

Registered number: 01292680

RYDON CONSTRUCTION LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**



RYDON CONSTRUCTION LIMITED

COMPANY INFORMATION

Directors	R Bond M Day M Mitchener
Company number	01292680
Registered office	Rydon House Station Road Forest Row East Sussex RH18 5DW
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 2nd Floor St John's House Haslett Avenue West Crawley West Sussex RH10 1HS

RYDON CONSTRUCTION LIMITED

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RYDON CONSTRUCTION LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2021

The directors present their report and the financial statements for the year ended 30 September 2021.

Directors' responsibilities statement

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, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including Financial Reporting Standard 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

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

Results and dividends

The loss for the year, after taxation, amounted to £1,766,600 (2020 - profit £54,740).

No dividends were paid during the year (2020: £20,000,000). The directors do not recommend the payment of a final dividend (2020: £nil).

In the prior year, the company paid a dividend of £20,000,000 to its parent company, Rydon Group Limited. In common with other subsidiaries of Rydon Group Limited, the company paid reserves up to Rydon Group Limited to allow Rydon Group Limited at that time to provide cross guarantees within the group as a whole during the Covid-19 pandemic.

RYDON CONSTRUCTION LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2021

Directors

The directors who served during the year and up to the date of this report unless otherwise stated were:

R Bond,
M Day
M Mitchener
T S Edwards (resigned 31 March 2021)
A Penrhyn-Lowe (resigned 16 July 2021)
T W Rigby (resigned 31 March 2021)
M Unsworth (resigned 31 March 2021)

Political contributions

The company has not made any political donations or incurred political expenditure during the year (2020: £nil).

Future developments

As detailed in the Strategic Report on page 5 of these financial statements, the company has withdrawn from the design and build contracting market, other than in relation to run-off or legacy projects.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and interest rate risk. The company has in place processes and procedures that seek to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance cost.

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the nature and size of the company's operations, which are all UK based, the costs of managing exposure to commodity price risk exceed any potential benefits.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is continually reviewed by the senior management team. The majority of its customers are government/quasi-government bodies.

Liquidity risk

The company's cash is managed by the directors of Rydon Group Holdings Limited. The Group's approach to managing liquidity is to ensure, as far as possible, that the Group will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

Interest rate risk

The company is exposed to interest rate risk on interest expense arising on the Group's bank facilities at a fixed margin on top of the Bank of England base rate. Given the nature of our business and size of the facilities the directors do not think it is appropriate to use financial instruments to manage interest rate risk.

RYDON CONSTRUCTION LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

Engagement with suppliers, customers and others

We have a commitment to excellent professional standards and respect for our clients, partners and suppliers. We adhere to extremely rigorous service level agreements where specified in our contracts, commit to and meet programme delivery timelines and conduct pre and post-contract surveys in some instances to ensure expectations are being met.

Greenhouse gas emissions, energy consumption and energy efficiency action

The company's greenhouse gas emissions and energy consumption for the year are consolidated into the numbers included within the Directors Report of the financial statements of Rydon Group Holdings Limited along with efficiency measures taken and objectives for 2021/2022.

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 each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- each 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 since the year end that the directors consider require disclosure in, or adjustments to, these financial statements.

Auditor

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

This report was approved by the board on 22 December 2021 and signed on its behalf.



R Bond
Director

RYDON CONSTRUCTION LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2021

Introduction

The directors present their strategic report on the company for the year ended 30 September 2021.

Review of the business

The UK construction market has become increasingly challenging. This has been partly driven by a continuing trend in low-price tendering and "race to the bottom" pricing which results in increasingly thin margins, and has been further exacerbated by material and labour shortages. These shortages lead to cost unpredictability which is especially detrimental in relation to fixed-price contracts. As a result, the strategic decision was made by the directors of Rydon Group to withdraw from the design and build contracting market in its entirety. Consequently, Rydon is no longer operating as a design and build contractor, other than in relation to run-off or legacy projects.

Results and performance

The results of the company for the year show a loss before tax of £2.2m (2020 profit: £0.1m). The shareholder's funds of the company total £2.7m (2020: £4.4m).

The performance of the company during the year to 30 September 2021 is detailed below.

Financial key performance indicators ('KPIs')

The Board monitors the progress of the company by reference to the following KPIs:

Financial KPIs	2021	2020
Turnover	£46.7m	£101.1m
Gross profit	£1.4m	£10.0m
Operating (loss)/profit	£(2.7)m	£0.03m
Return on capital*	(53.7)%	0.2%
Current ratio	1.3	1.2
Total assets less current liabilities	£5.0m	£12.6m

* Return on capital = Earnings before interest and tax / Total assets less current liabilities

RYDON CONSTRUCTION LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2021

Strategy and future developments

As commented upon under the review of the business, the directors of Rydon Group have made the strategic decision to withdraw from the design and build contracting market in its entirety.

Business environment

Over the last twelve months the construction business environment has become much more difficult prompting the decision to withdraw from the design and build contracting market.

Health and safety remains paramount and Rydon has used its recent investments in cloud based telephony, communications and software solutions to enable remote working while maintaining levels of productivity. The company has all necessary social distancing and hygiene measures in place at its offices and construction sites across the country.

Principal risks and uncertainties

Covid-19 is a continuing cause of uncertainty which we have mitigated against through a combination of hygiene and social distancing measures as well as various technologies to enable remote working.

The full implications of Brexit on the economy remain uncertain although prices rises and material and labour shortages are clear interim consequences. However, the Group has sought to reduce risk through contract clause changes and closer engagement with our supply chain. In addition, the decision to withdraw from the design and build contracting market has reduced our exposure to fixed priced construction projects, the delivery costs of which can fluctuate due to external factors such as material prices.

In our normal course of business, the Group 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 Group and the compliance, health and safety and legal teams.

The company identified the principal risks with potential to impact the business operations during the last financial year as: the availability of experienced/key people, supplier cost inflation, supply chain unpredictability, material shortages, availability of current and future funding, interest rate uncertainty, computer virus attacks, client spending pressures, economic uncertainty and confidence and changes to planning laws and regulations.

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 financial risk. This includes regular reviews of material supplies and securing stock in advance should shortages appear to be likely.

Funding is reviewed continuously and best use of funds remains a key focus.

The company 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 Group's focus on its social, environmental and economic responsibilities is embedded into our Sustainable Development Policy.

RYDON CONSTRUCTION LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2021

Statement by the directors in performance of their statutory duties in accordance with S172 (1) Companies Act 2006

The directors of the company consider, both individually and together, that they have acted in good faith in a way that would most likely promote the success of the company for its employees and shareholders. The directors fulfil their obligations in relation to the above by continuously having a regard to:

- The likely consequences of any decisions in the long-term
- The interests of the company's employees and shareholders
- The need to foster the company's business relationships with customers, suppliers and other stakeholders
- The impact of the company's operations on the community and environment
- Maintaining high standards in relation to quality of delivery and business standards

Decision making for the long term

It is vital that we effectively identify, evaluate, manage and mitigate the risks we face particularly in relation to health and safety, quality and the environment (HSQ&E). We regularly review our HSQ&E processes and controls at monthly directors meeting, at our quarterly safety forums and in our annual HSQ&E report. Other key area that are germane to running a company in a complex environment are also reviewed monthly including finance, legal and insurance, IT and HR.

Employees and Shareholders

A considerable focus is placed on engagement and communication, keeping employees and shareholders informed of how the company is performing and what they can do to help to take the company forward. Discussion is encouraged and we aim to listen to all good ideas and to give credit where these are acted on.

Business relationships

We have a commitment to excellent professional standards and respect for our, clients, partners and suppliers. We adhere to extremely rigorous service level agreements where specified in our contracts, commit to and meet programme delivery timelines and conduct pre and post-contract surveys in some instances to ensure expectations are being met.

Community and Environment

We source our materials responsibly and continually aim to minimise waste and carbon outputs.

Quality and Business standards

We have governance mechanisms in place to ensure that we are adhering to industry standards.

This report was approved by the board on 22 December 2021 and signed on its behalf.

R. BOND

R Bond
Director

RYDON CONSTRUCTION LIMITED

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 30 September 2021, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 '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 company's affairs as at 30 September 2021 and of its loss for the year 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model, including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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 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.

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.

The responsibilities of the directors with respect to going concern are described in the Directors' responsibilities statement in the directors' report section of this report.

RYDON CONSTRUCTION LIMITED

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

RYDON CONSTRUCTION LIMITED

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- The company is subject to many laws and regulations where the consequence of non-compliance could have a direct material effect on amounts or disclosures in the financial statements. We identified the following laws and regulations as the most likely to have a direct material effect if non-compliance were to occur: FRS102 'the Financial Reporting Standard applicable in the UK and Ireland', the Companies Act 2006, construction and tax legislation.
- The company is subject to many other laws and regulations that do not have a direct effect to the financial statements but are fundamental to the company's ability to operate or avoid material penalty. We have identified the following areas as those likely to have such an effect: health and safety, anti-bribery, employment law and environmental law.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We understood how the company is complying with those legal and regulatory frameworks by making inquiries of management and those charged with governance. We corroborated our inquiries through our review of board minutes provided by management.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by making enquiries of management and those charged with governance.
- We utilised internal and external information to corroborate these enquiries and to perform a fraud risk assessment for the company as a whole. We considered the risk of fraud to be higher through the potential for management override of controls.
- Audit procedures performed by the engagement team included:
 - testing manual journal entries, in particular journal entries relating to management estimates, entries processed by unauthorised users, and entries determined to be large or relating to unusual transactions; and
 - identifying and testing related party transactions.

RYDON CONSTRUCTION LIMITED

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

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

- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the client operates; and
 - understanding of the legal and regulatory requirements specific to the company.

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.

Grant Thornton UK LLP

Nick Jones BA ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Crawley

22 December 2021

RYDON CONSTRUCTION LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

	Note	2021 £	2020 £
Turnover	4	46,732,939	101,109,325
Cost of sales		(45,373,829)	(91,150,650)
Gross profit		1,359,110	9,958,675
Administrative expenses		(4,051,298)	(9,931,126)
Operating (loss)/profit	5	(2,692,188)	27,549
Interest receivable	8	761,470	372,148
Interest payable	9	(250,012)	(334,328)
(Loss)/profit before tax		(2,180,730)	65,369
Tax on (loss)/profit	10	414,130	(10,629)
(Loss)/profit for the financial year		(1,766,600)	54,740

There was no other comprehensive income for 2021 (2020:£NIL).

The notes on pages 14 to 23 form part of these financial statements.

RYDON CONSTRUCTION LIMITED
REGISTERED NUMBER: 01292680

BALANCE SHEET
AS AT 30 SEPTEMBER 2021

	Note	2021 £	2020 £
Current assets			
Debtors: amounts falling due after more than one year	12	2,989,748	6,004,896
Debtors: amounts falling due within one year	12	15,550,312	53,337,296
Bank and cash balances		6,264,764	13,312,641
		<u>24,804,824</u>	<u>72,654,833</u>
Creditors: amounts falling due within one year	13	(19,788,433)	(60,083,950)
Net current assets		<u>5,016,391</u>	<u>12,570,883</u>
Total assets less current liabilities		<u>5,016,391</u>	<u>12,570,883</u>
Creditors: amounts falling due after more than one year	14	(1,951,727)	(3,837,619)
Provisions for liabilities	15	(390,167)	(4,292,167)
		<u>(390,167)</u>	<u>(4,292,167)</u>
Net assets		<u><u>2,674,497</u></u>	<u><u>4,441,097</u></u>
Capital and reserves			
Called up share capital	16	42,000	42,000
Profit and loss account	17	2,632,497	4,399,097
Equity shareholders' funds		<u><u>2,674,497</u></u>	<u><u>4,441,097</u></u>

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

22 December 2021

R. Bond

R Bond
Director

The notes on pages 14 to 23 form part of these financial statements.

RYDON CONSTRUCTION LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 October 2020	42,000	4,399,097	4,441,097
Total comprehensive income for the year			
Loss for the year	-	(1,766,600)	(1,766,600)
Total comprehensive income for the year	-	(1,766,600)	(1,766,600)
At 30 September 2021	42,000	2,632,497	2,674,497

The notes on pages 14 to 23 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 October 2019	42,000	24,344,357	24,386,357
Total comprehensive income for the year			
Profit for the year	-	54,740	54,740
Total comprehensive income for the year	-	54,740	54,740
Transactions with shareholder			
Dividends: Equity capital	-	(20,000,000)	(20,000,000)
Total transactions with shareholder	-	(20,000,000)	(20,000,000)
At 30 September 2020	42,000	4,399,097	4,441,097

The notes on pages 14 to 23 form part of these financial statements.

RYDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 on a going concern basis, 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 and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

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; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of the company's ultimate parent company, Rydon Group Holdings Limited. 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.

RYDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 – 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 Statement of comprehensive income 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 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.

RYDON CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

2. Accounting policies (continued)

2.9 Finance costs

Finance costs are charged to the Statement of comprehensive income 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 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.11 Holiday pay accrual

Unused holiday pay entitlement which is accrued at the balance sheet date is recognised as a liability in another group company. 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.

2.12 Interest income

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

2.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

RYDON CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

2. Accounting policies (continued)

2.14 Taxation

Tax is recognised in the Statement of comprehensive income, 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.

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:

	2021 £	2020 £
Construction contracts	<u>46,732,939</u>	<u>101,109,325</u>

All turnover arose within the United Kingdom.

RYDON CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2021 £	2020 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	34,375	60,000
Hire of plant and machinery - operating leases	1,691,650	2,460,595
	<u>1,691,650</u>	<u>2,460,595</u>

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.

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 £412,240 (2020 - £1,407,489). Details of remuneration in respect of the highest paid director are disclosed in Rydon Group Limited's financial statements.

8. Interest receivable

	2021 £	2020 £
Interest receivable from related parties	360,891	372,148
Other interest receivable	400,579	-
	<u>761,470</u>	<u>372,148</u>

Other interest receivable in 2021 includes £401,000 received from the former related party, Green Man Lane LLP which ceased to be a related party on 28 February 2021 following the sale of Real (Ealing) Limited, the joint venture partner and a subsidiary of a parent company, to an unconnected third party. The interest on the loans to 28 February 2021 is shown as interest receivable from related parties.

RYDON CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

9. Interest payable and similar expenses

	2021 £	2020 £
Intercompany charge for bank interest, facility fees and non-utilisation charges	250,012	334,328
	<u>250,012</u>	<u>334,328</u>

10. Tax on (loss)/profit

	2021 £	2020 £
Corporation tax		
Current tax on (loss)/profit for the year	(414,339)	12,420
Adjustments in respect of previous periods	209	(1,791)
Total current tax	<u>(414,130)</u>	<u>10,629</u>

Factors affecting tax (credit)/charge for the year

The tax assessed for the year is higher than (2020 - *lower than*) the standard rate of corporation tax in the UK of 19.0% (2020 - 19.0%). The differences are explained below:

	2021 £	2020 £
(Loss)/profit before tax	<u>(2,180,730)</u>	<u>65,369</u>
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19.0% (2020 - 19.0%)	(414,339)	12,420
Effects of:		
Adjustments to tax charge in respect of prior periods	209	(1,791)
Total tax (credit)/charge for the year	<u>(414,130)</u>	<u>10,629</u>

Factors that may affect future tax charges

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future tax charge accordingly.

RYDON CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

11. Dividends

	2021 £	2020 £
Dividends ordinary shares	-	20,000,000
	<u>-</u>	<u>20,000,000</u>

The dividend in the prior year was paid to the immediate parent company, Rydon Group Limited. In common with other subsidiaries of Rydon Group Limited, the company paid reserves up to Rydon Group Limited to allow Rydon Group Limited to provide cross guarantees within the group as a whole during the Covid-19 pandemic.

12. Debtors

	2021 £	2020 £
Due after more than one year		
Trade debtors	2,989,748	6,004,896
	<u>2,989,748</u>	<u>6,004,896</u>

The directors consider debtors due after more than one year approximate to their fair value.

	2021 £	2020 £
Due within one year		
Trade debtors	3,734,962	4,827,567
Amounts owed by parent company	314,420	-
Amounts owed by group companies	17,000	31,967,909
Amounts owed by related parties	-	10,432,770
Other debtors	9,328,086	1,317,949
Amounts recoverable on long term contracts	1,993,005	4,791,101
Tax recoverable	162,839	-
	<u>15,550,312</u>	<u>53,337,296</u>

RYDON CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

12. Debtors (continued)

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

Amounts due from related parties in the prior year, £10,432,770, were due from Green Man Lane LLP, a 50% joint venture held by Real (Ealing) Limited, a subsidiary of a parent undertaking. On 28 February 2021, Real (Ealing) Limited was sold to an unconnected third party. Consequently at 30 September 2021, the amount due from Green Man Lane LLP of £9,033,148 is now included in other debtors. The loan is secured with a charge over leasehold property known as Blocks B4, B6(ii) and B7 Phase 3, Green Man Lane, Ealing, London being land transferred to Green Man Lane LLP by a lease dated 31 August 2018 made between Rydon Construction Limited and Green Man Lane LLP.

13. Creditors: Amounts falling due within one year

	2021	2020
	£	£
Trade creditors	4,454,798	10,713,544
Amounts owed to parent company	-	20,593,038
Amounts owed to group companies	-	5,970,883
Corporation tax	-	12,420
Other taxation and social security	12,807	26,690
Other creditors	-	1,457
Accruals and deferred income	15,320,828	22,765,918
	19,788,433	60,083,950

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

14. Creditors: Amounts falling due after more than one year

	2021	2020
	£	£
Accruals and deferred income	1,951,727	3,837,619
	1,951,727	3,837,619

RYDON CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

15. Provisions for liabilities

	Provisions £
At 1 October 2020	4,292,167
Transferred to accruals and deferred income	(3,902,000)
At 30 September 2021	390,167

Provisions for liabilities are construction related and are the directors' estimate of the amounts expected to be paid. It is unlikely that this obligation will be incurred materially within a year of the balance sheet date.

Following a detailed review of works to be undertaken and a programme for completion set, an amount of £3,902,000 previously included in provisions for liabilities has been transferred to accruals.

16. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
42,000 (2020 - 42,000) Ordinary shares of £1 each	42,000	42,000

17. Reserves

Profit and loss account

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

18. Contingent liabilities

Rydon Construction Limited has given performance guarantees for other Group companies, the majority of which are parent company guarantees from Rydon Group Limited supporting performance. At 30 September 2021, the Group had performance guarantees provided by third parties to support its construction operations of £10.5m (2020: £18.4m). 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 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 balance was £nil at 30 September 2021 (2020: £nil) for both facilities.

In the normal course of the company's activities disputes arise which can lead to claims, arbitration or litigation proceedings. The directors have accrued for all material amounts which they consider may become payable in respect of such claims.

RYDON CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

19. 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:

	2021 £	2020 £
Sales to joint ventures of a parent company	4,546,783	6,596,507
Amounts owed by joint ventures of a parent company	-	10,423,770
Interest received from joint ventures of a parent company	360,891	372,148

Amounts owed by related parties are disclosed in note 12. Amounts due from related parties in the prior year, £10,432,770, were due from Green Man Lane LLP, a 50% joint venture held by Real (Ealing) Limited, a subsidiary of a parent undertaking. On 28 February 2021, Real (Ealing) Limited was sold to an unconnected third party. Consequently at 30 September 2021, the amount due from Green Man Lane LLP of £9,033,148 is now included in other debtors.

20. 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.