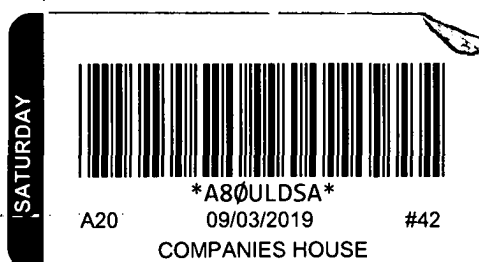


RYDON CONSTRUCTION LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**



RYDON CONSTRUCTION LIMITED

COMPANY INFORMATION

Directors	R Bond M Day T Edwards M Mitchener S Moore A Penrhyn-Lowe T Rigby
Company secretary	A Penrhyn-Lowe
Company number	01292680
Registered office	Rydon House Station Road Forest Row East Sussex RH18 5DW
Auditor	KPMG LLP Chartered Accountants 1 Forest Gate Brighton Road Crawley West Sussex RH11 9PT

RYDON CONSTRUCTION LIMITED

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RYDON CONSTRUCTION LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors present their report and the financial statements for the year ended 30 September 2018.

Principal activity

The principal activity of the company continued to be that of building contractors operating primarily in the housing, healthcare, education and cross-subsidy regeneration markets.

Results and dividends

The profit for the year, after taxation, amounted to £1,763,760 (2017: £2,701,268).

The directors do not recommend the payment of a dividend (2017: £nil).

Directors

The directors who served during the year were:

R Bond
M Day
T Edwards
M Mitchener
S Moore
A Penrhyn-Lowe
T Rigby
P C Stevens (resigned 31 October 2017)

Political contributions

The company has not made any political donations or incurred political expenditure during the year (2017: £nil).

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

RYDON CONSTRUCTION LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

This report was approved by the board on 11 December 2018 and signed on its behalf.

R Bond
Director

RYDON CONSTRUCTION LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018

Introduction

The directors present their strategic report on the Company for the year ended 30 September 2018.

Review of the business

Rydon Construction is part of the Rydon Group whose strategic focus is to derive a fair return from its secured base in construction, maintenance and house building, as well as optimising estate management returns and opportunities from joint ventures in Ryhurst.

This is underpinned by our commitment to improved communities – through Housing, Healthcare and Education solutions - for the benefit of current and future generations, enabling Rydon to deliver sustainable, profitable growth.

Our geographic focus has been in London and the South East, where we have a portfolio of contracts delivering new build schemes to a wide variety of clients. The Company has also over the last ten years successfully established a presence in the South West. Our Bristol offices have focused on our core sectors of health, housing and education and have been successful in securing a number of contracts across a wider diverse client base which includes a growing number of opportunities in Defence.

Results and performance

The results of the Company for the year show a profit before tax of £2.2m (2017: £3.3m). The shareholders' funds of the Company total £23.5m (2017: £21.7m).

The performance of the Company during the year to September 2018 is detailed below.

Financial key performance indicators ('KPIs')

We have made significant progress throughout the year in relation to key elements of our strategy. The Board monitors the progress of the Group by reference to the following KPIs:

Financial KPIs	2018	2017
Turnover	£123.1m	£143.3m
Gross Profit	£16.2m	£17.7m
Operating profit before interest and tax	£2.0m	£2.2m
Return on capital	8.1%	9.1%
Current Ratio	1.5	1.4
Total assets less current liabilities	£25.0m	£24.2m

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018

Strategy and future development

Rydon Construction has been particularly successful with its strategic focus on mixed use development opportunities that are typically residential-led public sector partnerships where Rydon delivers a combination of private sales, affordable and private rented homes together with new facilities such as schools, health centres and community centres. Rydon has worked on a number of flagship inner London regeneration projects such as Packington Estate in Islington and Green Man Lane in Ealing. Effective resident liaison is core to Rydon's legacy of successful regeneration projects. With Packington and Green Man Lane, residents have been fully involved in the design development and a number of key changes have been made to the schemes on their advice.

Rydon's funding approach for these mixed use developments is one where we take speculative development risk on private sale housing to generate cross subsidy on a proportion of the overall projects we undertake. Rydon is also focused on a number of Construction projects in the South West of the UK where we continue to see regional expansion.

Business environment

Low mortgage rates as a result of the Bank of England making only modest adjustment to base rates have continued the positive effect on the national housing market. However, the impact of a Brexit agreement, if any, is as yet unknown and prolonged uncertainty has had some impact on house price decline in London and the Home Counties. In the meantime, the Government has set out a number of initiatives to enable the building of more houses:

- The Government issued a Green Paper: A New Deal For Social Housing in August 2018. The paper is in part about expanding supply and supporting home ownership. In line with the Government's commitment to deliver 300,000 homes per year by the mid-2020s, it is putting in place processes to support the building of more social housing. The paper outlines plans to build on the new borrowing capacity granted to local authorities by exploring new flexibilities on how they spend the money from homes sold under the Right to Buy scheme, and not requiring them to sell off vacant, higher value stock.
- The Government also intends to build on partnerships with housing associations to boost the supply of new affordable homes by considering the benefits of providing funding certainty to some housing associations over a longer period. It is looking at reforms to help people using affordable home ownership schemes – like shared ownership – to build up more equity in their homes.
- The Government's Revised National Planning Policy Framework published on 24 July 2018 is focused on building attractive and better-designed homes in areas where they are needed. The new rules are intended to make it easier for councils to challenge poor quality and unattractive development, and give communities a greater voice about how developments should look and feel. The revised National Planning Policy Framework follows a public consultation launched by the Prime Minister earlier this year to provide a comprehensive approach for planners, developers and councils to build more homes, more quickly and in the places where people want to live.

The Office for National Statistics has released figures showing that Construction output continued to recover following a relatively weak start to 2018, increasing by 3.3% in the three months to July 2018. The three-month on three-month growth in July 2018 was driven by growth in both repair and maintenance, and all new work, which increased by 5.3% and 2.3% respectively. Construction output also grew in the month-on-month series, increasing by 0.5% in July 2018, driven predominantly by a 4.0% increase in new private housing work.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

Principal risks and uncertainties

In our normal course of business the Company is exposed to financial, operational and reputational risk if it fails to satisfy any of its contractual obligations from inception through to completion. The Board has addressed the process of risk acceptance and risk management through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management. Compliance with regulation, legal and ethical standards is a high priority for the Company and the compliance team, safety team and legal department take on an important oversight role in this regard.

The Company identified the principal risks with potential to impact the business operations during the last financial year as: the financial risk on long term fixed price contracts for labour and materials, availability of skilled labour and the criticality of protecting the supply chain.

Availability constraints within the supply chain for both materials and skilled labour has resulted in increases to rates being charged. The impact of these is particularly felt in the London subcontractor markets. Rydon is exposed to financial risk particularly on long term fixed price contracts when such conditions prevail and we have taken steps to gain a deep understanding of these inflationary pressures which continue to pose a threat to our results so that they can be successfully managed.

To help address the shortage and availability constraints of skilled labour the Board has invested in training, recruitment and succession planning as Rydon is exposed to financial risk particularly on long term fixed price contracts when such conditions prevail.

Effective cost management and tendering processes are critical to the ongoing delivery of existing margins. Recognising the criticality of protecting the supply chain, carefully selected and approved preferred subcontractors and suppliers have been identified and their own financial standing is continually reviewed to ensure project delivery performance and minimisation of the associated financial risk.

Funding throughout the Group is reviewed continuously and best usage of funds remains a key focus to ensure that funds are allocated to projects at the right time, with land purchases being carefully planned to ensure that cash lockup is kept to a minimum. New sites and investment opportunities are carefully selected, planned and phased. Long term finance was secured from existing bankers in 2018 and covenants are monitored to ensure compliance.

Rydon is fully aware of its impact on the environment and upon its business reputation as a result of our activities and the lasting effect that these can have on clients, their customers and communities and other stakeholders. As such the Company focuses on its social, environmental and economic responsibilities by sourcing our materials responsibly, cutting waste and carbon outputs to a minimum, using energy efficiently.

Rydon Construction registers all of its projects under the nationally recognised Considerate Constructor Scheme and we conduct project specific reviews and assessments on each scheme and report against opportunities to protect and improve nature conservation and biodiversity, air quality, noise and vibration, soil and water quality and also to consider heritage and archaeological aspects.

Rydon Construction is committed to making a positive contribution to the society in which it works. This is demonstrated by our long standing association with The Prince's Trust, helping to inspire young people to work within the construction industry. We are also a member of the Prince's Trust Built Environment Leadership Group which helps facilitate courses policy giving work experience to young adults from deprived areas on construction sites. Rydon is also a member of the 5% club, committing at least 5% of its staff to 'earn and learn' opportunities. We are members of Women Into Construction, promoting gender equality in the workforce and we have Fundraising Champion status with construction industry charity CRASH. Over the past 3 years we have raised £15k to support their homelessness and hospice projects.

RYDON CONSTRUCTION LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

The Board will continue their vigilant management of the principal risks identified above during the forthcoming year.

This report was approved by the board on 11 December 2018 and signed on its behalf.

R Bond
Director

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RYDON CONSTRUCTION LIMITED

Opinion

We have audited the financial statements of Rydon Construction Limited ("the company") for the year ended 30th September 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30th September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RYDON CONSTRUCTION LIMITED
(CONTINUED)**

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Mark Sheppard (Senior statutory auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

RYDON CONSTRUCTION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 £	2017 £
Turnover	4	123,100,670	143,277,511
Cost of sales		(106,875,235)	(125,577,443)
Gross profit		16,225,435	17,700,068
Administrative expenses		(14,205,888)	(15,548,382)
Operating profit	5	2,019,547	2,151,686
Interest Receivable	8	405,279	1,177,965
Interest payable and expenses	9	(254,844)	(1,396)
Profit before tax		2,169,982	3,328,255
Tax on profit	10	(406,222)	(626,987)
Profit for the financial year		1,763,760	2,701,268

There was no other comprehensive income for 2018 (2017: £NIL).

The notes on pages 13 to 21 form part of these financial statements.

RYDON CONSTRUCTION LIMITED
REGISTERED NUMBER: 01292680

BALANCE SHEET
AS AT 30 SEPTEMBER 2018

	Note	2018 £	2017 £
Current assets			
Debtors: amounts falling due after more than one year	11	2,384,989	2,743,878
Debtors: amounts falling due within one year	11	50,138,147	57,568,912
Cash at bank and in hand		21,516,568	24,667,429
		<u>74,039,704</u>	<u>84,980,219</u>
Creditors: amounts falling due within one year	12	(49,057,937)	(60,812,341)
Net current assets		<u>24,981,767</u>	<u>24,167,878</u>
Total assets less current liabilities		<u>24,981,767</u>	<u>24,167,878</u>
Creditors: amounts falling due after more than one year	13	(1,509,473)	(2,459,344)
Net assets		<u>23,472,294</u>	<u>21,708,534</u>
Capital and reserves			
Called up share capital	14	42,000	42,000
Profit and loss account	15	23,430,294	21,666,534
		<u>23,472,294</u>	<u>21,708,534</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 December 2018.



R Bond
Director

The notes on pages 13 to 21 form part of these financial statements.

RYDON CONSTRUCTION LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2017	42,000	21,666,534	21,708,534
Total comprehensive income for the year			
Profit for the year	-	1,763,760	1,763,760
At 30 September 2018	42,000	23,430,294	23,472,294

The notes on pages 13 to 21 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2016	42,000	18,965,266	19,007,266
Total comprehensive income for the year			
Profit for the year	-	2,701,268	2,701,268
At 30 September 2017	42,000	21,666,534	21,708,534

The notes on pages 13 to 21 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

1. General information

Rydon Construction Limited is a private company limited by shares and incorporated and domiciled in England in the UK. The address of the registered office is given in the company information page in these financial statements.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS102") as issued in August 2014. The amendments of FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling.

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions as the company is considered to be a qualifying entity (for the purpose of FRS) in preparing these financial statements, as permitted by the FRS 102:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Rydon Group Holdings Limited as at 30 September 2018 and these financial statements may be obtained from the registered office.

2.3 Going concern

At the date of this report, the directors have carried out a detailed and comprehensive review of the business and its future prospects. In particular they have considered the forecast future performance and anticipated cash flows. In the opinion of the directors, the company has adequate resources to be able to continue to trade and consequently the financial statements are presented on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue from the company's principal business streams is recognised on the following basis:

- Construction contracts – in accordance with the company's accounting policy on construction contracts. Where the outcome of a contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date and profit is that estimated to fairly reflect the profit arising up to that date.

2.5 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for future losses, less amounts received and receivable as progress payments on account. Excess progress payments are included in creditors as payments on account.

2.6 Impairment

Assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the profit and loss account based on the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2.7 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Equity instruments issued by the company, such as share capital are recorded based on proceeds received or receivable, net of direct issue costs.

2.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans and deferred payments, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. Accounting policies (continued)**2.9 Finance costs**

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Holiday pay accrual

Unused holiday pay entitlement which is accrued at the balance sheet date is recognised as a liability in Rydon Group Limited. This is charged to the company along with other staff costs and is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

2.11 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.12 Taxation

Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

RYDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgments and estimates. The items in the financial statements where these judgments and estimates have been made include:

Profit recognition

In order to apply the company's policy on profit recognition, which is based on a percentage complete basis, estimates have to be made around costs to complete and progress valuations. Assessments and judgments are required to assess changes in scope of work, contract programmes, maintenance and defects liabilities and changes in costs.

4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Construction contracts	123,100,670	143,277,511

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	60,000	60,000
Hire of plant and machinery - operating leases	3,180,972	3,161,680

The company has taken advantage of the exemption not to disclose amounts paid for non audit services to the company's auditor as these are disclosed in the consolidated financial statements of the ultimate parent company.

6. Employees

All employees are employed and paid by Rydon Group Limited. A recharge is made by Rydon Group Limited for certain individuals' salaries.

RYDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

7. Directors' remuneration

All the directors are employed and paid by Rydon Group Limited. Total emoluments recharged by Rydon Group Limited for management services provided to Rydon Construction Limited amounted to £1,579,873 (2017 - £1,362,536). Details of remuneration in respect of the highest paid director are disclosed in Rydon Group Limited's financial statements.

8. Interest receivable

	2018 £	2017 £
Interest received from related parties	405,279	1,177,965
	<u>405,279</u>	<u>1,177,965</u>

9. Interest payable and similar expenses

	2018 £	2017 £
Intercompany charge for bank facility fees, non-utilisation charges and bank interest payable	254,844	1,396
	<u>254,844</u>	<u>1,396</u>

10. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	412,297	649,010
Adjustments in respect of previous periods	(6,075)	(22,023)
Total current tax	<u>406,222</u>	<u>626,987</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on profit	<u>406,222</u>	<u>626,987</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - *lower than*) the standard rate of corporation tax in the UK of 19.0% (2017 - 19.5%). The differences are explained below:

	2018 £	2017 £
Profit before tax	<u>2,169,982</u>	<u>3,328,255</u>
Profit multiplied by standard rate of corporation tax in the UK of 19.0% (2017 - 19.5%)	412,297	649,010
Effects of:		
Adjustments to tax charge in respect of prior periods	(6,075)	(22,023)
Total tax charge for the year	<u>406,222</u>	<u>626,987</u>

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

RYDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

11. Debtors

	2018 £	2017 £
Due after more than one year		
Amounts recoverable on long term contracts	2,384,989	2,743,878
	<u>2,384,989</u>	<u>2,743,878</u>
	2018 £	2017 £
Due within one year		
Amounts owed by parent company	-	760,134
Amounts owed by group companies	26,327,352	36,425,795
Amounts owed by related parties	6,531,853	2,220,124
Other debtors	1,468,320	1,567,975
Amounts recoverable on long term contracts	15,810,622	16,594,884
	<u>50,138,147</u>	<u>57,568,912</u>

Amounts due from group undertakings are unsecured and repayable on demand.

12. Creditors: Amounts falling due within one year

	2018 £	2017 £
Payments received on account	1,233,590	939,202
Trade creditors	13,816,770	15,400,904
Amounts owed to parent company	1,374,567	-
Amounts owed to group companies	2,150,000	8,435,855
Amounts owed to related parties	-	73,175
Corporation tax	164,297	426,888
Other taxation and social security	27,908	35,572
Other creditors	40,059	87,843
Accruals and deferred income	30,250,746	35,412,902
	<u>49,057,937</u>	<u>60,812,341</u>

**NOTES TO THE FINANCIAL STATEMENTS
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13. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Trade creditors	<u>1,509,473</u>	<u>2,459,344</u>

14. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
42,000 (2017 - 42,000) Ordinary shares of £1 each	<u>42,000</u>	<u>42,000</u>

15. Reserves

Profit and loss account

The profit and loss account reserve represents cumulative profits and losses net of dividends paid and other adjustments.

16. Contingent liabilities

Certain companies within the group have given performance guarantees for other Group companies, the majority of which are parent company guarantees from Rydon Group Limited or Rydon Holdings Limited supporting performance. At 30 September 2018, the Group had performance guarantees provided by third parties to support its construction operations of £14.8m (2017: £12.5m). The Group considers the likelihood that an outflow of cash under these agreements is low and that no provision is required.

The Company, along with other companies in the Group, has provided security over its assets in relation to a revolving credit facility and an overdraft facility made available to Rydon Holdings Limited. The facilities guaranteed comprise a revolving credit facility of £30.0m and an overdraft facility of £10.0m, of which the drawn balances were £nil at 30 September 2018 (2017: £nil) for both facilities.

RYDON CONSTRUCTION LIMITED

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17. Related party transactions

During the year the company entered into transactions in the ordinary course of business with related parties. The company's related party transactions are summarised below:

	2018 £	2017 £
Purchases by directors	20,740	8,486
Sales to joint ventures of a parent company	17,414,511	22,245,907
Amounts owed by joint ventures of a parent company	6,531,853	2,146,949
Interest received from joint ventures of a parent company	405,279	1,177,965
	<u> </u>	<u> </u>

Amounts owed by and owed to related parties are disclosed in notes 11 and 12.

18. Controlling party

The immediate parent company is Rydon Group Limited and the ultimate parent company is Rydon Group Holdings Limited, both companies are registered in England and Wales. A copy of their consolidated financial statements can be obtained from the trading address of the ultimate company, Rydon Group Holdings Limited, Rydon House, Forest Row, East Sussex, RH18 5DW.

The directors consider R Bond to be the controlling party by virtue of his interest in the ordinary shares of Rydon Group Holdings Limited.