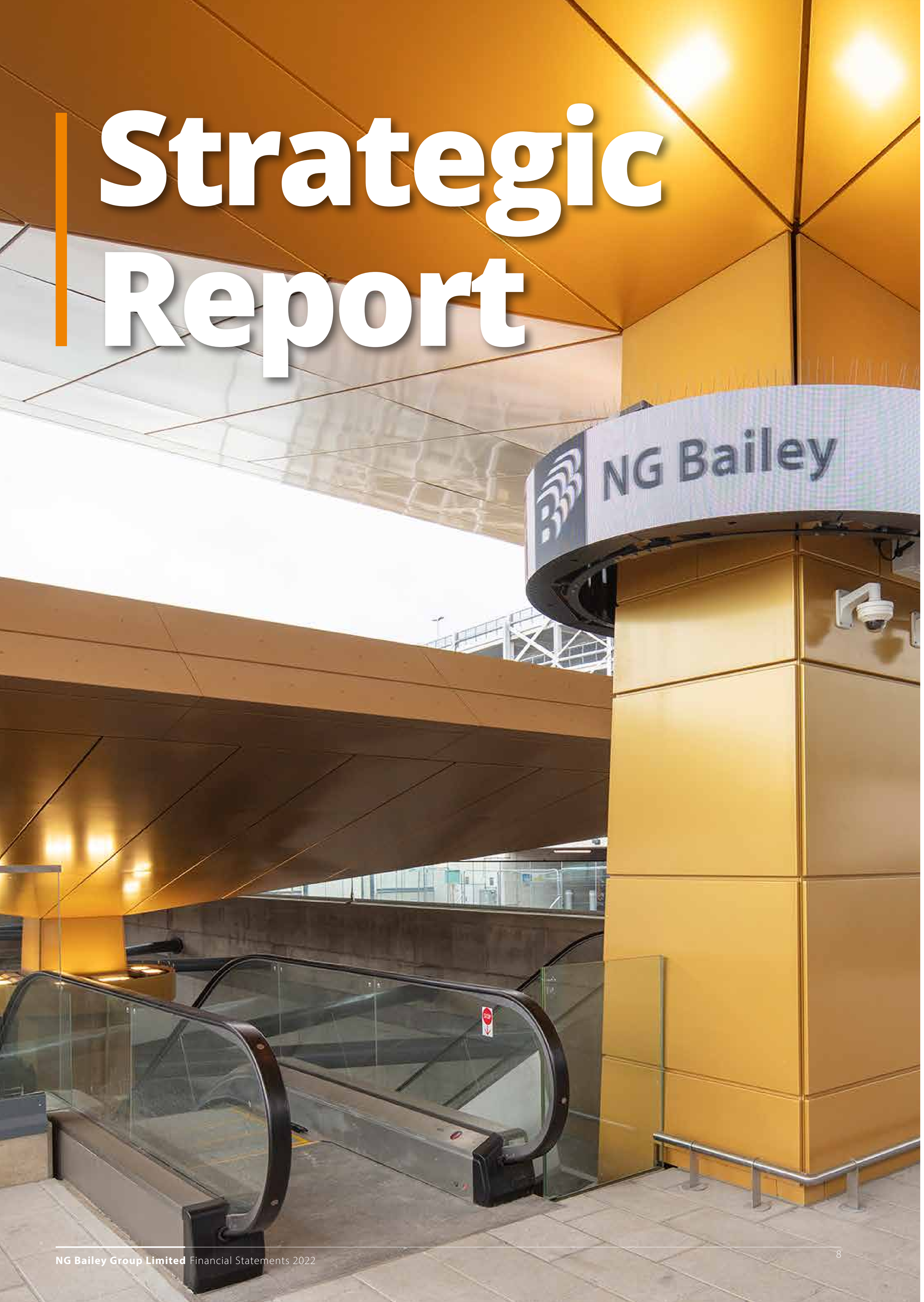
Supported by our values and engrained in our values statement.

Together, for positive impact.

Delivered through | A total built environment offering

Engineering *Services* *Freedom* *Facilities Services* *IT Services*

Strategic Report



Business Review

Whilst the pandemic has been one of the most challenging times since our formation back in 1921, our balanced strategy, the strength of our balance sheet and our growing pipeline of opportunities mean we are in a position of strength and well placed to grow in future years.

We're proud of our people and thankful for their determination, dedication and hard work during what has been a difficult and unpredictable time over the last two years. Our teams have gone the extra mile to work together and support each other, our customers and our communities. We delivered a high level of service whilst following evolving restrictions and guidance, continuing to support vital building and infrastructure services across the UK.

Whilst trading conditions have improved over the course of 2021/22, we have continued to see the ongoing effects of COVID-19 and Brexit, compounded more recently by the conflict between Ukraine and Russia. This has led to uncertainty in the economy, supply chain challenges (materials and labour availability) and inflationary pressures. Despite these significant headwinds, the medium-term outlook for our markets is positive with the UK government committing to drive economic recovery through substantial investment in infrastructure and decarbonising our environment.

As always, the health and safety of our people, customers, supply chain partners and communities remains first and foremost. We continuously assess, develop and invest in our approach to health and safety to ensure we remain at the forefront of health and safety practices. During the year we have progressed some significant initiatives, including our new performance reporting system MySafety (launching imminently) and our behavioural Safety in Mind programme underway to reinforce and further develop the health and safety culture across the Group.

The strength of our diversification strategy is well established. We maintain a balanced portfolio of activities across building construction, infrastructure and services with a focus on recession resilient sectors. Around half of our sales come from our Services division, which operates in highly regulated, essential infrastructure markets offering an element of repeat income over many years. This provided resilience during the pandemic, supported our return to profitability this year and demonstrated first-hand the strength of our diversified business plan.

We have continued to win work and secure a number of contract renewals with very strong customer retention rates across the business. Our order book continues to be healthy with a growing pipeline of work in recession proof markets with high barriers to entry including defence, nuclear, healthcare and rail. We also have growing credentials in the decarbonisation sector.

2021/22 has been a year of stabilisation and investment following the COVID-19 shock of the previous year. The expertise and tenacity that our teams' have demonstrated during the pandemic give us confidence that we will be able to successfully deliver our future growth plans.

Performance

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

Our Accident Frequency Rate (AFR) is at our lowest ever level and is industry leading at 0.02. The number of RIDDORs has fallen to three (2021: nine) with 24,000 Don't Walk By reports over the last 12 months (2021: 20,000) demonstrating that vigilance and our reporting culture continue to be strong.

Following the unprecedented challenges in 2020/21, we are pleased to report that we have returned to profitability in the year, with an underlying operating profit (which is before exceptional items and amortisation) of £0.8m (2021: loss of (£2.7m)). Our sales remained stable at £500m (2021: £507m).

Our Services businesses have recovered quickly following the pandemic with all business streams performing well. Client retention rates have continued to be excellent and the UK government's plan to move to net zero carbon by 2050 presents significant opportunities for the division.

As expected, the construction and engineering sector is taking time to recover following the pandemic given the challenging commercial environment. Whilst it has been another tough year for our Engineering division, its three-year plan sees a return to pre-pandemic levels of profitability based on a strong, visible pipeline of work in our chosen markets. This is supported by the government's commitment to infrastructure spending as well as the drive to net zero carbon by 2050. As outlined later in this report on pages 22 and 23, we are leading the charge in supporting the UK transition to a low carbon environment.

There was a net exceptional credit during the period of £2.1m. This related to a change in the administrative approach to guaranteed minimum pensions by the Group's defined benefit pension scheme to bring it in line with common practice whilst remaining in line with statutory requirements (2021: net exceptional cost of £4.5m related to the cost of topping up salary payments to furloughed employees above the government's contribution and redundancy payments).

Despite the volatile market conditions, we have seen positive gains and income in the period from our money market investments of £2.5m (2021: £5.5m). The profit before taxation is £3.0m (2021: loss of (£4.4m)).

Accident Frequency Rate (AFR) is at our lowest ever level and is industry leading at

0.02

24,000
reports over the last
12 months

Resilience

In the current trading environment, the strength of our balance sheet is a key differentiator for the Group as customers look for stability in their supply chain over project lifetimes. At 25 February 2022, our net assets were £146.6m (2021: £141.8m) and strongly cash backed with cash and investments of £79m (2021: £86m).

The Group's defined benefit pension scheme is well funded. At 25 February 2022, the pension scheme had a net surplus of £39.4m (2021: net surplus of £30.8m). The Group is not required to contribute towards the funding of the scheme given its surplus position at the most recent actuarial valuation.

The economic environment remains challenging following COVID-19 and Brexit, compounded more recently by the conflict in Ukraine and inflationary pressures. We continue to see an impact from this uncertainty on the order book and the gestation of projects from tender to award date as it takes time for customers to make positive investment decisions as their confidence remains low.

The construction industry has been particularly impacted by inflationary pressures, as energy price rises and supply chain challenges (both labour and materials) have resulted in prices rising faster than in other sectors, placing operational delivery and trading margins under pressure. Our business is underpinned by strict financial and operational controls and strong governance and we are focusing heavily on mitigation strategies to protect our profitability during these inflationary times.

Given the tough environment and pricing pressures, we are being cautious in our grow back plans to make sure we don't take on significant risks and continue to be highly selective in our 'bid no bid', estimation and procurement processes to ensure we win work at margins commensurate with the risk.

We are optimistic that we are operating in the right markets that are resilient. Our strategy is to focus on key UK recovery sectors and our order book and pipeline both align to this. We are in a strong position to benefit from the opportunities presented by the government's commitment to infrastructure and its decarbonisation targets.

We are playing a key part in the UK's transition to a low carbon economy and since August 2020, we have been working closely with Britishvolt, the UK's foremost investor in battery technologies, to support the development of their scheme for the UK's first battery gigafactory. Our recent investment of £6.8m in Britishvolt is a tangible demonstration of our commitment to our climate change strategy and reaffirms our strategic partnership with Britishvolt.

In addition to organic growth, we continue to grow through selective strategic low risk acquisitions, notably in our Services division. We have completed four acquisitions in the last four years. Most recently in April 2022 when our Facilities Services business completed a small trade and assets deal of Kershaw Mechanical Services Limited's service and maintenance division, adding capability, geography and resilience to our Group.

We are committed to making further investment in our target areas of work and in our people to ensure we are ready to thrive as opportunities mature. Through our Modern Workplace programme, we are investing heavily in our ICT systems and improving the technology we use to support our philosophy of 'making it easy to work here'. We have refreshed our company car choice to increase the availability of electric cars and are investing in the office infrastructure to provide charging points. As a business, we are actively inspiring the next generation through our award-winning apprenticeship programme and are relaunching our graduate recruitment programme in 2022.

Our cash reserves are significant with low levels of debt. Our available overdraft facility of £20m has not been used during the period or subsequently, with the cash balance remaining strong throughout the period reflecting our strong cash controls including significant focus on cash collection. The VAT payments deferred under the government scheme during the pandemic to provide additional financial headroom were fully repaid by February 2022.

Our supply chain partners form an important part of our business and during this difficult period, it has been more important than ever that we continue to pay our suppliers on time.

The percentage of invoices paid within 60 days is 97%.

Whilst the pandemic had a material effect on operations and there are some new market headwinds to navigate, the Group is on track with its plan. We have an excellent reputation, extensive operational skills, a balanced portfolio of activities across resilient sectors and a healthy order book at £1.2bn. The Board is confident that the Group is well placed to play a significant role in the long-term opportunities across UK infrastructure, a sector where there is government commitment and that will play an important role in rebuilding the UK economy.

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

Robust balance sheet

- **Strong** *net assets*
- **Liquid balance** *sheet*
- **Low levels** *of debt*
- **Well funded** *pension scheme*
- **Flexible overdraft** *(not utilised)*

Principal Activities

Founded in 1921, NG Bailey has a balanced portfolio of activities across building construction, infrastructure and services with a focus on recession resilient sectors.

The Group primarily consists of two operating divisions, Engineering and Services.

Engineering

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

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

As a national business with a local presence, our project portfolio includes nuclear new build, defence, state of the art schools, universities and hospitals, cutting edge office spaces and retail venues, railway stations, prisons, sports stadiums, data centres and manufacturing facilities. The division has growing credentials in the decarbonisation sector including battery gigaplant projects.

Services

The Services division's offering brings together three businesses – Freedom, Facilities Services, and IT Services:

- **Freedom:** the principal activities of Freedom are the 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
- **Facilities Services:** the principal activities of Facilities Services are the provision of mechanical and electrical, planned and reactive integrated building services maintenance. The business operates with blue chip companies in a diverse range of sectors including rail, retail, education, financial services and high end residential, commercial and government buildings
- **IT Services:** the principal activities of IT Services are firstly, data network and communications infrastructure design and installation projects and secondly, the associated longer-term managed service and maintenance contracts.

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

Company

The principal activities of the Company are the management of subsidiary companies including providing central support services to the divisions (e.g. finance, HR and ICT), setting out the governance and policy frameworks and management of current asset investments, the defined benefit pension scheme and commercial and industrial properties utilised in the Group's businesses.

A national business with a local presence

Office locations

1. Aberdeen
2. Bellshill
3. Boldon
4. Barrow-in-Furness
5. Newton Aycliffe
6. Denton*
7. Wakefield
8. Drighlington
9. Leeds
10. Liversedge
11. Bradford
12. Sheffield
13. Manchester
14. Warrington
15. Deeside
16. Birmingham
17. Stowmarket
18. Hemel Hempstead
19. Chelmsford
20. Cardiff
21. London
22. Dartford
23. Reading
24. Bristol
25. Sevenoaks
26. Pembury
27. Exeter
28. Cambridge

*Denton - Group Registered Office

Section 172 Companies Act 2006 Statement

The Board has chosen to apply the Wates Corporate Governance Principles for Large Private Companies for the period ended 25 February 2022. The Corporate Governance Report, which evidences how the Group applies the principles, is included on pages 40 to 49 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 for more than 100 years. We are a business founded on our values of Passion, Integrity, Responsibility and Excellence which guide the Group's strategy, decisions, processes and culture. The Board believes that in order to continue achieving our goals, we must protect our reputation and relationships with our stakeholders through robust governance on a day-to-day basis, as outlined in our Corporate Governance Report.	Pages 40 to 49
Our shareholders and wider family	The Group is a family-owned business and recognises the importance of dialogue with our shareholders. The family have established their Guiding Principles which aim to capture their long-term aspirations for the business including leadership excellence, being an employer of choice and acting as a responsible business. The Board continues to seek to align the Group's strategic direction with these Guiding Principles. The Chair of the Board and the two family non-executive Directors are the primary communication routes between the Board and shareholders. An understanding of the shareholders' goals and priorities for the Group is gathered from a programme of communications with the shareholders and wider family.	Page 46
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.	Page 44
Relationships with employees	The Board recognises that attracting, retaining and developing people is key to its long-term success. The Group aims to be an employer of choice through market-competitive remuneration, training and development and fostering an inclusive culture through our 'Fairness, Inclusion and Respect' programme. We engage through team briefings, regular CEO briefings and our business update videos. Feedback is gathered through regular 'Pulse' surveys and acted upon.	Pages 47 and 48
Relationships with suppliers	Our supply chain partners play a key role in the Group's long-term stability and success. We follow a Customer of Choice strategy in order to manage our supply chain in a responsible and sustainable way and forge close and effective supplier relationships. We recognise the importance of paying the supply chain on time, as demonstrated by our payment performance metrics and continue to take steps to improve further.	Page 48
Relationships with customers	We listen to feedback from customers through our regular customer engagement surveys to identify improvements and retain our industry-leading reputation. This helps us build strong relationships with customers to support the long-term success of the Group. We have recently undertaken a Group-wide Net Promoter Score (NPS) survey with excellent feedback from our customers.	Page 48
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. Our responsibility strategy 'Net Positive' supports our long-term goal of doing business in a way that we put more into society, the environment and the global economy than we take out.	Pages 48 and 49

Key Performance Indicators

Cash & investments

£79.1m

2022	£79.1m
2021	£85.8m
2020	£78.2m
2019	£76.6m
2018	£84.9m

Net assets

£146.6m

2022	£146.6m
2021	£141.8m
2020	£148.9m
2019	£133.9m
2018	£139.0m

Turnover

£500m

2022	£500m
2021	£507m
2020	£573m
2019	£556m
2018	£481m

EBITDA**

£7m

2022	£7m
2021	£3m
2020	£25m
2019	£24m
2018	£20m

Order book

£1.2bn

2022	£1.2bn
2021	£1.2bn
2020	£1.4bn
2019	£1.4bn
2018	£1.0bn

Underlying operating profit / (loss)*

£0.8m

2022	£0.8m
2021	(£2.7m)
2020	£19.8m
2019	£19.4m
2018	£13.7m

Reportable RIDDOR incidents***

3

2022	3
2021	9
2020	5
2019	7
2018	16

Group employees

3,062

2022	3,062
2021	3,202
2020	3,223
2019	3,224
2018	2,764

Carbon intensity – tCO_2e per employee

(market-based)

1.86

2022	1.86
2021	1.63
2020	2.24
2019	2.34
2018	1.77

Supplier invoices paid within 60 days****

97%

2022	97%
2021	92%
2020	71%
2019	57%
2018	n/a

* 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 60

** EBITDA is calculated as statutory profit / (loss) adjusted to add back interest, tax, depreciation, amortisation and exceptional items.

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

**** Based on reporting for NG Bailey Limited

Health & Safety

Health and safety continues to be a top priority for the business. We continually strive to reduce risks and protect our people.

Our Accident Frequency Rate (AFR) is at our lowest level ever and is industry leading at 0.02. The number of RIDDORs reported in 2022 was three, a decrease from nine in 2021.

However, we are not complacent. Don't Walk By reporting remains encouraging with 24,000 reported in the last 12 months, our specialist offsite manufacturing facility has gone ten years with no RIDDORs whilst our IT Services business has gone four years without incident, all of which demonstrates that vigilance and our reporting culture continue to be strong.

We have comprehensive health and safety policies and procedures in place which are continually reviewed, monitored and communicated.

To ensure we remain at the forefront of health and safety practices, we have implemented a dedicated action plan with some significant initiatives, including our new performance reporting system MySafety (launching imminently) and our behavioural Safety in Mind programme underway to reinforce and further develop the health and safety culture across the Group.

RoSPA Awards

2022 RoSPA President's Award

2022 RoSPA Order of Distinction

24,000
reported in the last
12 months

Accident Frequency Rate
(AFR) is at our lowest level ever and is industry leading at
0.02

SAFETY
First & Foremost

Don't Walk By

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

My**Safety**

New reporting system (launching imminently) which allows incidents to be reported quickly and easily and inspections and risk assessments to be completed electronically.

Future Developments

The UK economy is expected to take time to get back to pre-COVID levels following the pandemic, combined with the lingering effects of Brexit, inflationary pressures, structural labour and skills shortages and, more recently, uncertainty from the Ukraine conflict. However, the outlook for our markets is positive with the UK government committing to drive economic recovery through substantial investment in infrastructure and decarbonising our environment.

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

We are well positioned to benefit with a strong pipeline of work in key infrastructure sectors (including defence, nuclear, healthcare, custodial and rail) and growing credentials in the decarbonisation sector. The Group's diversification strategy is well established with a balanced set of activities across its Engineering and Services divisions in recession resilient sectors, providing greater stability in uncertain times.

This is evidenced by the continued strength of our order book (secured and anticipated work) which is £1.2bn at the period end (2021: £1.2bn). The Board and management team continue to monitor and develop the Group's plans to ensure we continue to deliver long-term value to our stakeholders.

Key sector	Update	Expertise
Nuclear	Nuclear is a key source of large scale, low carbon energy for the UK. The UK government recently announced the British Energy Security Strategy with nuclear playing a central role. The strategy targets 24 gigawatts of nuclear power generation by 2050 (from 7 gigawatts) which could see as many of 8 reactors developed.	NG Bailey engineers have worked in the nuclear sector since the 1950s and continue to deliver precision engineering services today. We are part of the alliance delivering Hinkley Point C and are well placed for the proposed Sizewell C plant as well as recently securing a place as a key partner on the Sellafield decommissioning programme.
Rail	The UK government published its Integrated Rail Plan in late 2021 which confirmed funding for HS2 routes to Birmingham and Manchester will go ahead. Despite cancelling the Leeds leg, £96bn funding was committed to improve Northern routes, including the acceleration of the electrification of more than 180 miles of track across Trans Pennine, East Coast and Midland routes as the government pushes ahead to remove all diesel only trains from the network by 2040.	Our industry leading reputation has been built from flagship projects such as the redevelopment of Birmingham New Street station, London Bridge station and the Northern Line extension project. We are well positioned to contribute to the HS2 and other rail programmes and expect to secure meaningful orders over the coming years.
Electric vehicles	The government is committed to the decarbonisation of the transport and energy sectors to meet the target of net zero carbon emissions by 2050, with a focus on electric vehicles including battery gigaplants and charging infrastructure.	We have demonstrated our credentials with our work at the UK's prestigious and pioneering new battery development facility, the UK Battery Industrialisation Centre (UKBIC). Since August 2020, we have been working closely with Britishvolt, the UK's foremost investor in battery technologies, to support the development of their scheme for the UK's first battery gigaplant. Our Facilities Services business is a specialist in electric vehicle (EV) charging, offering end-to-end EV charging infrastructure and solutions.

Key sector	Update	Expertise
Net zero	The UK government's Net Zero Strategy sets out how the UK will deliver on its commitment to reach net zero emissions by 2050. The UK Green Building Council has estimated that the UK Built Environment is currently responsible for 25% of the total UK greenhouse gas emissions. Whilst this has reduced in recent years (mainly due to the decarbonisation of the electricity network), there is still a long way to go to meet the agreed targets.	80% of the buildings to be used in 2050 have already been constructed, so much focus is needed on the decarbonisation of existing building stock. The existing capabilities within our businesses enable us to provide our customers with a service of measurable carbon reduction strategies across their estates. Our market leading data assessment tools and professional services teams support our customers from the development of their initial strategies through to the implementation and ongoing management of their assets for transitioning to a net zero economy by 2050.
Defence	In November 2020, the government announced a significant programme of investment in British defence with a £16.5bn increase above its 2019 manifesto commitment (which was to exceed a target of 2% of GDP) to be spent over the next four years.	With more than 1,150 employees with a range of security clearances, our teams have the skills and expertise to deliver an end-to-end service offering which includes the delivery of complex engineering projects through to facilities, infrastructure services such as IT and power engineering services.
Healthcare	The government has committed to supporting the NHS Build Back Better programme including £3.7bn to deliver 40 new hospitals by 2030.	Our expertise encompasses all aspects of healthcare facilities including medical research activities and specialist theatre developments. We have strong experience in this sector working with estates teams across the UK including projects at Golden Jubilee Hospital, Aberdeen Royal Infirmary, the Sheffield Children's Hospital and Royal Hallamshire Hospital.
Data centres	Increase in online demand, continuous drive to outsourcing and rapid deployment of technology are all driving demand and growth in the data centres sector.	We are engineering specialists with a passion for delivering complex engineering solutions. Committed to providing the highest levels of performance, our wider Group offering can add value to our clients and data centre schemes, including cost effective energy supplies, end-to-end facilities services and an energy led management approach. We have delivered numerous critical environments for private, public, financial and governmental departments.
Custodial	The government has committed over £4bn capital funding to make significant progress in creating 20,000 additional prison places across the prison estate by the mid-2020s.	The projects will be built more quickly, sustainably and cost effectively than ever before thanks to the adoption of offsite manufacture and Modern Methods of Construction (MMC). NG Bailey is well place to support such projects and will utilise its established manufacturing facility in Bradford to deliver factory-built solutions alongside its engineering delivery capability.
Electricity distribution network operators (DNOs)	The DNOs' new regulatory investment cycle starts from 2023 and is expected to drive significant investment in the decarbonisation of the UK energy infrastructure as part of the UK's commitment to reach net zero emissions by 2050.	Through our Freedom business, we are closely aligned to the skills requirements in the DNO and electricity regulatory environment and the business has many years' experience in the sector, building up a strong reputation for the quality of its work and safety culture. We continue to invest in business development resources to maximise the opportunities which will become available during the current and next DNO regulatory cycle. Our in-house design capabilities allow us to develop product and process innovations, including our award-winning POC-MAST™ solution which enables a safer, faster and more affordable point of connection.

Innovation

Supporting the UK's journey to Net Zero

Net Positive

Making a Responsible IMPACT

In 2021, the government set out its Ten Point Plan for a Green Industrial Revolution to Build Back Greener. The ambition was to create the conditions for the private sector to invest with confidence, enabling the creativity of capitalism to generate and drive growth in new green industries that will help the UK to cut carbon emissions and reach net zero by 2050. NG Bailey is already playing a key part in this critical new future by supporting a range of industries and clients as we transition to a low carbon economy.

Transitioning the UK's energy infrastructure

By 2035, all the UK's electricity will need to come from low carbon sources (subject to security of supply) whilst also meeting a 40-60% increase in demand. The UK government has identified that meeting this increased demand relies on scaling up significantly and so the net zero economy will need to be underpinned by clean electricity made in Britain. The power system is forecast to consist of new nuclear power stations, British renewables, and incorporate flexibility including storage, gas with CCS (carbon capture and storage), and hydrogen to ensure reliable power is always available.

- NG Bailey has more than 70 years' experience in the nuclear power sector, a key source of low carbon energy for the UK and an industry that has the potential to grow. We are part of the alliance delivering Hinkley Point C and are well placed for the proposed Sizewell C plant
- Our award-winning Point of Connection Mast – POC-MAST™ – is an innovative solution that saves cost and reduces the amount of time needed when connecting to the local power network. In particular, this makes it easier and more cost effective to connect renewable energy projects to the power network
- Through our Freedom business, we provide services to the UK Distribution Network Operators that own and operate the power lines and electrical infrastructure across the country. We will support them as they face the challenge of adapting these networks to meet increased demand whilst simultaneously decarbonising the national grid.

By 2035, all the UK's electricity will need to come from **low carbon sources**

Hinkley Point C

Point of Connection Mast - POC-MAST™

Net Zero by 2050

Transforming the UK's built environment

The UK built environment is currently responsible for 25% of total UK greenhouse gas emissions. Over the last two decades, built environment emissions (excluding surface transport) have reduced by c30% but this is largely due to a reduction in operational emissions as a result of the decarbonisation of the UK's national grid. Business as usual projections indicate that the sector will fall well short of 2050 net zero targets, highlighting the scale of transformation required. NG Bailey recognises the challenge ahead and is responding with a client-focused net zero pathway to help our clients understand how they can transform their estates through MEP (mechanical, electrical and plumbing) and the use of offsite manufacturing in both their new and existing buildings.

Supporting the Electric vehicle revolution

The government's decision to end the sale of new petrol and diesel cars by 2030 and plans to introduce targets for sales of clean vehicles from 2024 has seen automotive manufacturers embrace the change. In 2021, 190,000 battery electric vehicles were sold in the UK, more than the previous five years combined and so the electric vehicle revolution is now happening quicker than ever before. NG Bailey is already playing a key role in this vehicle revolution:

- Since August 2020, we have been working closely with Britishvolt, the UK's foremost investor in battery technologies, to support the development of their scheme for the UK's first battery gigaplant. Our recent investment in Britishvolt is a tangible demonstration of our commitment to our climate change strategy and strengthens our partnership with Britishvolt
- We continue to win and deliver solutions that directly contribute to the decarbonisation of the UK economy including our electric vehicle infrastructure installation offerings.

The Forge, the UK's first net zero carbon commercial building

We are delighted to be working with Landsec and Sir Robert McAlpine to build The Forge, a 139,000 square foot, innovative high quality office development in Southwark, London.

The method of construction is the first of its kind for a commercial building and will be the world's first large-scale office scheme to be built using a standardised 'kit of parts', an approach known as platform design for manufacture and assembly (P-DfMA). Our team were first appointed to design a mechanical and electrical 'kit of parts' and subsequently to manufacture and install the solution with the parts produced by our specialist offsite manufacture facility in Bradford.

Our approach, which considered both operational and embodied (e.g. materials) carbon impacts, has removed c20,000 operative hours from the project, avoided over 35,000km of vehicle travel and delivered carbon savings in excess of 320 tonnes when compared with a traditional method of installation.

The Forge, Sumner Street is the first net zero carbon P-DfMA commercial office facility in the world

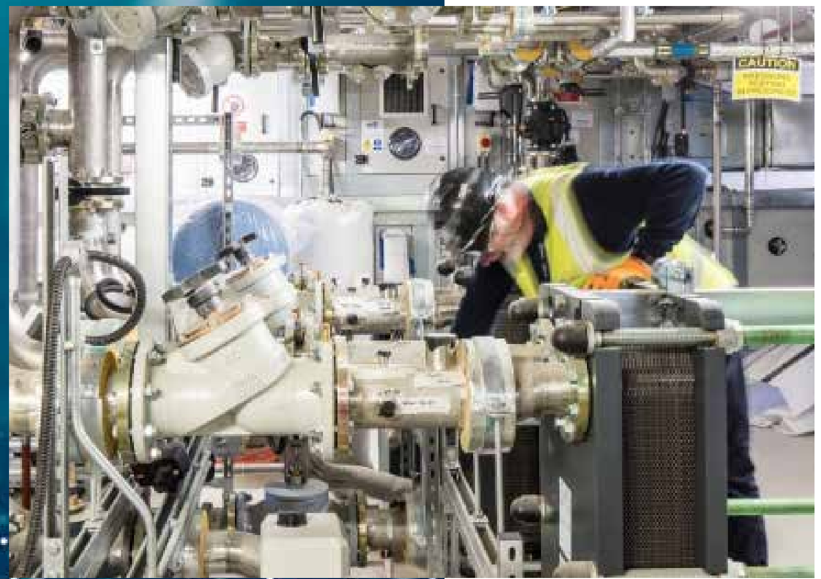
Our work on projects such as the UK's prestigious and pioneering new battery development facility, the **UK Battery Industrialisation Centre (UKBIC)** demonstrates our expertise in this area. As Principal Contractor we delivered the **£14.6m** installation in just 8 months through the use of modern methods of construction.

UK Battery Industrialisation Centre (UKBIC)

Britishvolt site, Blyth

Innovation

Offsite Manufacture



Benefits of offsite manufacturing approach include:

Improved

Health and safety
Removing work from congested construction-sites reduces injuries - our offsite facility has 10 RIDDOR free years

Quality
Improved working environment for greater quality control

Installation
Intelligent services concept

Maintainability
Built with maintenance in mind

Longevity
Services are easily adaptable for future needs

Programme certainty
No waiting for trades on-site

Design process
Enables standardisation and repeatability saving time and cost

Reduced

Carbon foot print
Less deliveries and operatives' journeys to site

Workface congestion
Fewer people on-site means a safer environment for all

Multi-trade working
On-site trades people reduced, with only specialist installers needed

Snagging and defects
Extra layer of testing before dispatch to site

Working at height
Construction's biggest health and safety risk is minimised

Hot works on-site
High quality welding carried out at our specialist facility

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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

Standard approach

Step 1:
Concept

The benefits of offsite manufacture are maximised through early engagement.

Step 2:
Feasibility

As opportunities are identified, each is evaluated for buildability, financial viability and to ensure it is in line with the key drivers of the project.

Step 3:
Detailed design

A project team is assigned to each offsite solution to ensure the optimum design is produced.

Step 4:
Manufacture

Our dedicated offsite manufacturing facility employs skilled and semi-skilled operatives to assemble the solutions. Manufacturing takes place in a controlled environment making it markedly different to traditional builds.

Step 5:
Deliver for install

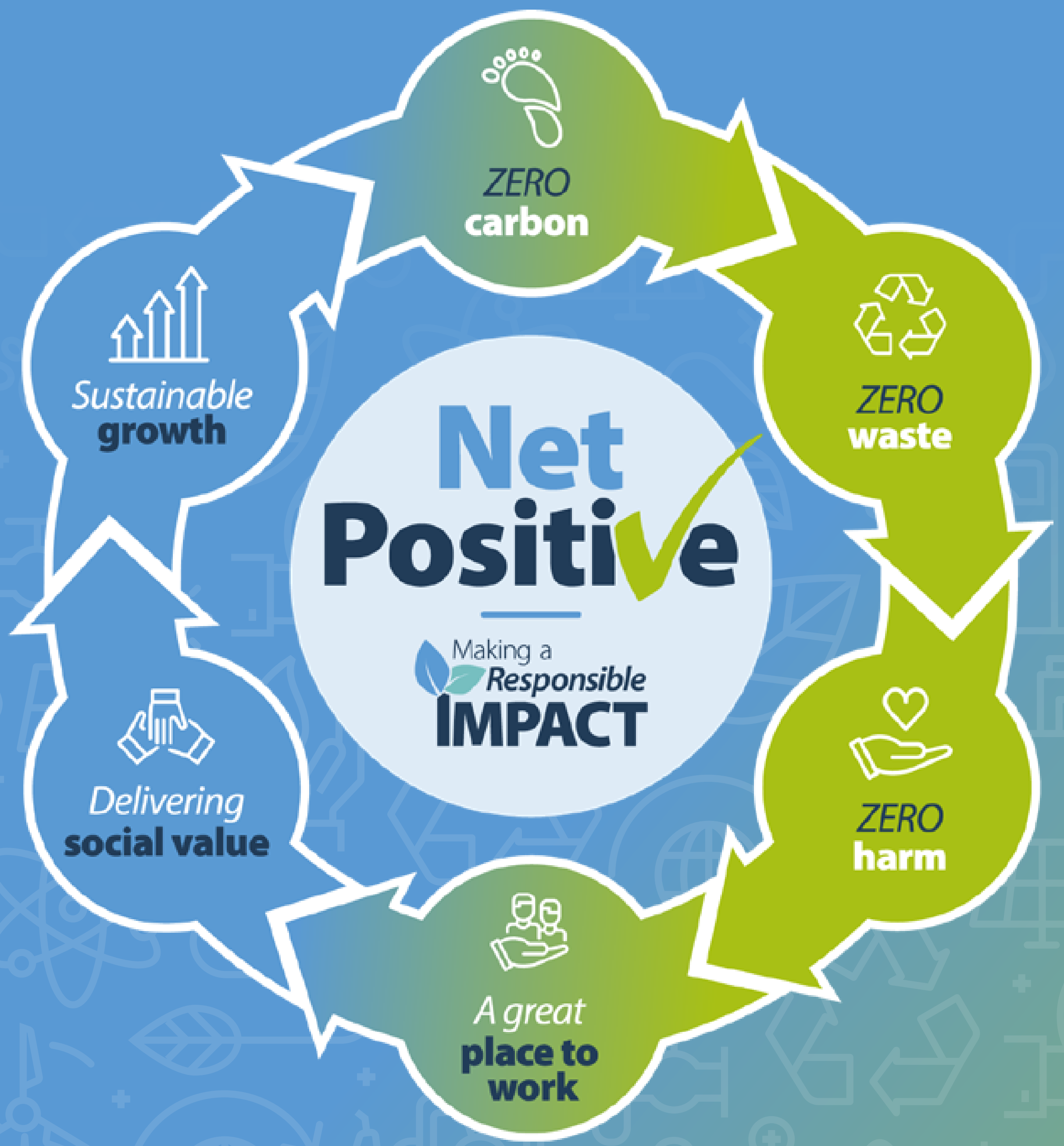
During the detailed design stage, there is careful consideration for delivery and site installation of the proposed solutions.

Kit of parts approach

Step 1: **Pre-designed catalogue**

Net Positive Strategy

Our Net Positive responsibility strategy outlines our way of doing business that ensures we put more into society, the environment and the economy than we take out. It is a long-term strategy that provides us with the vision to drive change across our business through the six ambitions outlined below.



We have delivered activities to drive forward our strategy throughout the period and a full update is provided on pages 28 and 29. Over the next 12 months, we are investing further in our sustainability expertise and resources so we can accelerate activity in support of our ambitions.

In parallel, we continue to support the UK's transition to a low carbon economy through our service offering with growing credentials and experience in the decarbonisation sector. More information is available on pages 22 and 23.

ZERO **carbon**

Focused on reducing our carbon impacts across all our Group activities and in line with our science-based targets. We will work with supply chain partners to reduce carbon impacts across our industry.

ZERO **waste**

At present 99% of the waste we generate is diverted from landfill. Our ambition is to drive down the amount of waste generated by our own activities and from within our supply chain.

ZERO **harm**

To people and the planet. Ensuring an industry-leading safety culture and maintaining our environmental standards is a priority. We aim to achieve zero RIDDORs and zero reportable environmental incidents across the Group. Modern slavery remains a significant issue in the construction industry and we are focused on tackling this risk within our business and wider supply chain.

A great **place to work**

We recognise it is important that our people are happy, healthy, and able to be themselves at work. Our continued focus on fairness, inclusion, and respect, and supporting wellbeing, underpins this ambition.

Delivering **social value**

We are driving and delivering social value beyond the direct benefits delivered by our projects. Across the UK we are engaging with a wide range of stakeholders including our people, clients, communities, and supply chain to identify opportunities where we can collaborate for the benefit of others.

Sustainable **growth**

Operating responsibly supports our ambition for sustainable growth and enables us to demonstrate how we are the partner of choice in our industry and can help our clients achieve their sustainability targets through the delivery of our services.

2021/22 update
Net Positive Strategy

Long-term ambition	Priorities	Progress
ZERO carbon	• Set a science-based carbon target for the Group	• Science-based target submitted to Science-Based Target initiative (SBTi) for approval (confirmation expected late 2022) • We delivered a COP26 Lunch&Learn series across the Group to increase awareness and literacy in carbon, decarbonising the built environment and our transition to a greener fleet
	• Increase the proportion of hybrid cars in our fleet to 35%	• 36% of our fleet is now hybrid or plug-in hybrid. Our fleet policy has been refreshed to include electric vehicles
	• Reduce the maximum emissions cap on ICE (internal combustion engine) company cars	• A cap equivalent to ULEV (ultra-low emission vehicle) emissions has been set
	• Purchase 100% of our electricity from sustainable or renewable sources	• 100% target achieved
ZERO waste	• Achieve zero waste to landfill across the Group	• Following consolidation of all our waste streams in order to drive better data and efficiencies, we have achieved a diversion from landfill rate of 99% and are looking to improve further
	• Examine our route to zero waste generation and the circular economy for the Group	• We have been supporting industry-wide discussions with the Supply Chain Sustainability School to tackle how the industry manages waste and drives a circular economy
	• Pilot our offsite manufacturing business becoming a zero waste facility	• We are focused on accelerating this transition in the upcoming year
	• Engage our top 25 suppliers to identify significant waste streams for reduction	• We have engaged with over 400 suppliers to identify waste streams for reduction in our supply chain
ZERO harm	• Launch the MySafety reporting system and behavioural safety programme across the Group	• The MySafety reporting system is launching imminently and the Safety in Mind culture development programme is underway with an AFR of 0.02 across the Group, our lowest ever level
	• Refresh our Code of Conduct for Business Partners	• Refresh completed
	• Increase the number of colleagues completing our environmental awareness module	• Increased with almost one third of colleagues across the Group completing the module
	• Set modern slavery and environmental learning pathways for our supply chain partners	• We have engaged with the supply chain on these topics during the period and expect to be able to complete this within the next 12 months

Long-term ambition	Priorities	Progress
A great place to work	• Benchmark our Working Well strategy against 'Thriving at work: Stevenson / Farmer review of mental health and employers'	• We benchmarked our performance and whilst we met expectations in many areas, we are now working to strengthen areas highlighted for further focus, including encouraging open and regular conversations and feedback around mental health
	• Deliver Samaritans Workplace Mental Health training across the Group and phase 2 of the Wellbeing Hub (a 'one-stop shop' accessible to all our people that provides resources, links to further information and routes to practical support)	• We invested in a mental health digital tool kit (from Mental Health First Aid England) that will enable all our people managers to access advice and support immediately, alongside the 24/7 support available via our Employee Assistance Programme (EAP) • As part of World Mental Health Day, over 1,000 colleagues joined information sessions directly with our EAP provider to increase awareness about the support available
	• Achieve Living Wage Foundation accreditation across the Group	• Living Wage in place across the Group from April 2022
	• Achieve Gold Standard Armed Forces Covenant	• Achieved
	• Continued investment in apprentices, future talent and employee development	• We are targeting to recruit our highest number of apprentices for 15 years and relaunching our graduate recruitment scheme in 2022
Delivering social value	• Increase volunteering days delivered across the Group	• Increased to over 100 days across the Group

	• Develop our social value methodology for the Group	• Our approach to social value has seen us invest in the skills and experience across the Group. Examples of our activity includes:
		  • Online engineering insight sessions for almost 400 students at the University of Salford
		  • Recorded a podcast in partnership with STEM Ambassadors and Buzzsprout exploring the benefits of social engagement and investment in communities
		  • Supported #GreenSkillsWeek in Manchester by providing a four-day virtual engineering challenge for 23 students focused around the refurbishment of Manchester Town Hall
		• More information on social value is included on pages 30 and 31

	• Refresh our charitable giving policy	• A review of the policy is planned in 2022/23
Sustainable Growth	• Maintain our strong prompt payment performance	• We closely monitor our payment performance including regularly reporting on it to the Board and continuously investing in our processes and procedures to pay our supply chain on time • This has resulted in significant improvement with the percentage of invoices paid within 60 days increasing from 57% in the second half of 2019 to 97% in the second half of this year
	• Review our Ethical Working Policy	• A review of the policy is planned in 2022/23

Social Value

NG Bailey has a long history of creating opportunities in the communities we are working in and our commitment to becoming a 'Net Positive' business is focused on ensuring we put more into society, the environment and the global economy than we take out.

What is social value?

Social value is a way of measuring the wider value an organisation can provide to society such as helping local people into employment, buying from local businesses, promoting opportunities for disadvantaged groups or reducing waste.

Whilst different frameworks can be used to measure social value, they generally look to drive activity in the following broad areas:

- **Jobs:** promote local skills and employment
- **Growth:** supporting growth of responsible regional business
- **Social:** healthier, safer and more resilient communities
- **Environment:** decarbonising and safeguarding our world
- **Innovation:** promoting social innovation

The frameworks provide a route to monetise the time and skills invested in creating opportunity for communities.

Why is social value important?

Generating social value through the work we deliver is not only important to us but also important to our customers, particularly following the implementation of the Public Services (Social Value) Act 2012 which requires the public sector to ensure that the money it spends on services creates the greatest economic, social and environmental value for local communities.

By embracing social value and embedding it into our project delivery we are able to:

- maximise the value our projects can deliver
- satisfy stakeholder expectations
- measure and monetise our social impact in a consistent, reliable way
- demonstrate clearly why NG Bailey is the partner of choice.

By embracing social value, we will deliver social impact and a legacy to the communities in which we work in a way that sets us apart from our peers.

Our Town Hall team help to restore a local community centre

University of Manchester - Manchester Engineering Campus Development (MECD)

MECD is the biggest home for engineering at any UK university and the largest construction project the university has undertaken. The scheme spans eight floors with a total area of 76,000 m², (equivalent to 11 football pitches) and can accommodate 7,800 students and staff from across the University. We played a key role, installing all mechanical, electrical and plumbing elements.

As well as providing world class learning facilities for thousands of students and a home for ground-breaking engineering research, NG Bailey's work on the project also resulted in:

Over **£20m** **invested** into the Greater Manchester economy via our supply chain

11 new **local jobs** created for unemployed people

51 existing and **20 new apprenticeships** supported by the project

More than **275** *hours* **of work experience** and careers support provided for local students

'Our Town Hall'

The 'Our Town Hall' project aims to refurbish and partially restore Manchester's Grade 1 listed neo-gothic town hall, which dates back to 1877. Starting in 2020, our Engineering division has been undertaking the removal and replacement of all mechanical, electrical and plumbing services in this Grade 1 listed building, supported by our offsite manufacturing facility and IT Services business. The project will transform users' experience of the building and put more of its civic treasures on show, whilst making it easier to get around.

The project is still on-going, and we expect the social impact we generate to increase. To date NG Bailey's work has resulted in:

Educational, career and curriculum support:

- Higher education research support for over 380 students
- 40 work placements
- 35 career sessions delivered for those within the Manchester City boundary.

Over 2,000 hours dedicated to local charitable causes by our teams and supply chain including:

- regular and sustained support for a local homeless support hub
- litter picks in local parks
- essential supplies for foodbanks and parents in need
- youth community centre renovations
- fundraised for a number of local children's hospitals and a variety of other charities.

28 **new jobs created** in the Greater Manchester region

18 **existing employees** supported in acquiring new qualifications or progression in their professional field.

Streamlined Energy and Carbon Report

2021/22 sees NG Bailey prepare a streamlined and energy carbon report (SECR) for the second year.

Reporting Period

NG Bailey is reporting for the financial year 2021/22 (March 2021 – February 2022), providing the previous three years as comparative years (to allow for comparison without the impact of COVID-19) with 2018/19 allocated as a baseline year. 2018/19 is the baseline year to reflect the carbon impact of the Group following our acquisition of Freedom in March 2018.

Environmental Management System

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

Reporting Boundary

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

Measurement Methodology

Organisational boundaries were set with reference to the methodology described in the GHG Protocol and the ISO 14064-1:2018 standards. An operational control consolidation approach was used to account for our impacts and emissions. The materiality of all our business locations has been determined by its contribution to our overall impact and our ability to influence the impact of the operations.

2021/22 is the fourth consecutive year our Group carbon impacts have been subject to external verification and assurance and has seen us transition both current and historical reporting to the ISO14064-1: 2018 standard to enable consistent comparison. It has been certified that the Group meets the requirements of CEMARS® certification having measured its greenhouse gas emissions in accordance with ISO 14064-1:2018 and is committed to managing and reducing its emissions in respect of the operational activities in the UK.

Energy and Carbon Strategy

The Group takes its role as a responsible business seriously and over the past decade we have consistently looked to reduce our environmental impacts through the reduction of energy and carbon. 2021/22 has seen us further examine our approach to carbon reductions and we have committed to achieving net zero emissions by 2050 in the long-term. In the short-term, the Group has developed a science-based target that will ensure our carbon reduction targets align to the 1.5°C limit agreed by scientists as necessary to reduce the destructive impacts of climate change. This target has been completed and submitted for peer approval by the Science-Based Target initiative (SBTi).

Operational Trends

Since our baseline year (2018/19) we have seen a 27% reduction in the Group's total location-based emissions, with a 22% reduction achieved since our last non-COVID effected comparative year, 2019/20.

In 2021/22 we experienced a 6% increase in the Group's total location-based carbon emissions on the prior year 2020/21 as the result of a return to business as usual following the COVID-19 pandemic.

Scope 1 emissions, primarily resulting from our use of transport fuels in our commercial vehicle fleet, remain the main source of our carbon and energy impacts representing 79% of our total carbon footprint.

- Absolute CO_2 emissions have reduced by 27% from the baseline year of 2018/19, from 8,201 tCO_2e to 6,004 tCO_2e
- Our location-based CO_2 emission intensity ratio of 1.96 tCO_2e per employee is a 22% reduction since baseline, with an increase of 11% on the COVID effected prior year (2020/21). Furthermore, when accounting for our market-based reporting, our intensity reduces further to 1.86 tCO_2e per employee, a 21% reduction since baseline (14% increase on COVID effected prior year 2020/21)
- Carbon emissions have reduced by 27% compared with the baseline year, supported by a number of key investments by the business:
  - The provision of Ultra Low Emission Vehicles (ULEV >75g CO_2/km) and Battery Electric Vehicles (BEV) for company car drivers and small commercial vans has seen us achieve a 15% decrease in scope 1 emissions since our baseline year and although we have seen a small increase of 1% in our use of transport fuels since 2020/21 as the business has returned to normal, we have achieved a 25% reduction since our last non-COVID effected comparative year (2019/20).

  We expect the impact of this transition to continue to drive down our transport fuel impacts in future years
- The investment in Microsoft Teams across the Group has enabled employees to minimise travel contributing to reductions in both scope 1 and scope 3 emissions. Although we experienced an increase in our scope 3 emissions this year as a result of returning to business as usual, we have reduced the scope 3 footprint by 25% from the 2019/20 year (pre-COVID) and by 54% from the baseline year
- Scope 2 location-based emissions have continued to reduce by 12% since the prior year and have reduced 43% since the baseline year. This is primarily the result of the consolidation of our property portfolio and the inclusion of energy efficient leasehold workspaces.

Energy performance

MWh	2021/22 Reporting year	2020/21 *COVID-19 impacted* Comparative year	2019/20 Comparative year	2018/19 Baseline year
Gas	1,088	642	1,343	1,442
Electricity	1,940	2,021	2,441	2,587
Transport fuels	18,476	18,302	24,483	20,083
Other energy sources	1,880	2,407	1,942	6,688
Total	**23,384**	**23,372**	**30,209**	**30,800**

Carbon performance

tCO_2e	2021/22 Reporting year	2020/21 *COVID-19 impacted* Comparative year	2019/20 Comparative year	2018/19 Baseline year
Scope 1	4,694	4,557	5,881	5,538
Scope 2	416	474	624	733
Scope 3	894	630	1,195	1,930
Location-based total	**6,004**	**5,661**	**7,700**	**8,201**
Scope 2 - market adjustment	(315)	(456)	(469)	(514)
Market-based total	**5,689**	**5,205**	**7,231**	**7,687**

Intensity ratio

Emissions per employee tCO_2e per employee	2021/22 Reporting year	2020/21 *COVID-19 impacted* Comparative year	2019/20 Comparative year	2018/19 Baseline year
Market-based	1.86	1.63	2.24	2.34
Location-based	1.96	1.77	2.39	2.50

Definitions

Scope 1 emissions: *direct emissions, relating to the burning of fossil fuels (e.g. natural gas, oil, etc)*
Scope 2 emissions: *indirect emissions from the generation of purchased electricity*
Scope 3 emissions: *other indirect emissions that arise from the Group's activities, namely business travel by means not owned or controlled by the Group (rail, air and ferry), electricity T&D (transmission and distribution) losses and private car mileage*

Market / location-based: *emissions are reported using both location and market-based reporting methodologies for scope 2 emissions. The location-based reporting applies an average emissions factor determined by the UK national grid mix across all scope 2 emissions. The market-based reporting applies appropriate emissions factors to differentiate between the electricity tariffs that the Group has chosen to purchase e.g. renewable energy, nuclear energy, etc*

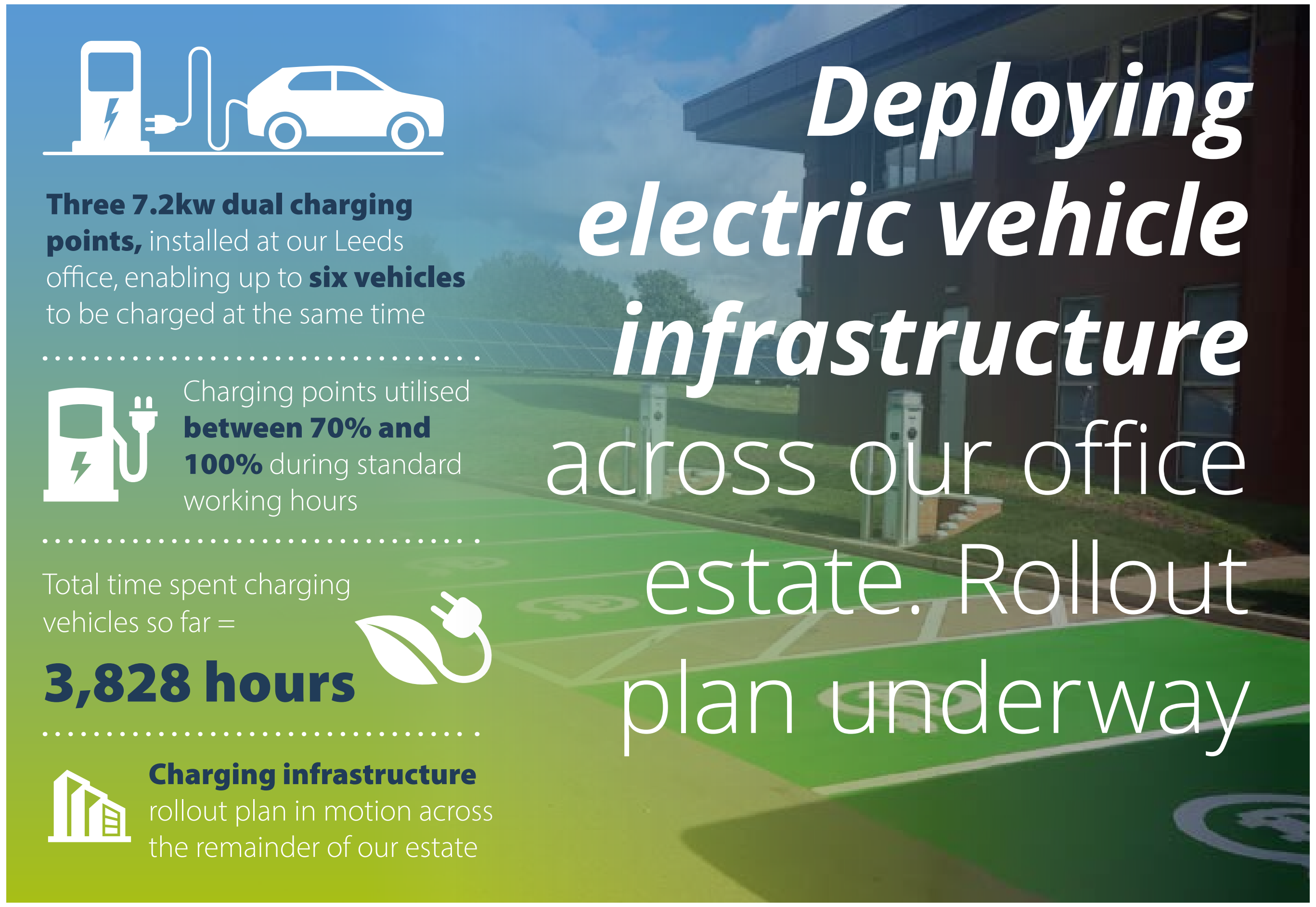
Energy efficiency and carbon reduction achievements

We have refreshed our sustainability ambitions with our **responsibility strategy, Net Positive,** which sets out the framework for our journey to a **zero carbon future.**

We have **submitted** a science-based target aligned to a 1.5ºC future that sees us join the United Nations Framework Convention on Climate Change's **'Race to Zero'** and the **'We Mean Business Coalition'**

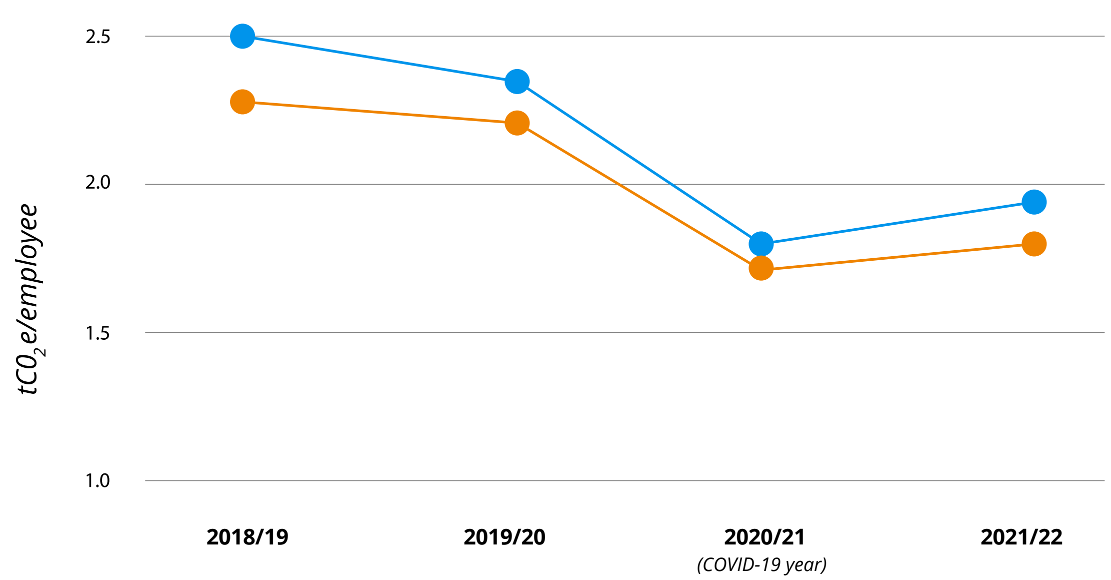
- We have upgraded our commercial vehicle fleet to Euro VI engines and introduced electric vans on contracts where charging infrastructure is readily available
- The commercial vehicle electrification rollout plan is underway to drive down emissions further, though challenging given lead times of vehicles
- Through engagement with our suppliers, we have established a baseline understanding of the environmental awareness and carbon impacts arising from our supply chain
- Since 2018/19, we have generated over 2,000 MWh of our own energy from our investments in solar photovoltaics across the Group
- In 2022 we achieved ISO14064-1:2018 accreditation for our carbon footprint and maintained our ISO14001: 2018 accreditation for our environmental management system.

Since April 2020, 100% of **electricity in our owned properties** has been procured from **sustainable and renewable sources**



▲ *Electric vehicle charging bays at our office in Leeds.*

Carbon intensity comparison



	2018/19	2019/20	2020/21 (COVID-19 year)	2021/22
tCO_2e per employee (market-based)	2.34	2.24	1.63	1.86
tCO_2e per employee (location-based)	2.50	2.39	1.77	1.96

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 page 44. The Group's principal risks and mitigations are as follows:

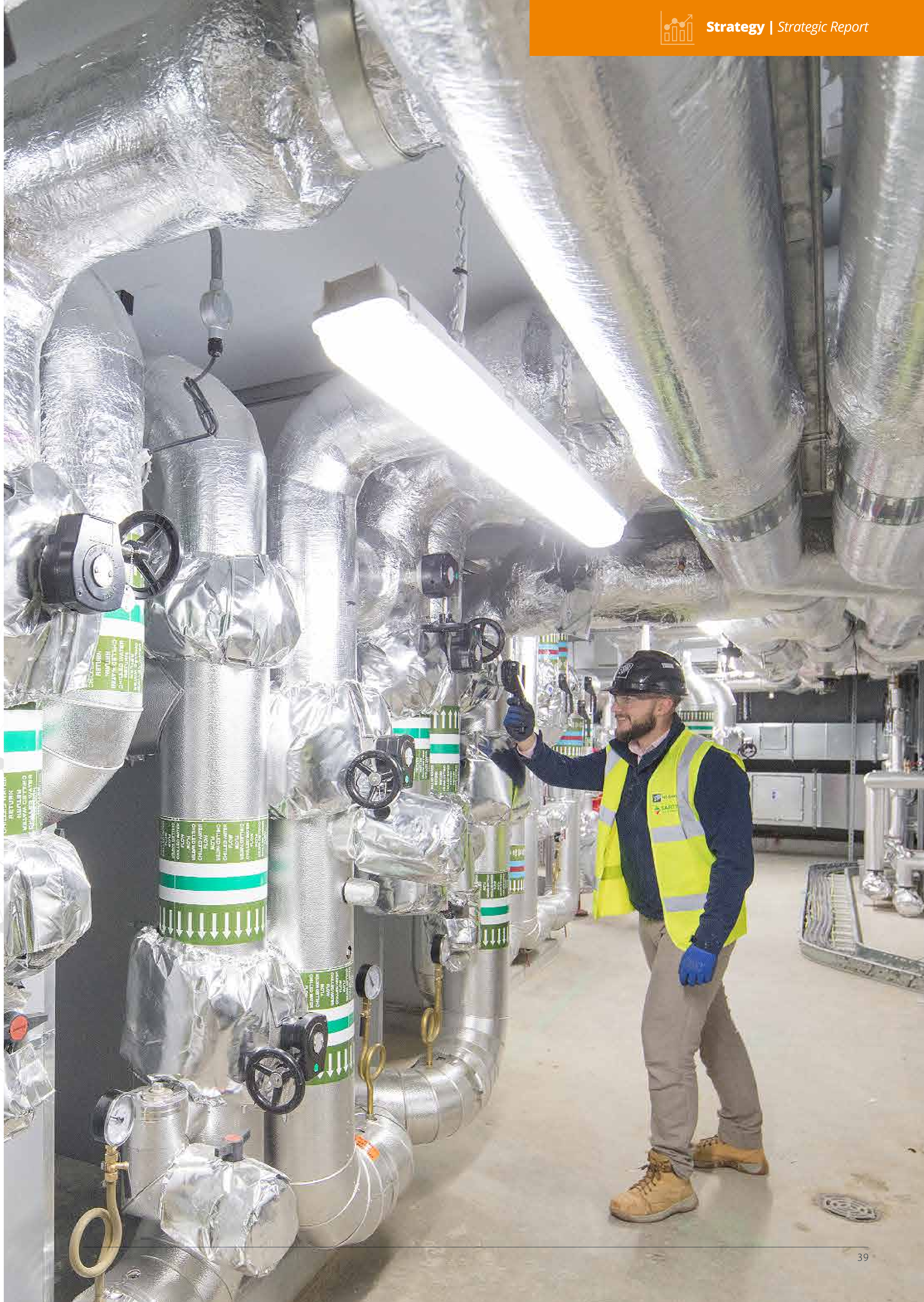
Risk	Description	Mitigations
Health & safety	Health and safety continues to be a primary focus for the business. 'Safety First & Foremost' is at the heart of everything we do. This has been developed to influence our employees, our customers and our supply chain, through leadership, to behave in a way that puts safety first.	There are comprehensive health and safety policies and procedures in place along with effective leadership and organisational arrangements to operate, monitor and adapt these procedures and ensure management accountability. To ensure we remain at the forefront of health and safety practices, we have implemented a dedicated action plan with some significant initiatives, including our new reporting system MySafety (launching imminently) and our behavioural Safety in Mind programme underway to reinforce and further develop the health and safety culture across the Group.
Market conditions (including inflation)	The Group's services may be affected by an economic downturn and reductions or delays in government and private sector spending. COVID-19 and Brexit have both created uncertainty in the UK economy, combined more recently with the impact of the Ukraine conflict. This has led to supply chain challenges including material and labour shortages and inflationary pressures. This may result in customers delaying or cancelling proposed and existing projects as well as presenting operational challenges including control of costs.	The Group's strategy is to focus on recession resilient sectors with a balanced portfolio across services, building and infrastructure, limiting the exposure to any one area. In particular, the government's spending plans on infrastructure sectors such as defence, rail, hospitals, custodial and nuclear and its decarbonisation targets should present opportunities. The Group continues to monitor the impact of COVID-19, Brexit and the Ukraine conflict, 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 and the availability and price of materials. The Group's forward order book remains healthy at £1.2bn. A significant proportion of the Group's sales are protected against inflationary pressures by contractual provisions or through advance purchases on secured jobs. For new work, the Group's standard 'bid no bid' process ensures the Group only commits to work at an appropriate price. Our proposed bid price is kept open for a short period of time. The Group is not willing to accept the risk of taking on work where the impacts of inflation cannot be managed acceptably.
Competition	The Group operates in highly competitive sectors, some with low margins. Whilst quality, capability, stability and reputation are key parts of a customer's decision, price remains an important factor.	The Group applies a rigorous 'bid no bid' process to ensure we only tender for and win work where the margin is commensurate with the risk. This rigour is increasingly important in the current environment with some competitors accepting lower margins, inflation-related risks and other risks to 'win' turnover. The Group continues to focus on cost and efficiency in order to remain competitive in the market. Our continued investment in people, technology and training along with our offsite manufacturing capability and supported by our strong financial position means the business is well placed to differentiate itself in a competitive environment.

Risk	Description	Mitigations
Attracting and retaining talent	The Group recognises that attracting, retaining and developing people is key to ensuring it has the right skills and capability to support the success and future growth of the business. During the year, the structural labour and skills shortages in our industry have been exacerbated by the impacts of COVID-19 and Brexit.	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. We offer a competitive package of salary, fixed and flexible benefits and employee discounts across the Group, which are reviewed annually to ensure our people are fairly rewarded for their work. We continue to invest in learning and development (L&D) with a focus on health and safety and ensuring that we have the skills needed for future growth (more than 85% of our training during the year was technical or skills focused). We have recently revised our L&D strategy to align with the specific requirements of the divisions and improve the experience for employees. Mental and physical wellbeing continues to be an important part of our people policy, and there is a suite of initiatives to support our people when they require it, as outlined on page 48 including training nearly 500 of our managers and supervisors in mental health and wellbeing awareness during the year.
Project delivery	The execution of projects involves estimating, planning, designing and delivering, often in complex environments.	The Group's activities are controlled by business management systems within each division, which contain frameworks of policies and procedures designed to minimise avoidable risks. The business management systems have been reviewed and adapted during the pandemic to cater for the evolving guidance and restrictions. Successful project delivery is supported through a combination of management oversight, project reviews, peer reviews, strong commercial management and contract administration processes and customer feedback.
Customers and supply chain	There is the risk of insolvency within the construction industry given the economic uncertainty surrounding COVID-19 and Brexit, the withdrawal of COVID-19 government support measures and inflationary pressures.	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 is committed to paying its supply chain promptly. The percentage of invoices paid within 60 days is 97%. The Group has worked collaboratively with customers to manage the commercial impact of necessary project extensions during COVID-19. There have been varying customer responses with some taking a more pragmatic approach and others a harder commercial stance given the current economic climate. As with all its contracts, the Group will act fairly, with integrity, and with regard to its contractual entitlements. The Group builds supply chain resilience and strong 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 to inflationary pressures and achieve forecast targets.

Risk	Description	Mitigations
System, data, cyber security and GDPR	The Group's ability to enable safe, secure, and resilient business operations is dependent on our systems being robust and secure and our data being protected. It is recognised that a loss of key systems through an information security breach or attack could impact business operations and potentially lead to a loss of confidential data, damaging our reputation.	We are continually developing and upgrading our IT infrastructure, software and cyber threat and assessment capabilities. This has been particularly important following COVID-19 with the increased level of remote working. Robust controls and procedures are in place to monitor the performance of the systems, to identify and mitigate new and emerging cyber threats and prevent and recover from suspected cyber attacks to IT infrastructure. Response protocols are in place to support the Group's response to threats or incidents and regular communications ensure that employees are aware of the nature and potential consequences of cyber threats. Whilst the cyber threat level has increased since COVID-19 (notably phishing attacks), our systems, processes and controls have withstood these threats. We currently hold Cyber Essentials Plus accreditation which demonstrates our commitment to providing secure and robust ICT and information assurance across the Group. We also continue to develop and enhance data protection procedures in line with regulations and there is a GDPR working group led by the CFO that meets quarterly to discuss and address relevant GDPR matters. All employees undertake regular training in data protection and information security management.
The environment	Failure to adequately address the impact of our activities on the environment would present a risk to the reputation of the Group and be at odds with the Bailey family's Guiding Principles. This would harm our ability to compete in our markets and attract and retain a high-quality workforce. It also carries this risk of sanctions or penalties from the relevant authorities.	The Group takes its role as a responsible business very seriously. Over the past decade we have consistently looked to reduce our environmental impacts through the reduction of energy and carbon. Our Net Positive strategy supports our long-term goal of doing business in a way that ensures we put more into society, the environment and the global economy than we take out. We have committed to achieving net zero emissions by 2050 at the latest and in the short-term we have submitted for approval a 1.5 degree aligned science-based target for the Group. More detail can be found in our Streamlined Energy and Carbon Reporting on pages 32 to 35. The Board considers environmental issues when reviewing and guiding our strategy, risk management policies, budgets, forecasts and business plans.
Liquidity risk	The Group manages its financing facilities and cash flows such that it has sufficient cash resources to meet the business needs.	The Group has a strong balance sheet with cash and investments of £79.1m at 25 February 2022, along with banking facilities of £20m in place to provide further headroom. The facilities have not been used as the cash balance has been strong throughout the period and subsequently. However, the Group is not complacent and continually monitors and stress tests its liquidity position.

Approved by the Board of Directors on 9 June 2022 and signed on its behalf by:

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



Corporate Governance

Corporate Governance Report

For the period ended 25 February 2022, 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. How the six Wates principles have been applied over the past year is set out in this report.

1. Purpose and Leadership

NG Bailey was formed in 1921 and is now the leading independent engineering and services business in the UK with a proud heritage and proven track record of achievement over more than 100 years.

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

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

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

Our 'Net Positive' strategy supports our goal of doing business in a way that ensures we put more into society, the environment and the global economy than we take out. The strategy outlines six key ambitions as summarised on pages 26 and 27. These commitments are a mix of operational goals that we strive to always meet, including zero harm, being a great place to work and delivering social value and sustainable growth. Alongside these, we have two transformational goals of zero carbon and zero waste that will drive long-term change through our operations. Each commitment is underpinned by long-term deliverables and each year we will define our priorities. The achievements in 2021/22 under each ambition are summarised on pages 28 and 29.

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 46 to 49.

Passion

Integrity

Responsibility

Excellence

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 there is an appropriate degree of challenge and influence in these areas.

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

The Board periodically reviews its effectiveness and programme. The most recent internal effectiveness review took place in December 2019 (next review planned for 2022) and concluded that the Board was comfortable with its activities and the approach it was taking. Some suggestions to further enhance its effectiveness were made, such as continuing to support succession planning. A dedicated succession planning meeting is held every year with members of the Board.

We acknowledge that Board diversity is a challenge across our sector and are committed to fostering an inclusive culture that encourages diversity across the Group including at the most senior levels. Workforce diversity is discussed further on page 45.

Group Board					
Chaired by the independent non-executive Chairman and comprising of seven Directors listed on page 52.					
Group Subcommittees					
Audit Committee	Remuneration Committee	Nomination Committee	Pensions Steering Committee	Family Employment and Development Committee	Investment Committee
Group Operating Executive (GOE)					
Chaired by the Chief Executive, the Group Operating Executive (GOE) is the senior leadership team for driving the operational and strategic performance of the business. The members of the GOE are:					
• Chief Executive • Group HR Director • Managing Director, Engineering			• Chief Financial Officer • Group Commercial Director • Managing Director, Services		

Group Subcommittees

Audit Committee

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

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

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

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.

Nomination Committee

The Nomination Committee is responsible for monitoring the composition and balance of the Board and making recommendations to the Board on new Board appointments. Dependent upon the appointment being made, the Committee will be selected from the Board as appropriate. The Committee met once during the year to consider the appointment of a new independent non-executive director, who is due to join the Board in Summer 2022.

Pensions Steering Committee

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

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.

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.

3. Directors' Responsibilities

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

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

The Board has a programme of seven principal meetings every year and operates an agenda of standing items appropriate to the Group's operating and reporting cycle including health and safety, financial performance, strategy, risks and opportunities, market conditions, operational and people matters and responsibility.

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

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

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

4. Opportunity and Risk

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

Opportunities

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

Long-term strategic opportunities are considered as part of the annual Group strategy process which is presented to the Board. This includes an assessment of how the Group creates and preserves value for the long-term including both financial and non-financial risks and opportunities. Specific presentations on significant opportunities and contracts are also given to the Board by the management team to allow for constructive challenge.

Risks

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

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

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

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

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

The GOE maintains an overall Group risk register containing the principal risks faced by the Group and undertakes a full risk review biannually, facilitated by the Head of Audit and Assurance. These principal risks and uncertainties are outlined in the Strategic Report on pages 36 to 38. The Chief Executive formally presents the GOE risk register to the Board for discussion and review biannually.

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

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

Additionally, the Internal Audit and Assurance function assists the Board in understanding threats and opportunities relating to the Group's assets, reputation and sustainability.

Risk-based audits of the control framework provide assurance over the adequacy and effectiveness of existing controls and the integrity of reported information. This is a blend of audits performed by the in-house Internal Audit and Assurance team and audits performed by our co-source partner (BDO) particularly for specialist areas.

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 periodically by the GOE to rehearse the Group's response to, and recovery from, a crisis situation. The crisis management approach was used to support the Group's response to the COVID-19 situation.

5. Remuneration

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

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

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

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

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

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

During 2021, there were no senior manager bonus schemes or long-term incentives plans in place given the unusually high level of economic uncertainty during the pandemic. The Group's improved performance and growth plans have enabled a return to the pre-pandemic incentive arrangements for 2022 which are subject to the achievement of targets. The Remuneration Committee approved a pay award for the Group-wide workforce for the 2022/23 year.

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

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

6. Stakeholders

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

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

Our shareholders and wider family

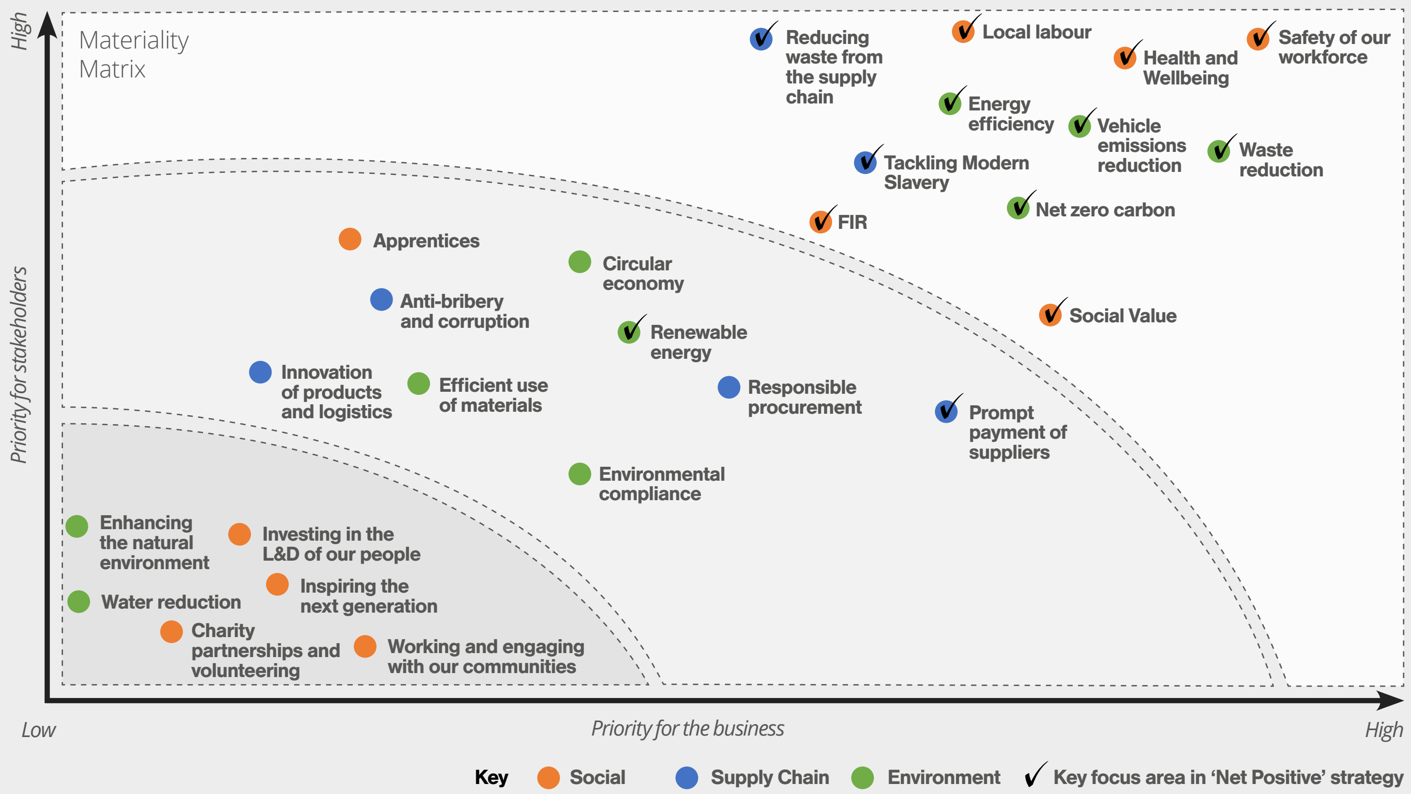
The Group recognises the importance of dialogue with our shareholders. The family's Guiding Principles aim to capture the family's long-term aspirations for the business including leadership excellence, being an employer of choice and acting as a responsible business. The Board continues to seek to align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

The Chairman of the Board and the two family non-executive Directors are the primary communication routes between the Board and shareholders. The Family Council is a representative body for the family which supports the development of responsible owners, facilitates communication between the family and the business via the Board and encourages healthy relationships with the family and the Board.

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

All Board members attend the Annual General Meeting and are available to answer questions from the shareholders. The Chairman, Chief Executive and Chief Financial Officer meet with the shareholders on two further occasions each year to review strategic objectives and the performance of the Group.

Members of the senior management team also provide business updates on various topics during these family update sessions. This programme of communications provides an opportunity for the business to understand the shareholders' goals and priorities for the Group. Engagement with the next generation of shareholders is supported by the Group at the annual 'Next Generation' event.



Our people

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

Our Group-wide commitment to putting health and safety first and foremost is core to how we operate with a Safety, Health and Environment (SHE) update at every Board meeting.

We continue to develop and invest in our approach to health and safety and are progressing some significant initiatives including our new performance reporting system MySafety (launching imminently) and our behavioural Safety in Mind programme underway to help focus our employees' attention and actions on working safely.

The MySafety reporting system allows our people to report incidents quickly and easily (including Don't Walk By reports) and complete inspections and risk assessments electronically. It also provides us with the ability to analyse trends in detail and identify current and emerging risks.

The cultural development programme, Safety in Mind is all about why we do what we do. Our safety systems, processes, procedures and training must be underpinned by the positive choices and behaviours of the people using them, as the critical path in nearly all incidents is the choices that individuals make. The programme will support our proactive safety culture through:

- Equipping everyone with an understanding of why they make the choices they do and how to make better ones
- Sharing a common language, encouraging everyone to talk to each other about safety
- Ensuring everyone understands their role and the impact they can have on health and safety.

Our work towards ensuring a safe working environment for our people and those around us resulted in success at the 2022 RoSPA Awards where we received three Gold Medal Awards, one Gold Award, six President's Awards and the RoSPA Order of Distinction for our outstanding health and safety performance over the last 17 years.

Fairness, Inclusion and Respect 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 Codes of Integrity for Employees and Business Partners addresses our expectations in this regard. Our Fairness, Inclusion and Respect Strategic Leadership Group provides the leadership and drive in this area.

We have a clearly defined outcome to be recognised as an employer of choice and one of our key strategic objectives is to engage, train and retain our people. Talent is attracted and retained through clear career paths across the Group and adult training in technical and leadership skills, alongside a growing number of apprentice schemes. We employed our first apprentice in 1934 and since then have successfully trained nearly 6,000 people in their chosen field. During COVID-19, we effectively utilised virtual platforms and digital learning to ensure that our apprenticeship training was unaffected and all critical safety, certified or accredited training continued. We are targeting to recruit our highest number of apprentices for 15 years during 2022 and we are also relaunching our graduate recruitment scheme in 2022.

Regular 'Pulse' surveys provide insight into what the Group's people are thinking and feeling and help to shape our people strategy. The results and feedback of the December 2021 employee 'Pulse' survey were generally positive with both satisfaction and morale at work scoring well. Importantly, nearly 90% of employees agreed that the Group puts safety first and foremost.

Team briefings, regular CEO briefings, business update videos and senior leadership conferences 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 division 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.

FAIRNESS INCLUSION RESPECT

Employer of choice

Engage, train and retain

2022

RoSPA Order of Distinction

Success at the 2022 RoSPA Awards

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

Mental and physical wellbeing continues to be an important part of our people policy and there is a suite of initiatives to support our people when they require it. We promote our wellbeing offering via internal channels including regular wellbeing communications to remind employees of the support programmes in place and a series of campaigns encouraging physical and mental health wellbeing including a mental health awareness week. We provide 24/7 support via our Employee Assistance Programme, a completely confidential and personal service offering counselling and advice for all employees. c500 managers and supervisors have been trained in mental health and wellbeing awareness during the period with similar training planned for the upcoming year.

Through our Modern Workplace programme, we are heavily investing in our ICT systems and improving the technology we use to support our philosophy of 'making it easy to work here'. Increased remote working following COVID-19 has been facilitated by an investment in our ICT infrastructure, including additional equipment and improved mobile devices, together with the introduction of remote access and Microsoft Teams software to enable our people to connect with colleagues through video calls and virtual meetings.

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

Our customers

We build close relationships with our customers via a variety of communication methods including regular meetings (face-to-face and virtual), site visits and group communications such as our bi-annual digital magazine Infocus and social media interactions. Alongside our periodic customer engagement surveys, these provide a route for feedback from customers to identify improvements and retain our industry-leading reputation, supporting the long-term success of the Group. We have recently undertaken a Group-wide Net Promoter Score (NPS) survey with excellent feedback from our customers.

As a result, we continue to see high numbers of repeat customers within our Engineering division and exceptionally strong retention rates in our Services division (> 90% across all businesses).

Our suppliers

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

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

We recognise the importance of supporting our supply chain and continuously invest in our processes and procedures to pay our supply chain on time. This has resulted in significant improvement in our payment performance reporting over recent years with the percentage of invoices paid within 60 days increasing from 57% in the second half of 2019 to 97% in the second half of this year.

Labour exploitation and modern slavery are risks that our industry, business and wider supply chain face and we are committed to combatting this in partnership with others. The Group is a signatory to the Gangmasters and Labour Abuse Authority Construction protocol, a public commitment of our efforts in this area, and is an affiliate member of the TISC (Transparency in the Supply Chain) reporting website. Our Anti-Slavery and Human Trafficking Policy and Modern Slavery Act Statement can be found on our website www.ngbailey.com. We have in place a Code of Integrity for Business Partners which applies to all entities acting in partnership with or on behalf of NG Bailey and sets out clearly our expectations in this area.

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) including attendance by the Trustee at the Pension Steering Committee meetings periodically. 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. The Group's commitment to delivering social value is outlined on pages 30 and 31.

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

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

We recognise that our sector needs to engage a diverse range of individuals if we are to continue to be successful. In light of this we are engaging with young people and educators in relation to their adoption of science, technology, engineering and maths (STEM). Through our engagement programme, INSPIRE, we've engaged with more than 10,000 students across the UK through school workshops, site visits and work experience weeks as we have sought 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. Of those students engaged, a large majority reported an increase in knowledge regarding engineering with around two-thirds stating that they were more interested in a career in STEM following our engagement. In the wake of COVID-19 and the impact on schools and colleges which has naturally slowed the programme, we've been able to take our sessions online. In Manchester we've worked with Speakers for School to support #GreenSkillsWeek including a four day focus on the restoration of Manchester Town Hall.

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

INSPIRE

As a business we play an important role in the communities we work in. We invest in supporting our employees in their charitable efforts through financial and in-kind support and charitable cash donations in the period totalled £10k (2021: £8k). Our Engineering division is partnering with CRASH, the Construction Industry's Charity. Activities so far include supporting their Christmas card appeal in December 2021 and colleagues from the North-West region walking more than five million steps as part of #theBIGmarch fundraising effort in March 2022.

To show our support for the people of Ukraine, we donated £50k to the Disasters Emergency Committee in March 2022 to support families fleeing the conflict and help provide food, water, shelter, healthcare and protection.

£50,000 donation to Ukraine ***relief efforts***

One of our key considerations as a Group is to reduce our impact on the environment. We have a strong history of achievement and were an early adopter of low carbon technologies. Further details can be found in our Streamlined Energy and Carbon Reporting on pages 32 to 35.

***Corporate partnership* with CRASH**

Proud Patron of

crash charity

TRAINING & APPRENTICESHIPS

I chose an apprenticeship because I liked the idea of being able to learn 'on the job'. Work experience is valuable to kickstarting your career.


EJ

I enjoy the change of pace my apprenticeship offers and the opportunities it provides to meet new people and build connections.


NIAMH

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

The Learning and Development team support the delivery of our Group-wide training and development activities, ensuring we have the right expertise in terms of knowledge, skills and competencies throughout the organisation.

Enabling our people to be the best they can be is at the heart of what we do.

We believe training and development comes in many forms and work in partnership with the business to identify or create the most appropriate solutions to the challenges we face offering lifelong learning opportunities from early careers to senior leadership.

We are committed to helping people develop and grow behaviours that reflect our values and a strong set of technical skills.

We have our award-winning Apprenticeship Programme and deliver a wide range of professionally recognised qualifications, cultivating the next generation of talented people and making NG Bailey a great place to work.

Training apprentices for over **80 years**

In 2022 we are targeting **our highest apprentice intake for fifteen years**

Apprentice Harry features in CIBSE Journal

As a business we are actively inspiring the next generation through our award-winning apprenticeship programme.

So, it's great to hear first-hand from one of our current apprentices about their experience as an NG Bailey apprentice.

There's an inspiring interview with building services project engineer apprentice, Harry Playfair, in the February 2022 edition of the CIBSE Journal.

In the interview, Harry talks about the projects he's worked on during his time with us, the valuable guidance and support he's received from his colleagues, his work as a STEM ambassador, and why he thinks apprenticeships are a great route into the industry.

Harry is also CIBSE's current Technician Apprentice of the Year, after successfully winning the award in 2021.

CIBSE

Our apprentices worked on over **20 projects in last 12 months**

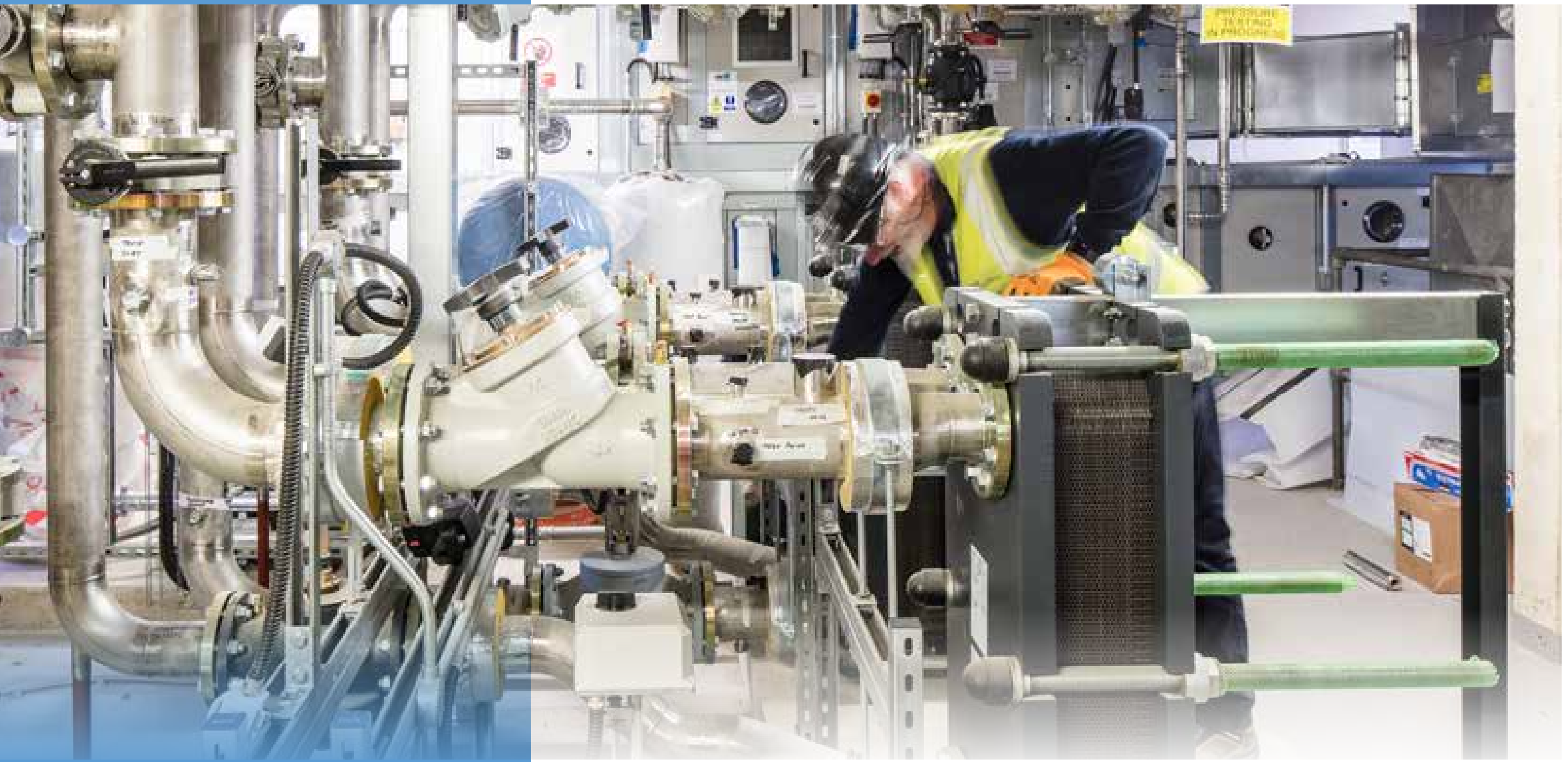
LUCY

PROCUREMENT APPRENTICE

I GET TO FULFIL MY POTENTIAL WITH AN APPRENTICESHIP

TO APPLY *Visit www.ngbailey.com/working-with-us/apprenticeships*

Report of the Directors



Directors

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

Kevin Whiteman	1 2 3 4 5 6	(Chairman)
David Hurcomb	4	(Chief Executive)
Jonathan Stockton	4 5 7	(Chief Financial Officer)
Chris Bailey	1 2 3 4 5 7	
Peter Emery	1 3 4	
Claire East	1 2 4 6	
Jane Moriarty	1 2 4 5 6 7	

1. Non-Executive Director
2. Member of the Audit Committee (chaired by Jane Moriarty)
3. Member of the Remuneration Committee (chaired by Peter Emery)
4. Member of the Nomination Committee (chaired either by the Chairman or an independent non-executive director)
5. Member of the Pensions Steering Committee (chaired by Jonathan Stockton)
6. Member of the Family Employment and Development Committee (chaired by Kevin Whiteman)
7. Member of the Investment Committee (chaired by Jane Moriarty)

Results and Dividends

Details of the results for the period are set out in the Consolidated Income Statement on page 60.

Notwithstanding the strong financial position of the Group, no final dividend is proposed for the period ended 25 February 2022 (2021: £nil).

Financial Risk Management & Policies

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

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

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 subcommittee 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 20 to 25. 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 36 to 38.

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

The Group has considerable financial resources including cash and deposits of £31.2m and current asset investments of £47.9m (of which £41.1m are liquid) at 25 February 2022. Additionally, the Group has available undrawn bank facilities amounting to £20.0m (through the Group's overdraft facility). The Group's cash has continued to remain resilient and it has not utilised its overdraft facility throughout the reporting period or subsequently. In arriving at their opinion on going concern, the Directors have considered the Group's forecast for 12 months from the date of approval of these financial statements. The forecast was prepared based on current productivity with a high proportion of the Group's revenue in the forecast period already secured.

Given the economic and trading uncertainties following the pandemic and more recently due to the conflict in the Ukraine, including inflationary pressures and availability of labour and materials challenges, the Directors have deemed it appropriate to carry out stress testing to model the impact of potential severe, albeit remote, downside scenarios. These scenarios have not assumed any potential support from the UK government such as tax deferrals or the COVID-19 Job Retention Scheme. Under these remote downside scenarios, the cash flow forecasts indicate the Group would have comfortable headroom on available resources throughout the forecast period.

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

£79.1m
Cash and investments

£31.2m
Cash

£47.9m
Investments

Directors' Liability Insurance

As permitted by the Articles of Association, the Directors have the benefit of an indemnity with Chubb European Group 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

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

Disabled Employees

Applications for employment by disabled employees are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Stakeholder Engagement

Details of how the Directors have had regard to the need to foster the Group's business relationships with suppliers, customers, employees and others, and the effect of that regard, including on the principal decisions taken by the Group during the period are outlined in the Corporate Governance Report on pages 46 to 49 and the Section 172 statement on pages 14 and 15.

Post Balance Sheet Events

There are no post balance sheet events requiring disclosure.

Strategic Report

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

Streamlined Energy and Carbon Report

The Streamlined Energy and Carbon Report is presented on pages 32 to 35.

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.

Directors' Confirmations

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 9 June 2022 and signed on its behalf by:

RCSalmon

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

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

Report on the financial statements

Opinion

We have audited the financial statements of NG Bailey Group Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the period ended 25 February 2022 which comprise of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 25 February 2022 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 Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Directors for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 54, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Use of our report

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

Kelly Boorman
(Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP
Statutory Auditor

Chartered Accountants
Central Square
5th Floor
29 Wellington Street
Leeds
LS1 4DL

9 June 2022

Consolidated Income Statement

for the 12 month period ended 25 February 2022

	Note	2022 Underlying performance* £m	2022 Exceptional items and amortisation £m	2022 Total £m	2021 Underlying performance* £m	2021 Exceptional items and amortisation £m	2021 Total £m
TURNOVER	3	499.5	-	499.5	507.0	-	507.0
Cost of sales		(446.6)	-	(446.6)	(465.0)	(4.9)	(469.9)
GROSS PROFIT		52.9	-	52.9	42.0	(4.9)	37.1
Administrative expenses		(52.6)	(0.4)	(53.0)	(44.7)	(9.9)	(54.6)
Other operating income	4	0.5	-	0.5	-	7.7	7.7
OPERATING PROFIT / (LOSS)	4	**0.8**	**(0.4)**	**0.4**	**(2.7)**	**(7.1)**	**(9.8)**
Interest receivable and similar income	7			3.1			6.0
Interest payable and similar charges	7			(0.5)			(0.6)
PROFIT / (LOSS) BEFORE TAXATION				3.0			(4.4)
Tax on profit / (loss)	8			(2.8)			(0.8)
PROFIT / (LOSS) FOR THE FINANCIAL PERIOD				0.2			(5.2)

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

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

All activities relate to continuing operations.

The notes on pages 65 to 88 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

for the 12 month period ended 25 February 2022

	Note	2022 £m	2021 £m
PROFIT / (LOSS) FOR THE FINANCIAL PERIOD		0.2	(5.2)
Remeasurement of defined benefit pension scheme asset	15	6.4	(2.4)
Property revaluation		(0.2)	-
Deferred tax	19	(1.6)	0.5
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE FINANCIAL PERIOD		4.6	(1.9)
TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE FINANCIAL PERIOD		4.8	(7.1)

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

The notes on pages 65 to 88 form an integral part of these financial statements.

Consolidated Statement of Financial Position

at 25 February 2022
Company Registration No. 1490238

	Note	2022 £m	2021 £m
FIXED ASSETS			
Intangible assets	10	31.8	35.6
Tangible assets	11	34.7	36.6
		66.5	72.2
CURRENT ASSETS			
Stocks	13	0.9	1.2
Debtors: amounts falling due within one year	14	139.6	138.4
Pension scheme asset	15	39.4	30.8
Investments	16	47.9	43.5
Cash and deposits		31.2	42.3
		259.0	256.2
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	(156.4)	(166.6)
NET CURRENT ASSETS		102.6	89.6
TOTAL ASSETS LESS CURRENT LIABILITIES		169.1	161.8
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	(10.5)	(12.4)
PROVISION FOR LIABILITIES	19	(12.0)	(7.6)
NET ASSETS		146.6	141.8
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	20	0.1	0.1
RESERVES			
Revaluation reserve	21	17.6	18.1
Capital redemption reserve	21	-	-
Retained earnings	21	128.9	123.6
		146.5	141.7
TOTAL EQUITY		146.6	141.8

These financial statements were approved by the Board of Directors on 9 June 2022 and were signed on its behalf by:

K I WHITEMAN

D S HURCOMB

The notes on pages 65 to 88 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the 12 month period ended 25 February 2022

	Note	Share capital £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
AT 28 FEBRUARY 2020		**0.1**	**19.2**	**-**	**129.6**	**148.9**
LOSS FOR THE FINANCIAL PERIOD		**-**	**-**	**-**	**(5.2)**	**(5.2)**
Other comprehensive expense		-	-	-	(1.9)	(1.9)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		**-**	**-**	**-**	**(7.1)**	**(7.1)**
Transfer of realised reserve		-	(0.9)	-	0.9	-
Transfer of additional depreciation on revalued assets		-	(0.2)	-	0.2	-
AT 26 FEBRUARY 2021		**0.1**	**18.1**	**-**	**123.6**	**141.8**
PROFIT FOR THE FINANCIAL PERIOD		**-**	**-**	**-**	**0.2**	**0.2**
Other comprehensive income / (expense)		-	(0.2)	-	4.8	4.6
TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD		**-**	**(0.2)**	**-**	**5.0**	**4.8**
Transfer of realised reserve		-	(0.2)	-	0.2	-
Transfer of additional depreciation on revalued assets		-	(0.1)	-	0.1	-
AT 25 FEBRUARY 2022		**0.1**	**17.6**	**-**	**128.9**	**146.6**

The notes on pages 65 to 88 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the 12 month period ended 25 February 2022

	Note	2022 £m	2021 £m
PROFIT / (LOSS) FOR THE FINANCIAL PERIOD		0.2	(5.2)
Adjustments for:			
Depreciation	4	4.1	4.0
Amortisation of intangible fixed assets	4	4.1	3.8
Loss on sale of tangible fixed assets	4	0.1	0.1
Interest receivable and similar income	7	(3.1)	(6.0)
Interest payable and similar charges	7	0.5	0.6
Tax charge	8	2.8	0.8
Decrease in stock		0.3	0.4
(Increase) / decrease in debtors		(1.2)	40.1
Decrease in creditors (2022 includes repayment of VAT deferred under the government's deferral scheme during the pandemic)		(10.2)	(29.2)
Other non-cash items		(1.5)	0.7
		(4.1)	15.3
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES		(3.9)	10.1
Taxation paid		-	(1.3)
NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES		(3.9)	8.8
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible assets	11	(2.8)	(2.7)
Purchase of intangible assets	10	(0.3)	(0.8)
Proceeds from sale of property		0.3	0.9
NET CASH USED IN INVESTING ACTIVITIES		(2.8)	(2.6)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	22	-	-
Repayment of bank loans		(2.0)	(3.5)
Bank interest and fees	7	(0.5)	(0.6)
Purchase of investments	16	(21.5)	(7.4)
Sale of investments	16	19.6	5.6
NET CASH USED IN FINANCING ACTIVITIES		(4.4)	(5.9)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	23	(11.1)	0.3
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	23	42.3	42.0
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	23	31.2	42.3

The notes on pages 65 to 88 form an integral part of these financial statements.

Notes to the Financial Statements

for the 12 month period ended 25 February 2022

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 12.

2. Accounting policies

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

Statement of compliance

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

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Acquisitions are accounted for under the acquisition method. All companies within the Group made up their financial statements to 25 February 2022. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

Exemptions for qualifying entities under FRS102

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 20 to 25. 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 36 to 38.

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

The Group has considerable liquid financial resources including cash and deposits of £31.2m and current asset investments of £47.9m (of which £41.1m are liquid) at 25 February 2022. Additionally, the Group has available undrawn bank facilities amounting to £20.0m (through the Group's overdraft facility). The Group's cash has continued to remain resilient and it has not utilised its overdraft facility throughout the reporting period or subsequently.

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

2. Accounting policies (continued)

Going concern (continued)

Given the economic and trading uncertainties following the pandemic and more recently due to the conflict in the Ukraine, including inflationary pressures and availability of labour and materials challenges, the Directors have deemed it appropriate to carry out stress testing to model the impact of potential severe, albeit remote, downside scenarios. These scenarios have not assumed any potential support from the UK government such as tax deferrals or the COVID-19 Job Retention Scheme. Under these remote downside scenarios, the cash flow forecasts indicate the Group would have comfortable headroom on available resources throughout the forecast period.

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

Critical accounting judgements and estimation uncertainty

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

The estimates and assumptions that have the most significant effect on the carrying value of assets and liabilities of the Group as at 25 February 2022 are discussed below:

a) Revenue and margin recognition

The Group's revenue and margin recognition policies (set out in Turnover, Long-term contracts and Services rendered policies below) are fundamental to how the Group values the work it has carried out in each reporting period. These policies require forecasts to be made of the outcome of long-term construction services and support services contracts, which require assessments and judgements to be made on recovery of pre-contract costs, contract programmes, maintenance and defects liabilities and changes in costs. At 25 February 2022, the value of amounts recoverable on contracts was £74.9m (2021: £73.0m) and the value of payments received on accounts was £3.9m (2021: £0.2m).

b) Valuation of properties

Each period, the Group values its investment properties, either by a Directors' valuation using market indices or by obtaining a professional valuation. Any change in value of these properties from the assessment is reflected in the income statement. At 25 February 2022, the value of investment properties was £3.5m (2021: £3.8m).

Freehold properties are professionally valued externally on five-year cycles and reviewed annually by a Directors' valuation supported by an external desk-top review using market indices. Surpluses or deficits on individual properties are transferred to the revaluation reserve. Where deficits are considered permanent, these are charged to the income statement. At 25 February 2022, the value of freehold properties was £19.1m (2021: £19.7m).

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

c) Retirement benefit obligations

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

At 25 February 2022, the retirement benefit asset recognised on the Group's statement of financial position was £39.4m (2021: £30.8m). The effects of changes in the actuarial assumptions underlying the benefit obligation, discount rates and the differences between expected and actual returns on the scheme's assets are classified as actuarial gains and losses.

Turnover

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

2. Accounting policies (continued)

Long-term contracts

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

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

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

Services rendered

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

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

Government grants

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

Exceptional items

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

Stocks

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

2. Accounting policies (continued)

Tangible fixed assets and investment properties

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

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

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

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

Intangible assets

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

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

Amortisation is included in administrative expenses in the income statement.

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

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

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

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

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

2. Accounting policies (continued)

Goodwill

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

Taxation

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

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

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

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

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

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

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

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

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

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

Operating leases

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

2. Accounting policies (continued)

Defined benefit pension scheme

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

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

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

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

The scheme had a surplus of £39.4m at 25 February 2022 (2021: £30.8m), 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 £11.0m (2021: £10.6m).

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 initially measured at fair value, which is normally the transaction price. Investments are subsequently carried at fair value and the changes in fair value are recognised in the income statement, except that investments in equity investments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Investment income represents gains / (losses) made on investments sold in the period, interest received, dividends received and the movement in fair value.

Foreign currency

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

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

Financial instruments

i. Financial assets

Basic financial assets, including trade debtors, amounts recoverable on contracts and cash, are measured at amortised cost. Investments are initially measured at fair value, which is normally the transaction price. Investments are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity investments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

2. Accounting policies (continued)

Financial instruments (continued)

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. Turnover

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

	2022 £m	2021 £m
Analysis of turnover by sector:		
Engineering	267.4	294.1
Services	232.1	212.9
	499.5	507.0

4. Operating profit

	2022 £m	2021 £m
Operating profit is stated after charging / (crediting):		
Amortisation of goodwill and acquired intangible assets	2.5	2.6
Amortisation of other intangible assets	1.6	1.2
Depreciation expense	4.1	4.0
Loss on sale of property	-	0.1
Loss on disposal of other tangible assets	0.1	-
Operating lease rentals	2.4	1.9
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 £235k (2021: £210k) in respect of audit fees and £nil (2021: £nil) in respect of other professional fees.

4. Operating profit (continued)

Exceptional items

	Note	2022 £m	2021 £m
Analysis of exceptional items:			
Cost of sales:			
Staff costs of furloughed employees		-	(4.6)
Redundancy payments		-	(0.3)
		-	(4.9)
Administrative expenses:			
Staff costs of furloughed employees		-	(6.1)
Redundancy payments		-	(1.2)
Past service pension credit	15	2.1	-
		2.1	(7.3)
Other operating income:			
Coronavirus Job Retention Scheme income		-	7.7
		2.1	(4.5)

During the period, the Group's defined benefit pension scheme, The Pension and Life Assurance Plan of NG Bailey, amended its administrative approach to paying Guaranteed Minimum Pension (GMP) step-ups to members who retired before their GMP age to be in line with common practice whilst remaining in line with statutory requirements. This change in approach has resulted in a reduction to the expected cost of benefits, reducing the defined benefit obligation by £2.1m (before tax). This has been recognised as an exceptional past service pension credit in the income statement.

In the prior period, the Group incurred a net exceptional cost of £3.0m in relation to the topping up of salary payments to furloughed employees over the government's contribution through its Coronavirus Job Retention Scheme. In the current period, the Company received grant income of £0.5m and incurred costs of £0.7m in relation to the furloughed employees, resulting in a net cost of £0.2m which is not disclosed as exceptional as it is immaterial.

In the prior period, the Group incurred redundancy payments of £1.5m following the difficult decision to reduce our headcount in line with forecast activity levels in the short to medium-term.

5. Employees

	2022 £m	2021 £m
Employee costs during the period:		
Wages and salaries	150.4	140.0
Social security costs	15.6	14.9
Other pension costs: Defined contribution scheme	11.0	10.6
	177.0	165.5

In the prior period, the aggregate payroll costs included redundancy costs of £1.5m associated with the restructure to reduce headcount in line with forecast activity levels in the short to medium-term following COVID-19.

5. Employees (continued)

	2022 No.	2021 No.
Average number of employees during the period:		
Management, engineering, sales and administrative	2,088	2,081
Hourly paid	974	1,121
	3,062	3,202

The average number of employees of the Company during the period was 195 (2021: 156) and the employee costs of the Company were £11.4m (2021: £8.6m). The increase in the number of employees and employee costs is largely due to a realignment of employee contracts with the business structure of the Group which did not result in a cost increase for the Group.

The total remuneration of key management personnel was £3,319k (2021: £2,193k) being remuneration of £2,262k (2021: £2,125k) and incentive-based payments of £1,056k (2021: £68k).

6. Directors

Directors' remuneration

	2022 £000	2021 £000
The remuneration of the Directors was as follows:		
Emoluments excluding long-term incentive plans	1,824	1,142
Emoluments under long-term incentive plans	187	35
	2,011	1,177

The Group operated a cash-settled long-term incentive plan for the financial period ended 25 February 2022. The award under this plan is linked to a combination of financial and non-financial targets for the financial period ended 25 February 2022, cash settled over the next three years to those still employed by the Group and is available to members of the Group Operating Executive. The cost of the award is being charged to the income statement of the three-year payment period.

There was no long-term incentive plan in place for the financial year ended 26 February 2021 (£35k for the Directors in the year ended 26 February 2021 related to the award under the long-term incentive plan for the financial period ended 1 March 2019).

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

Pensions

One of the Directors (2021: one) was a member of the Group's defined contribution pension scheme during the period.

6. Directors (continued)

Highest paid Director

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

	2022 £000	2021 £000
Emoluments excluding long-term incentive plans	969	538

Long-term incentive plan remuneration for the highest paid Director was £142k (2021: £33k).

7. Net interest income

a) Interest receivable and similar income

	Note	2022 £m	2021 £m
Net interest income on post-employment benefits	15	0.6	0.5
Changes in fair value of listed investments	16	2.5	5.5
		3.1	6.0

b) Interest payable and similar charges

	2022 £m	2021 £m
Interest expense on bank loans	(0.5)	(0.6)

8. Tax on profit / (loss)

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

	2022 £m	2021 £m
Current taxation:		
UK corporation tax	-	(0.1)
Foreign tax	-	0.5
Adjustments in respect of prior periods	-	0.3
Total current tax charge	-	0.7
Deferred taxation:		
Origination and reversal of timing differences	0.7	(0.6)
Adjustments in respect of prior periods	(0.3)	(0.2)
Changes in tax rates	2.4	0.9
Total deferred tax charge	2.8	0.1
Total tax charge	2.8	0.8

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

The tax assessed for the period is higher than (2021: higher than) the standard rate of corporation tax in the United Kingdom at 19% (2021: 19%). The differences are explained as follows:

	2022 £m	2021 £m
Profit / (loss) before taxation	3.0	(4.4)
Profit / (loss) multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2021: 19%)	0.6	(0.8)
Income not subject to tax	(0.2)	(0.2)
Expenses not deductible for tax purposes	0.3	0.4
Impact of overseas tax rates	-	0.4
Changes in tax rates	2.4	0.9
Adjustments in respect of prior periods	(0.3)	0.1
Total tax charge	2.8	0.8

An increase in the main rate of UK corporation tax from 19% to 25% was substantially enacted on 10 June 2021 to take effect from 1 April 2023. Deferred tax balances at 25 February 2022 have been measured at a rate of 25%, being the rate at which deferred tax assets and liabilities are expected to reverse based on substantively enacted legislation (2021: 19%).

9. Profit of the Company for the financial period

	2022 £m	2021 £m
Profit for the financial period before dividend dealt with in the financial statements of the Company	3.3	5.5

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

10. Intangible assets

CONSOLIDATED	Software £m	Development costs £m	Goodwill £m	Acquired intangibles: Customer relationships £m	Acquired intangibles: Order backlog £m	Acquired intangibles: Trade names £m	Acquired intangibles: Technology-based £m	Acquired intangibles: Acquired intangibles total £m	Total
COST OR VALUATION									
At 27 February 2021	13.4	0.6	16.6	8.0	0.5	5.5	2.3	16.3	46.9
Additions – internally generated	0.3	-	-	-	-	-	-	-	0.3
At 25 February 2022	13.7	0.6	16.6	8.0	0.5	5.5	2.3	16.3	47.2
ACCUMULATED AMORTISATION									
At 27 February 2021	3.5	-	3.2	2.0	0.5	1.1	1.0	4.6	11.3
Charge for the period	1.5	0.1	1.1	0.7	-	0.4	0.3	1.4	4.1
At 25 February 2022	5.0	0.1	4.3	2.7	0.5	1.5	1.3	6.0	15.4
NET BOOK VALUE									
At 25 February 2022	8.7	0.5	12.3	5.3	-	4.0	1.0	10.3	31.8
At 26 February 2021	9.9	0.6	13.4	6.0	-	4.4	1.3	11.7	35.6

COMPANY	Software £m
COST OR VALUATION	
At 27 February 2021	11.4
Additions – internally generated	0.1
At 25 February 2022	11.5
ACCUMULATED AMORTISATION	
At 27 February 2021	3.4
Charge for the period	1.1
At 25 February 2022	4.5
NET BOOK VALUE	
At 25 February 2022	7.0
At 26 February 2021	8.0

The individual intangible asset, excluding goodwill, which is material to the financial statements is the enterprise resource planning system used by certain parts of the Services division which has a carrying amount of £7.0m (2021: £8.0m) and a residual amortisation period of 6 years (2021: 7 years).

11. Tangible assets

CONSOLIDATED	Land and buildings £m	Investment properties £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
COST OR VALUATION					
At 27 February 2021	22.3	3.8	3.4	21.9	51.4
Additions	-	-	0.1	2.7	2.8
Adjustment on revaluation	-	(0.2)	-	-	(0.2)
Disposals	-	(0.1)	(0.8)	(1.8)	(2.7)
At 25 February 2022	22.3	3.5	2.7	22.8	51.3
ACCUMULATED DEPRECIATION					
At 27 February 2021	2.6	-	2.1	10.1	14.8
Charge for the period	0.6	-	0.4	3.1	4.1
Disposals	-	-	(0.6)	(1.7)	(2.3)
At 25 February 2022	3.2	-	1.9	11.5	16.6
NET BOOK VALUE					
At 25 February 2022	19.1	3.5	0.8	11.3	34.7
At 26 February 2021	19.7	3.8	1.3	11.8	36.6

COMPANY	Land and buildings £m	Investment properties £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
COST OR VALUATION					
At 27 February 2021	22.3	3.8	0.1	20.0	46.2
Additions	-	-	-	2.7	2.7
Adjustment on revaluation	-	(0.2)	-	-	(0.2)
Disposals	(10.7)	(3.6)	(0.1)	(1.0)	(15.4)
At 25 February 2022	11.6	-	-	21.7	33.3
ACCUMULATED DEPRECIATION					
At 27 February 2021	2.6	-	-	8.7	11.3
Charge for the period	0.5	-	-	2.9	3.4
Disposals	(1.2)	-	-	(0.8)	(2.0)
At 25 February 2022	1.9	-	-	10.8	12.7
NET BOOK VALUE					
At 25 February 2022	9.7	-	-	10.9	20.6
At 26 February 2021	19.7	3.8	0.1	11.3	34.9

On 31 March 2021, the Company transferred the trade and assets of the Denton Park Estate to a wholly owned subsidiary of the NG Bailey Group, Denton Hall & Estate Limited. The transfer was at fair value and included £13.3m tangible fixed assets. Further details are set out in note 26.

Consolidated and Company

A sale and purchase agreement was entered into during the period with regards to the sale of the shares in Denton Hall & Estate Limited, the company which holds the trade and assets of the Denton Park Estate, which will complete on 28 February 2023. The assets of Denton Hall & Estate Limited include land and buildings and investment properties that are valued at 25 February 2022 based on the amounts reflected in the sale and purchase agreement. Further details are set out in note 26.

11. Tangible assets (continued)

Consolidated and Company (continued)

The remaining individual freehold properties are valued externally on five-year cycles and reviewed by Directors annually supported by an external desk-top review using market indices. The desktop review at 25 February 2022 was undertaken by an independent, professionally qualified RICS valuer.

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

	2022 £m	2021 £m
Cost	16.2	16.4
Accumulated depreciation	(11.1)	(11.5)
Net book value	5.1	4.9

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

12. Investments in subsidiaries

COMPANY	£m
COST	
At 27 February 2021	0.1
Additions	3.0
At 25 February 2022	3.1
PROVISIONS FOR IMPAIRMENT	
At 27 February 2021 and 25 February 2022	-
NET BOOK VALUE	
At 25 February 2022	3.1
At 26 February 2021	0.1

The addition relates to the issue of 3,000,000 ordinary shares for £3.0m by Denton Hall & Estate Limited on 31 March 2021.

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, data centres, gigaplants 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.

- 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

12. Investments in subsidiaries (continued)

Subsidiary companies (continued)

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

  NGBF Holdings Limited

- Operation of the Denton Park Estate:

  Denton Hall & Estate Limited

NG Bailey Group Limited directly owns 100% of the shares in NG Bailey Limited and Denton Hall & Estate Limited. NG Bailey Limited owns 100% of the shares in NG Bailey IT Services Limited, NG Bailey Facilities Services Limited and NGBF Holdings 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 non-trading and dormant subsidiary companies. All of the dormant companies are exempt from audit as dormant companies:

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

12. Investments in subsidiaries (continued)

Subsidiary companies (continued)

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

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

13. Stocks

	Consolidated		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Raw materials	0.6	0.8	-	0.6
Work in progress	0.3	0.4	-	-
	0.9	1.2	-	0.6

14. Debtors: amounts falling due within one year

	Consolidated		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Amounts recoverable on contracts	74.9	73.0	-	-
Trade debtors	47.2	48.5	0.2	0.2
Other debtors	2.8	2.2	3.6	8.0
Corporation tax	1.2	0.6	-	-
Amounts owed by Group undertakings	-	-	0.7	-
Group relief	-	-	-	3.8
Prepayments and accrued income	13.5	14.1	0.4	0.5
	139.6	138.4	4.9	12.5

15. Pension scheme

The Group participates in a defined benefit pension scheme, The Pension and Life Assurance Plan of NG Bailey. The Group also participated in a Prudential Platinum arrangement and during the period, there was a bulk transfer of this arrangement into the Pension and Life Assurance Plan of NG Bailey to consolidate the Group's pension arrangements. The Prudential Platinum arrangement was a sectionalised multi-employer scheme which applied to less than 1% of the Group's employees with an immaterial surplus. Therefore, it is not disclosed further 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 governed by an independent Trustee. The Trustee is responsible for the operation and the governance of the scheme, including making decisions regarding the scheme's funding and investment strategy in conjunction with the Group. The scheme does not have any active members. Most of the scheme's current pensioners are covered by an insurance policy, although they remain the responsibility of the scheme.

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

The most recent actuarial valuation of the scheme assets and the present value of the defined benefit obligation was carried out at 1 March 2018. The next formal actuarial valuation is being carried out as at 1 March 2021 and had not been completed at the reporting date.

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 paid for 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 25 February 2022 with an allowance for the impact of Guaranteed Minimum Pension (GMP) equalisation using assumptions that are consistent with the requirements of FRS102. A further allowance for the impact of equalising the benefits of members who have historically transferred out of the scheme for GMPs was included in the prior period, recognised as a past service charge.

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

For FRS102 purposes the following financial assumptions have been used:

	2022 % p.a.	2021 % p.a.
Consumer Prices Index inflation ('CPI')	3.25	2.55
Retail Prices Index inflation ('RPI')	3.70	3.15
Rate of increase for deferred pensions in excess of GMP	3.25	2.55
Rate of increase for deferred pensions GMP benefits	5.25	4.55
Rate of increase for pensions in payment (post 2008)	2.20	1.95
Rate of increase for pensions in payment (post 1997, pre 2008)	3.15	2.55
Rate of increase for pensions in payment (pre 1997)	0.00	0.00
Discount rate	2.65	2.00

15. Pension scheme (continued)

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

The most significant non-financial assumption is the assumed rate of longevity. Post-retirement mortality at 25 February 2022 has been assumed to be in accordance with 105% of the published self-administered pension scheme survey standard tables projected from 2007 using 2020 CMI core projections with a 1.5% p.a. long-term trend improvement for males and females (2021: 2019 CMI core projections with a 1.25% p.a. long-term trend improvement for males and females). For the 2020 tables, a smoothing factor of 7.0 was used and an initial addition to mortality improvements of 0.5% was used to reflect the fact that the mortality improvements have tended to be quicker for members of occupational pension schemes compared with the population of England and Wales (2021: for the 2019 tables, a smoothing factor of 7.0 and an initial addition to mortality improvements of 0.25%).

At 25 February 2022, the implied life expectancies are as follows:

	Males Years	Females Years
For a member aged 65 at 25 February 2022	87.1	89.2
For a member aged 45 at 25 February 2022	88.8	91.0

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

	Change in assumption	Impact on liabilities
Discount rate	0.1% -/+	£7.7m +/-
Inflation and pension increases	0.1% +/-	£5.8m +/-
Life expectancy	1 year +/-	£12.8m +/-

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

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

	2022	2021
Equities	3.9%	10.4%
Property	0.9%	2.4%
Corporate bonds	5.5%	-
Semi-liquid credit fund	13.2%	14.0%
Multi-asset funds	25.6%	12.2%
LDI portfolio	23.3%	24.1%
Annuities	25.6%	27.4%
Cash	2.0%	9.5%

15. Pension scheme (continued)

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

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

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

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

	2022 £m	2021 £m
Analysis of the movement in the scheme surplus during the period		
Surplus at 27 February 2021	30.8	33.4
Actuarial gain / (loss)	6.4	(2.4)
Net interest income	0.6	0.5
Scheme administration expenses	(0.8)	(0.6)
Past service credit / (cost) (see below)	2.4	(0.1)
Surplus at 25 February 2022	39.4	30.8

During the period, the scheme amended its administrative approach to paying Guaranteed Minimum Pension (GMP) step-ups to members who retired before their GMP age to be in line with common practice whilst remaining in line with statutory requirements. This change in approach has resulted in a reduction to the expected cost of benefits, reducing the defined benefit obligation by £2.1m (before tax). This has been recognised as an exceptional past service credit in the income statement during the period ended 25 February 2022.

In February 2022, there was a bulk transfer of the NG Bailey Section of the Prudential Platinum Pension into the scheme. All benefit entitlements of members have remained the same. The NG Bailey Section of the Prudential Platinum Pension had a surplus of £0.3m (before tax) at the point of transfer, which has been included in the FRS102 position of the scheme at 25 February 2022. This has been recognised as a past service credit in the income statement during the period ended 25 February 2022.

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

	Note	2022 £m	2021 £m
Amounts charged to operating profit in respect of defined benefit schemes			
Scheme administration expenses		0.8	0.6
Past service (credit) / cost		(2.4)	0.1
Amounts credited to interest receivable and similar income			
Net interest income on defined benefit asset	7	(0.6)	(0.5)
Total consolidated income statement (credit) / cost before deduction of tax		(2.2)	0.2

15. Pension scheme (continued)

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

	2022 £m	2021 £m
Analysis of amounts recognised in other comprehensive income / (expense)		
Gain / (loss) on pension scheme assets	13.1	(16.0)
(Loss) / gain on change of assumptions	(6.7)	13.6
Total actuarial gain / (loss) recognised in other comprehensive income / (expense)	6.4	(2.4)

	2022 £m	2021 £m
Analysis of the change in the present value of the scheme's liabilities		
Liabilities at 27 February 2021	357.8	373.7
Past service cost	1.8	0.1
Interest cost	7.1	6.1
Actuarial loss / (gain)	6.7	(13.6)
Benefits paid	(8.3)	(8.5)
Liabilities at 25 February 2022	365.1	357.8

	2022 £m	2021 £m
Analysis of the change in the fair value of the scheme's assets		
Assets at 27 February 2021	388.6	407.1
Interest income	7.7	6.6
Gain / (loss) on scheme assets excluding interest income	13.1	(16.0)
Past service credit	4.2	-
Scheme administration expenses	(0.8)	(0.6)
Benefits paid	(8.3)	(8.5)
Assets at 25 February 2022	404.5	388.6

The scheme's liabilities increased by £6.7m (2021: reduced by £13.6m) due to changes in actuarial assumptions. The increase in the current period is mostly due to the increase in inflation assumptions, updated expectations of future life expectancy and revisions to early retirement age assumptions which more than offset the increase in discount rate as corporate bond yields rose during the period. The reduction in the prior period was mostly due to the increase in the discount rate caused by the rise in corporate bond yields over the prior period, along with a small reduction in life expectancy after updating the future mortality assumptions.

Assets of the scheme had a gain of £13.1m excluding interest income (2021: a loss of £16.0m) over the period driven mostly by good performance of the growth assets.

Estimated contributions for the period from 25 February 2022

Further estimated contributions by the employer for the period beginning 25 February 2022 are £nil (2021: £nil).

15. Pension scheme (continued)

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Five year history					
Scheme liabilities	(365.1)	(357.8)	(373.7)	(318.4)	(310.4)
Scheme assets	404.5	388.6	407.1	351.0	345.8
Asset	39.4	30.8	33.4	32.6	35.4
Gain / (loss) on scheme assets	13.1	(16.0)	55.6	(1.4)	(3.1)
Percentage of scheme assets	3.2%	4.1%	13.7%	0.4%	0.9%
Experience gain on scheme liabilities	-	-	14.1	-	-
Percentage of scheme liabilities	0.0%	0.0%	3.8%	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	
	2022 £m	2021 £m
Listed investments at fair value		
Listed on a recognised investment exchange	24.3	28.0
Listed on an exchange of repute outside the United Kingdom	16.8	15.5
	41.1	43.5
Unlisted investment at cost	6.8	-
	47.9	43.5

Unlisted investment at cost represents our recent investment of £6.8m in Britishvolt.

	£m
Investments	
At 27 February 2021	43.5
Purchase of investments	21.5
Sale of investments	(19.6)
Fair value movement	2.5
At 25 February 2022	47.9

17. Creditors: amounts falling due within one year

	Consolidated		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Payments received on account	3.9	0.2	-	-
Trade creditors	46.2	50.1	1.0	0.5
Accruals	70.5	64.9	10.3	7.6
Bank loans	2.0	2.0	2.0	2.0
Other taxation and social security	14.5	34.1	0.3	0.2
Deferred income	19.3	15.3	-	-
Group relief	-	-	0.7	-
Amounts owed to subsidiary companies	-	-	-	41.3
	156.4	166.6	14.3	51.6

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

In the prior period, other taxation and social security included the amount payable for VAT deferred under the government scheme. This has been fully repaid by 25 February 2022.

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

	Consolidated and Company	
	2022 £m	2021 £m
Bank loans	10.5	12.4

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

	Consolidated and Company	
	2022 £m	2021 £m
Term loan	12.5	14.4

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 SONIA plus 1.9% of the outstanding balance.

The revolving credit facility was fully repaid during the prior period.

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

19. Provision for liabilities

	Note	Consolidated Deferred tax £m	Company Deferred tax £m
At 27 February 2021		7.6	7.8
Charge to the income statement	8	2.8	0.6
Charge to other comprehensive income		1.6	2.6
At 25 February 2022		12.0	11.0

Deferred taxation provided for at 25% (2021: 19%) in the financial statements is set out below:

	Consolidated		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Accelerated capital allowances	(0.1)	(0.2)	0.2	(0.1)
Revalued property and investment property	0.8	0.6	(0.5)	0.6
Investments at fair value	2.0	1.6	2.0	1.6
Other short-term timing differences	(0.6)	(0.3)	(0.2)	(0.2)
Losses available to carry forward	(2.6)	(2.2)	(0.4)	-
Pension scheme asset	9.9	5.9	9.9	5.9
Acquired intangible assets	2.6	2.2	-	-
	12.0	7.6	11.0	7.8

The amount of the net reversal of deferred tax expected to occur next period is £0.4m (2021: £0.6m) relating to the reversal of other timing differences and utilisation of tax losses. There are unrecognised tax losses of £0.6m at 25 February 2022 (2021: £0.4m).

20. Called up share capital

	Consolidated and Company	
	2022 £m	2021 £m
Share capital - allotted, called up and fully paid		
2,824,657 (2021: 2,824,657) ordinary shares of 5p each	0.1	0.1

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

21. Reserves

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

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

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

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

22. Dividends paid

	Consolidated and Company	
	2022 £m	2021 £m
Final 2021 dividend at £nil (2021: final 2020 dividend at £nil) per 5p share	-	-

Notwithstanding the strong financial position of the Group, the Board believes it is important in these uncertain and unprecedented times to preserve cash. Therefore, no final dividend is proposed for the period ended 25 February 2022.

23. Analysis of charges in net funds

	At 27 February 2021 £m	Cash flow £m	Non-cash changes £m	At 25 February 2022 £m
Cash and deposits	42.3	(11.1)	-	31.2
Bank loans	(14.4)	2.0	(0.1)	(12.5)
Net funds	27.9	(9.1)	(0.1)	18.7

24. Commitments

Operating leases

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

	Consolidated		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
within one year	6.5	6.9	6.1	6.2
within two to five years	11.4	13.2	10.6	11.9
after five years	1.6	2.9	1.4	2.5
	19.5	23.0	18.1	20.6

25. Financial assets and liabilities

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

	Consolidated	
	2022 £m	2021 £m
Financial assets		
Financial assets measured at fair value through the income statement	41.1	43.5

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

26. Related party transactions

On 31 March 2021, the Company transferred the trade and assets of the Denton Park Estate to a wholly owned subsidiary of the NG Bailey Group, Denton Hall & Estate Limited. The transfer was at fair value of £13.7m and consisted of £13.3m tangible fixed assets and £0.4m inventory.

Some members of the Bailey family, who are shareholders of the Company, approached the Group regarding the potential purchase of the Denton Park Estate. As the trade of Denton Park Estate is non-core to the Group's engineering and services business model, a strategic decision was taken to proceed with the offer and to sell the entire share capital of Denton Hall & Estate Limited on an arm's length basis at fair value. The purchaser will be Denton Park Estate Holdings Limited, a company jointly controlled by some members of the Bailey family who are deemed to have significant influence over the Company via their combined ownership of more than 20% of its shares.

A sale and purchase agreement was signed in June 2021 with the purchaser, resulting in a non-refundable deposit of £2m being received by the Group. The completion date is 28 February 2023 at which point the remaining proceeds will be received. The Group will be vacating the Denton Park Estate in early 2023.

In total, this transaction will generate approximately £13m of cash for the Group, realising the carrying value of assets in the Group's financial statements.

Company Statement of Financial Position

at 25 February 2022
Company Registration No. 1490238

	Note	2022 £m	2021 £m
FIXED ASSETS			
Intangible assets	10	7.0	8.0
Tangible assets	11	20.6	34.9
Investments	12	3.1	0.1
		30.7	43.0
CURRENT ASSETS			
Stocks	13	-	0.6
Debtors: amounts falling due within one year	14	4.9	12.5
Pension scheme asset	15	39.4	30.8
Investments	16	47.9	43.5
Cash and deposits		11.9	33.5
		104.1	120.9
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	(14.3)	(51.6)
NET CURRENT ASSETS		89.8	69.3
TOTAL ASSETS LESS CURRENT LIABILITIES		120.5	112.3
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	(10.5)	(12.4)
PROVISION FOR LIABILITIES	19	(11.0)	(7.8)
NET ASSETS		99.0	92.1
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	20	0.1	0.1
RESERVES			
Revaluation reserve	21	5.2	18.1
Capital redemption reserve	21	-	-
Retained earnings	21	93.7	73.9
		98.9	92.0
TOTAL EQUITY		99.0	92.1

As permitted by Section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The profit for the financial period dealt with in the accounts of the Company was £3.3m (2021: £5.5m).

These financial statements were approved by the Board of Directors on 9 June 2022 and were signed on its behalf by:

K I WHITEMAN

D S HURCOMB

The notes on pages 65 to 88 form an integral part of these financial statements.

Company Statement of Changes in Equity

for the 12 month period ended 25 February 2022

	Note	Share capital £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
AT 28 FEBRUARY 2020		**0.1**	**19.2**	**-**	**69.2**	**88.5**
PROFIT FOR THE FINANCIAL PERIOD	9	**-**	**-**	**-**	**5.5**	**5.5**
Remeasurement of defined benefit pension scheme asset	15	-	-	-	(2.4)	(2.4)
Deferred tax on pension scheme asset		-	-	-	0.5	0.5
OTHER COMPREHENSIVE EXPENSE		**-**	**-**	**-**	**(1.9)**	**(1.9)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-**	**-**	**-**	**3.6**	**3.6**
Transfer of realised reserve		-	(0.9)	-	0.9	-
Transfer of additional depreciation on revalued assets		-	(0.2)	-	0.2	-
AT 26 FEBRUARY 2021		**0.1**	**18.1**	**-**	**73.9**	**92.1**
PROFIT FOR THE FINANCIAL PERIOD	9	**-**	**-**	**-**	**3.3**	**3.3**
Remeasurement of defined benefit pension scheme asset	15	-	-	-	6.4	6.4
Property revaluation in period		-	(0.2)	-	-	(0.2)
Deferred tax on pension scheme asset		-	-	-	(1.6)	(1.6)
Deferred tax on revalued property		-	-	-	(1.0)	(1.0)
OTHER COMPREHENSIVE INCOME / (EXPENSE)		**-**	**(0.2)**	**-**	**3.8**	**3.6**
TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD		**-**	**(0.2)**	**-**	**7.1**	**6.9**
Transfer of realised reserve		-	(12.6)	-	12.6	-
Transfer of additional depreciation on revalued assets		-	(0.1)	-	0.1	-
AT 25 FEBRUARY 2022		**0.1**	**5.2**	**-**	**93.7**	**99.0**

The notes on pages 65 to 88 form an integral part of these financial statements.

FOREST STEWARDSHIP COUNCIL

FSC

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NG Bailey

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