

Amalgamated Construction Limited

Annual Report

Year Ended 30 September 2020

Company registration number 00995892



Amalgamated Construction Limited

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Amalgamated Construction Limited

Company Information

Directors: J H Booth
A M Finn
A P Liebenberg
J Marbeck
P Scott
Renew Corporate Director Limited

Secretary: Renew Nominees Limited

Registered Office: 3175 Century Way
Thorpe Park
Leeds
LS15 8ZB

Registered Number: 00995892

Auditor: KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Banker: HSBC Bank Plc
City Branch
33 Park Row
Leeds
LS1 1LD

Amalgamated Construction Limited

Strategic Report

The directors present their Strategic Report for the year ended 30 September 2020.

Principal activities

Amalgamated Construction Limited (the "Company") is a leading partner in the design and delivery of innovative and complex multi-disciplinary engineering, construction and maintenance services across the transport, energy and environmental sectors in the UK. Together with its wholly owned subsidiary Company Giffen Group Limited ("Giffen") the business trades as AmcoGiffen.

Business model

The Company engages in engineering activities which are characterised by the use of the Company's skilled engineering workforce, supplemented by specialist subcontractors where appropriate, in a range of civil, building, mechanical and electrical applications.

Business review

Our business relationships are based on trust, mutual respect, best value and continuous improvement. We align our delivery capability to our clients' culture, values and business needs; our aim is to help them achieve their strategic business objectives.

The Company offers a whole life service to clients' assets which includes feasibility, optioneering, design, construction, commissioning, operation, maintenance and de-commissioning. We are experienced in working on live assets; these include rail, highways, energy, mining, aviation and waterways including environmental assets.

Business activities are focused on markets and services where they can continue the profitable growth profile achieved over recent years and are balanced between new build, asset renewal and maintenance. The business delivers through dedicated regional business units retaining the specialist skills required for the particular needs of the sectors in which it operates.

Services to the rail sector encompass civil engineering, building and mechanical & electrical engineering services, primarily to Network Rail. The business continues to be underpinned by a number of long term, regionally based framework contracts for buildings, civils, electrification & plant, minor signalling renewals and asset maintenance works for Network Rail and other rail clients, such as the train operators. The business also delivers a wide range of planned and reactive maintenance services.

The current Network Rail investment Control Period (CP6), which started in April 2019 and runs to March 2024, increases funding by 25% from the previous control period, to £48bn. This increased expenditure primarily focuses on delivering operations, maintenance, support, and renewals across the rail network to maintain, renew and improve the existing infrastructure and consequently the passenger experience.

With our expanded range of capability in the rail sector, we are extremely well placed to capitalise on the focus on renewals and maintenance investment during this control period. We have significant long term framework positions across the national rail network, including Buildings and Civils Asset Management frameworks across all Network Rail's five regions (4+2 years from 2018 to 2024), and a range of Capital Delivery Renewal frameworks across four of the regions, with extension provisions into Network Rail's next control period, CP7, which starts in April 2024.

Following the acquisition of Giffen in 2016 we successfully broadened our offering into electrification and plant (E&P) and minor signalling. We hold Signalling Minor Works frameworks in Wales, Scotland and the South East (5+3 years from June 2019). We also have positions on Electrification & Power frameworks in Network Rail's Scotland, Wales and Eastern Regions.

Amalgamated Construction Limited

Strategic Report (continued)

In addition, we also have places on Network Rail's SISS framework (Station Information & Security Systems) running to 2021 and Telecoms Lot D framework (to 2023). These positions are important in terms of the growth opportunities that are emerging from Network Rail's future signalling strategy, including their Digital Railway aspirations.

Outside of Network Rail's portfolio, for the train operators we hold a place on Merseyrail's Principal Contractors framework, Abellio Anglia's Civils Minor Works framework and Fencing & Devegetation frameworks for AmeyKeolis within their Transport for Wales operating framework.

Outside of rail, we hold key frameworks with the Environment Agency (MEICA and FCRM, various regions), the Canal & River Trust (National Civils), Highways England (Historic Railways Estate), Natural Resources Wales, in the Energy sector with SSE, EON and Magnox and with local authorities in Scotland (including Glasgow and Dundee City Councils) and England, where we recently won a place on two of Northumberland County Council's civils frameworks.

The Company's performance has remained strong throughout the year. Since March 2020, the Covid-19 pandemic has meant a degree of business interruption, some areas impacted more than others. At the start of the pandemic, a number of clients stopped their construction projects. Our primary client, Network Rail, though has provided good supply chain support and we experienced a similar approach across the Environment Agency, Canal & River Trust and other clients.

During the year the business has successfully:

- Continued to develop and roll out a coordinated strategy covering Safety, Health, Environment and Quality (SHEQ). The strategy is called 'SHEQ 24/7' and is underpinned with the business's SHEQ Vision, Belief and Commitments
- Secured positions on Network Rail's Western Region (Multi-Disciplinary projects below £4.5m) and all four Wales Region frameworks (Geotechnical, Metallic Structures, SP&C and Civils)
- Re-secured our position on Highways England Historic Railways Estate (HRE) framework
- Won our first HS2-related project, delivery of a significant compound for the BBV Joint Venture, along with our sister companies QTS and VHE
- Continued to secure a significant Network Rail Capital Delivery workbank in Scotland
- Undertaken high levels of competitive tender activity associated with the Buildings and Civils Minor Works frameworks across all of Network Rail's five regions
- Developed opportunities from our presence and relationships at Boulby Mine for ICL
- Further developed our in-house multidisciplinary design team with a particular focus on permanent and temporary works design

Key objectives for the rail teams in 2020/21 are:

- Continue to focus and develop our SHEQ 24/7 strategy with a view to ensuring the safety of all stakeholders involved or affected by our activities
- Focus on the successful delivery of the CP6 Network Rail frameworks across all regions
- Develop the unique market offering we have as AmcoGiffen, combining our national presence across Civils and Buildings with a Signalling, Communications and Power capability
- Continue to develop client relationships in all areas, with a particular focus on maximising existing frameworks and increasing market share with existing customers

Amalgamated Construction Limited

Strategic Report (continued)

- Grow our South East business through targeting frameworks and open market tender opportunities
- Expand and grow our in-house design department with a view to further enhancing our multi-discipline engineering offering

Section 172(1) statement

This statement sets out how the directors comply with the requirements of Section 172 Companies Act 2006 and how these requirements have influenced the Board's decision-making throughout the year.

The Board's primary responsibility is to promote the long-term success of the Company by creating and delivering sustainable value as well as contributing to wider society. The successful delivery of the long-term plans relies on key inputs and positive relationships with a wide range of stakeholders. The Board seeks to achieve this by setting out its strategy, monitoring performance against the Company's strategic objectives and reviewing the implementation of the strategy.

Engaging with stakeholders to deliver long-term success is a key area of focus for the Board and its decisions take into account the impact on stakeholders. Stakeholders are affected by decisions made by the Board in different ways. However, it is the Board's priority to ensure that the directors have acted both individually and collectively in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of the members as a whole with regard to all its stakeholders and to the factors, amongst other matters, set out in paragraphs (a) to (f) of Section 172 of the Companies Act 2006. During the year, the Board has engaged across stakeholder groups including attendance at employee and management conferences, participation in quarterly SHEQ forums, supplier and community events.

Employees

The Board aims to provide an engaging and highly motivated environment, attractive career paths and benefits and empowerment to drive the Company's success. We continue to be a responsible employer in our approach to employees, ensuring we communicate and engage with them regularly in a variety of ways and that the voice of the workforce is heard and taken into account when making decisions. All employees have access to a copy of the Company annual report, which together with regular staff briefings and internal notice board statements, keep them informed of progress within the Company and the wider Renew Holdings group.

We recognise our employees are fundamental to the long-term success of our business. Their health, safety and wellbeing is one of our primary considerations in the way we operate and the support we provide to them.

It is the policy of the Company that there shall be no discrimination or less favourable treatment of employees or job applicants in respect of race, colour, ethnic or national origins, religion, gender, disability, political beliefs or marital status. The Company engages, promotes and trains staff based on their capabilities, qualifications and experience, without discrimination, giving all employees an equal opportunity to progress within the Company. Full consideration will be given to suitable applications for employment from disabled persons where they have the necessary skills and abilities for that position, and wherever possible to re-train employees who become disabled, so that they can continue their employment in another position.

Amalgamated Construction Limited

Strategic Report (continued)

Section 172(1) statement (continued)

Suppliers

The Company's objective is to improve the performance of its business by managing projects in a more collaborative, integrated and safe way. The Board understands the importance of the Company's supply chain in delivering the long-term plans of the Company. This approach encourages greater supplier selectivity and, through the development of more focussed relationships, creates a framework for innovation.

During the Covid-19 pandemic, the Company has focussed on ensuring that payments to the supply chain are made on time, mirroring the approach taken by our key customers.

Customers

The Company primarily operates in the rail sector with Network Rail being its main customer. The Company also carries out work in the energy, environmental and UK infrastructure sectors for customers such as Scottish Power, EON, the Environment Agency, Canal & River Trust, Historic Railways Estate and a number of local authorities.

The Company works closely with its customers to understand their evolving requirements so it can adapt to meet them. These include face-to-face meetings, telephone and video conferencing calls, newsletters and workshops. With Network Rail, for example there are established supplier performance procedures to support the Company in providing an effective service to this customer.

Community and environment

We strive to become actively involved in the local communities in which we operate. The support of the communities in which we operate is vital to ensuring successful delivery and maintaining positive relationships. We go out of our way to engage and support those around us – playing our part in creating a better society. Each of our employees is able to complete three 'volunteering days' each year and the Company undertakes various fundraising activities.

The Company's policy with regard to the environment is to ensure that the actual and potential environmental impact of its activities are understood and effectively managed. Operations are conducted in a manner to comply with all legal requirements relating to the environment in all areas where business is carried out. The Board is committed to minimising the impact of the Company's operations on the environment, and to ensuring that good environmental practices are implemented across the business. The Board has visibility of customer feedback through the business regional reporting channels and acts accordingly to that feedback providing an open contact pathway to the Board for any customer.

Resources

At the end of September 2020, the Company employed 1,139 personnel (2019: 1,074) including a direct delivery workforce of 533 (2019: 549) multi-disciplinary, multi-skilled engineers and operatives employed across the business. It is because of the skill and commitment of our employees that we are able to sustain long term and repeat working relationships with key clients.

In addition to our wide ranging in-house resources we also retain a strong supply chain developed on the principles of supply chain management including assessed and pre-approved specialist consultants, contractors and suppliers. The Company continues to retain unique specialist engineering skills, resources and assets relating to the construction, maintenance and refurbishment of tunnels and underground structures.

Amalgamated Construction Limited

Strategic Report (continued)

Trading

Currently the business is trading in line with expectations.

Health & safety

Our approach to health and safety continues to focus on attitude, behaviour and personal safety to highlight that in order to consistently achieve our goal of 'everyone home safe & healthy every day', we must be actively thinking about the SHEQ issues involved in the planning and delivery of our work, with a 'predict and prevent' mentality. By embracing SHEQ 24/7, we plan and execute our work to be safe, to prevent harm to health, to protect the environment, and to get the job done 'right first time'.

Throughout 2019 and into 2020 the SHEQ 24/7 strategy was rolled out to employees and selected members of the supply chain along with clients in a series of full day 'SHEQ 24/7 Road Shows', delivered around the country by senior members of the SHEQ team. The road shows covered the logic behind the plan, key risk control initiatives and an introduction to the Company's revised approach to behavioural change.

On the 8th of April 2020, our colleague Aden Ashurst was fatally injured when he was struck by a train at one of our work sites near Roade, Northamptonshire. At the time of the accident, Aden was performing his role as Controller of Site Safety and this tragic event remains the subject of ongoing investigations led by Network Rail, the Office of Rail and Road and the Rail accident Investigation Branch. Our thoughts remain with the family and friends of our colleague who lost his life in the conduct of delivering essential rail services.

Future prospects

Future prospects remain positive following further recent long term framework contracts, supplementing existing long term arrangements in rail, energy and infrastructure. The Company will continue to develop opportunities in existing markets, particularly where there are high barriers to entry, which offer long term and repeat business opportunities through mature client relationships. Our model of direct delivery through a highly skilled, multi-disciplinary workforce continues to be a key differentiator between ourselves and much of our competition and one that is recognised and sought by our clients.

The business is predominantly focused around the provision of renewal, refurbishment and maintenance services, is not wholly reliant on new build contracts, and therefore has protection from reduction in funding for new public sector assets.

Results and dividends

The profit and loss account is set out on page 14 and shows the profit for the year. The retained profit has been transferred to profit and loss account reserves. The directors declared and paid an interim dividend of £8,500,000 on 24 September 2020 (2019: £8,000,000).

Key performance indicators

The directors have established a number of key performance indicators which they use to measure and monitor the performance of the Company in a number of different areas. These measures are set out in the table below.

As part of the annual budget process the directors set a target operating profit margin as a percentage of turnover and this is reviewed on a monthly basis. We set waste recycling targets in order to minimise the

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Strategic Report (continued)

Key performance indicators (continued)

environmental impact of our activities and we continually aim to maximise client satisfaction with our services. Employee training targets are monitored in order to ensure the skills and knowledge of our employees are maintained and improved, whilst our annual safety target is one of continual improvement with a goal of zero reportable accidents.

	2020	2019
Operating profit margin as a percentage of turnover	4.9%	3.6%
Environmental impact (percentage of waste recycled)	99.3%	98.2%
PRISM score (client satisfaction, scored out of 5)	5.0	4.6
Training (days per year, per employee)	5.3	5.0
Number of reportable accidents per 100,000 employed	407	318

Principal risks and uncertainties

This annual report contains certain forward looking statements. These statements are made by the directors in good faith, based on the information available to them up to the time of approval of this report. Actual results may differ to those expressed in such statements, depending on a variety of factors. These factors include customer acceptance of the Company's services, levels of demand in the market, restrictions to market access, competitive pressure on pricing or additional costs, failure to retain or recruit key personnel and overall economic conditions.

A risk inherent in the construction industry occurs in the nature, timing and contractual conditions which exist at the time of contract procurement. To mitigate these risks, the Company has a system of pre-contract and pre-tender risk assessment whereby senior management, including the directors where appropriate, review and advise on specific issues arising in the contract procurement process. The Company also seeks to limit its risks by specialising in certain markets where it has extensive experience and a particular skills base.

Derivatives and other financial instruments

The Company's principal financial instruments comprise bank loans, cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Company's operations. The Company has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations. It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are interest rate risk and liquidity risk.

Liquidity risk

The Company's policy is to ensure availability of operating funds by maintaining an appropriate cash balance in current accounts and to establish appropriate levels of borrowing facilities to provide short-term flexibility. The Company is a participant, together with a number of fellow subsidiaries, in the group banking arrangements of its ultimate holding Company Renew Holdings plc and, as a result, has risks associated with the financial status and performance of the other companies within that group.

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Strategic Report (continued)

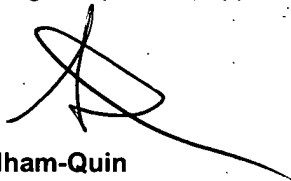
Credit risk

The Company's principal financial assets are bank balances, cash, amounts recoverable on contracts and trade debtors, which represent maximum exposure to credit risk in relation to financial assets.

The Company's credit risk is primarily attributable to its amounts recoverable on contracts and trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

Approval

The Strategic Report was approved by the Board on 7 December 2020 and signed on its behalf by:



S Wyndham-Quin

For and on behalf of Renew Nominees Limited – Secretary
Registered Number: 00995892

Amalgamated Construction Limited

Report of the Directors

The directors present their report and the audited financial statements for the year ended 30 September 2020.

Proposed dividend

The directors declared and paid an interim dividend of £8,500,000 on 24 September 2020 (2019: £8,000,000). The directors do not recommend the payment of a final dividend.

Directors

The directors serving during the year and subsequently were:

J H Booth
A M Finn
A P Liebenberg
J Marbeck (appointed 25 November 2020)
P Scott
Renew Corporate Director Limited

Business relationships and employee engagement

The Company is committed to ensuring it maintains strong relationships with all stakeholders (including employees) and actively engages with them on an ongoing basis. Further details are provided in the strategic report.

Matters covered in the Strategic Report

Disclosures required under S416(4) of the Companies Act 2006 are commented on in the strategic report in accordance with S414C(11) as the directors consider them to be of strategic importance to the Company.

Safety, health and environmental policies

The Company continues to strive to improve its safety, health and environmental (SHE) standards and performance. The SHE objectives are set by the group and monitored regularly throughout the year and these objectives are reviewed in response to performance and changes in legislation.

All levels of management are required to undertake SHE monitoring activities, from SHE tours by directors to SHE surveys by senior managers and SHE inspections by site and workplace management.

It is the Company's policy to report all accidents regardless of severity. Accident and incident reports are assessed to identify their main cause and analysed to identify trends and areas for improvement in the same way as for findings of inspection, tours and surveys.

The Company recognises that effective training is important to the improvement of SHE performance. There is a regular programme of internal health and safety courses for all personnel.

Quality assurance

The Company is committed to the achievement of quality. It operates a quality management system, which complies with the requirements of BS EN ISO 9001: 2015 and is externally audited by LRQA.

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Report of the Directors (continued)

Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements

The directors are responsible for preparing the strategic report, 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 FRS102 *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 judgements and 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 is 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Amalgamated Construction Limited

Report of the Directors (continued)

Disclosure of information to the auditor

At the date of making this report each of the Company's directors, as set out on page 9, confirm the following:

- So far as each director is aware, there is no relevant information needed by the Company's auditor in connection with preparing their report of which the Company's auditor is unaware, and
- Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the Company's auditor in connection with preparing their report and to establish that the Company's auditor is aware of that information.

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.

Approval

The report of the directors was approved by the Board on 7 December 2020 and signed on its behalf by:



S Wyndham-Quin

For and on behalf of Renew Nominees Limited – Secretary
Registered Number: 00995892

Independent Auditor's Report to the Members of Amalgamated Construction Limited

Opinion

We have audited the financial statements of Amalgamated Construction Limited ("the Company") for the year ended 30 September 2020 which comprise the Profit and Loss account, Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2020 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

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 Amalgamated 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 10, 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.



David Morritt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
7 December 2020

Amalgamated Construction Limited

Profit and Loss Account

Year ended 30 September 2020

	Note	2020 £000	2019 £000
Turnover	2	235,327	245,702
Cost of sales		(205,824)	(218,951)
Gross profit		29,503	26,751
Administrative expenses		(18,995)	(17,855)
Other operating income	2	1,164	-
Operating profit	2	11,672	8,896
Interest payable	4	(14)	(18)
Other finance cost	16	30	45
Profit on ordinary activities before taxation		11,688	8,923
Taxation	5	(2,282)	(1,504)
Profit for the financial year		9,406	7,419

All the Company's activities are derived from continuing operations.

There is no difference between the profit on ordinary activities before taxation and the historical cost equivalents.

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Statement of Comprehensive Income

Year ended 30 September 2020

	Note	2020 £000	2019 £000
Profit for the financial year		9,406	7,419
Actuarial loss recognised in the pension scheme	16	(1,293)	(361)
Deferred tax on pension movements		452	126
Total comprehensive income		8,565	7,184

Statement of Changes in Equity

Year ended 30 September 2020

	Called up share capital £000	Profit and loss account £000	Total equity shareholders' funds £000
At 1 October 2018	3,000	9,972	12,972
Transfer from profit and loss account		7,419	7,419
Dividends paid		(8,000)	(8,000)
Actuarial loss recognised in the pension scheme		(361)	(361)
Tax on pension movements		126	126
At 30 September 2019	3,000	9,156	12,156
Transfer from profit and loss account		9,406	9,406
Dividends paid		(8,500)	(8,500)
Actuarial loss recognised in the pension scheme		(1,293)	(1,293)
Tax on pension movements		452	452
At 30 September 2020	3,000	9,221	12,221

Amalgamated Construction Limited

Balance Sheet

As at 30 September 2020

	Note	2020 £000	2019 £000
Non-current assets			
Tangible assets	6	1,008	932
Investments	7	5,234	5,234
Pension asset	16	722	1,481
		<hr/>	<hr/>
		6,964	7,647
Current assets			
Stock	8	13	68
Debtors: due within one year	9	38,594	28,027
Cash at bank and in hand		50,298	45,058
		<hr/>	<hr/>
		88,905	73,153
Creditors - amounts falling due within one year	10	(80,701)	(68,340)
		<hr/>	<hr/>
Net current assets		8,204	4,813
		<hr/>	<hr/>
Total assets less current liabilities		15,168	12,460
Creditors - amounts falling due after more than one year	11	(197)	(304)
		<hr/>	<hr/>
		14,971	12,156
Provisions for liabilities and charges			
Provisions	18	(2,750)	-
		<hr/>	<hr/>
Net assets		12,221	12,156
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	13	3,000	3,000
Profit and loss account		9,221	9,156
		<hr/>	<hr/>
Equity shareholders' funds		12,221	12,156
		<hr/>	<hr/>

The financial statements were approved by the Board on 7 December 2020 and signed on its behalf by:



P Scott
Director

Amalgamated Construction Limited

Notes to the Financial Statements

Year ended 30 September 2020

1 ACCOUNTING POLICIES

Basis of financial statements

Amalgamated Construction Limited (the "Company") is a Company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Renew Holdings plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Renew Holdings plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Renew Holdings plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the going concern basis and under the historical cost convention, the accounting policies set out below and in accordance with FRS 102.

Going concern basis

The Board has reviewed the principal risks and uncertainties affecting the Company in the context of the impact of the Covid-19 pandemic. The Board recognises that the impact of Covid-19 is being felt across all aspects of the Company's operations and that the overall risk environment has increased as a result of the pandemic. Despite this, the Board considers that it has taken additional actions to address those risks specifically arising from Covid-19. In this context, the directors have reviewed the Company's cash flow and operating forecasts and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Amalgamated Construction Limited

Notes to the Financial Statements (continued)

Year ended 30 September 2020

1 ACCOUNTING POLICIES (continued)

Group financial statements

The Company is exempt from the obligation to prepare and deliver group accounts by virtue of section 400 of the Companies Act 2006. Accordingly, the financial statements only present information about the Company and do not contain information about the group as a whole.

A summary of the more important accounting policies which have been applied consistently is set out below.

Accounting estimates and judgements

In the preparation of these financial statements the Board has made certain judgements and estimates which impact the measurement of various assets and liabilities in the balance sheet, the value of transactions recorded in the profit and loss account and the movements in equity as shown in the statement of changes in equity. Estimates and judgements are reviewed by management and the Board on an ongoing basis and changes which may arise in them are reflected in the financial statements for the period in which such changes are made. The Board has determined that the following area is the one in which estimates and judgements have been made and where material impacts could arise in the financial statements were such estimates and judgements to be varied:

FRS 102 requires management to estimate the total expected costs on a contract and the stage of contract completion in order to determine both the turnover and profit to be recognised in an accounting period. The Company has control and review procedures in place to monitor, and evaluate regularly, the estimates being made to ensure that they are consistent and appropriate. This includes reviewing the independent certification of the value of work done, the progress of work against contracted timescales and the costs incurred against plan.

Turnover

Turnover represents the invoiced amount of goods sold and services provided less returns and allowances, excluding value added tax. In the case of construction contracts, turnover is recognised when the outcome of the contract can be estimated reliably and represents the sales value of work done during the year by reference to the stage of completion of the contract activity. Stage of completion is assessed by reference to the contract costs incurred to date as a proportion of estimated total contract costs. Turnover is generated predominantly in the UK, and the Company continues to operate within a single business segment, construction and civil engineering.

Government grants

Government grant income is recognised at the point that there is reasonable assurance that the Company will comply with the conditions attached to it, and that the grant will be received. During the year, Coronavirus Job Retention Scheme ("CJRS") income has been received, accounted for under the accruals model and classified as grants relating to revenue. Grant income is disclosed as other operating income in the profit and loss account.

Amalgamated Construction Limited

Notes to the Financial Statements (continued)

Year ended 30 September 2020

1 ACCOUNTING POLICIES (continued)

Accounting for provisions in accordance with FRS102.21 Provisions and Contingencies

On an ongoing basis the Company is party to various contractual or legal disputes, the outcome of which cannot be assessed with a high degree of certainty. A liability is recognised only where, based on the Company's view or legal advice, it is considered probable that an outflow of resource will be required to settle a present obligation that can be measured reliably. Disclosure of contingent liabilities is made in note 17 unless the possibility of a loss arising is considered remote. These potential liabilities are subject to uncertain future events, may extend over several years and their timing may differ from current assumptions. Management applies judgement in determining whether a liability should be recognised in the balance sheet or disclosed as a contingent liability.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- | | |
|---------------------------------|---|
| • short term leasehold premises | depreciated over length of underlying lease |
| • motor vehicles | 3-5 years |
| • plant and equipment | 2-5 years |

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Investments in subsidiaries

Investments in subsidiaries are recorded at cost.

Impairment excluding stocks and deferred tax assets

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Stock

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

Amalgamated Construction Limited

Notes to the Financial Statements (continued)

Year ended 30 September 2020

1 ACCOUNTING POLICIES (continued)

Construction contract debtors

Construction contract debtors represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date less a provision for foreseeable losses and less progress billings. Variations are included in contract turnover when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract turnover only when they are reliably measurable and negotiations have reached the stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contract debtors are presented as part of debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as payments received on account in the balance sheet.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS 102 'The Financial Standard', deferred tax is not provided on permanent timing differences. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Basic Financial Instruments – trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Amalgamated Construction Limited

Notes to the Financial Statements (continued)

Year ended 30 September 2020

1 ACCOUNTING POLICIES (continued)

Leased assets

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Pension commitments

Defined contribution pension scheme

The Company operates defined contribution schemes in respect of certain employees. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit pension scheme

The Company's net obligation in respect of the defined benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in prior periods; that benefit is discounted to determine its present value. The fair value of any scheme assets is deducted. The Company determines the net interest (income)/expense on the net defined benefit asset/(liability) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit asset/(liability) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of, the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit scheme assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of scheme introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit asset/(liability) is recognised in other comprehensive income in the period in which it occurs.

Amalgamated Construction Limited

Notes to the Financial Statements (continued)

Year ended 30 September 2020

1 ACCOUNTING POLICIES (continued)

Dividends on shares presented within Equity shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Inter Company balances

Interest is not charged on balances outstanding with fellow subsidiaries as they are repayable on demand.

2	TURNOVER AND OPERATING PROFIT	2020 £000	2019 £000
	Analysis of turnover by geographical area:		
	United Kingdom	235,327	245,702
	Operating profit is stated after charging/(crediting):		
	Fees payable to the Company's auditor for the audit of the financial statements	100	70
	Fees payable to the Company's auditor for other services related to tax advice	5	5
	Depreciation of owned assets	127	84
	Depreciation of assets under hire purchase arrangements	114	114
	Hire of plant and machinery	14,512	18,190
	Operating lease rentals - land and buildings	446	715
	Operating leases rentals - other	1,993	1,490
	(Profit)/loss on disposal of fixed assets	(35)	9
	Group management charges	6,234	5,760
	Past service cost including curtailments	-	260
	Coronavirus Job Retention Scheme grant income	(1,164)	-

Amalgamated Construction Limited

Notes to the Financial Statements (continued)

Year ended 30 September 2020

3	DIRECTORS AND EMPLOYEES	2020 No.	2019 No.
	The average monthly number of employees, including directors, during the year was as follows:		
	Operations	536	555
	Administration	563	528
		<hr/>	<hr/>
		1,099	1,083
		<hr/>	<hr/>
		2020 £000	2019 £000
	Staff costs, including directors' remuneration, were as follows:		
	Wages and salaries	53,860	54,805
	Social security costs	5,676	5,491
	Other pension costs	1,740	1,565
		<hr/>	<hr/>
		61,276	61,861
		<hr/>	<hr/>
		2020 £000	2019 £000
	Directors' emoluments:		
	Aggregate emoluments	1,060	1,120
	Compensation for loss of office	-	145
	Company contributions to defined contribution scheme	25	16
		<hr/>	<hr/>
		1,085	1,281
		<hr/>	<hr/>
		2020 £000	2019 £000
	Highest paid director:		
	Aggregate emoluments	609	607
		<hr/>	<hr/>
	The emoluments of P Scott have been borne by the ultimate holding Company, Renew Holdings plc, and the details of his remuneration are disclosed in that Company's accounts.		
4	INTEREST PAYABLE	2020 £000	2019 £000
	Interest payable on HP agreements	14	18
		<hr/>	<hr/>
		14	18
		<hr/>	<hr/>

Amalgamated Construction Limited

Notes to the Financial Statements (continued)

Year ended 30 September 2020

5	TAXATION	2020 £000	2019 £000
	Total tax charge recognised in the profit and loss account, other comprehensive income and equity:		
	UK corporation tax:		
	Current tax on profit for the year	2,148	1,577
	Adjustment in respect of prior period	(63)	(372)
	Total current tax	2,085	1,205
	Deferred taxation:		
	Origination and reversal of timing differences	197	299
	Total deferred tax	197	299
	Tax charge on profit on ordinary activities	2,282	1,504

	2020 £000	2020 £000	2020 £000	2019 £000	2019 £000	2019 £000
	Current Tax	Deferred Tax	Total Tax	Current Tax	Deferred Tax	Total Tax
Recognised in profit and loss account	2,085	197	2,282	1,205	299	1,504
Recognised in other comprehensive income	-	(452)	(452)	-	(126)	(126)
Total tax	2,085	(255)	1,830	1,205	173	1,378

Reconciliation of effective tax rate	2020 £000	2019 £000
Profit on ordinary activities before taxation	11,688	8,923
Theoretical tax at UK corporation tax rate 19% (2019:19%)	2,221	1,695
Effects of:		
- Deferred tax timing differences	91	161
- Accelerated capital allowances	11	-
- Expenditure not deductible for tax purposes	15	19
- Other timing differences	7	1
- Prior year adjustment	(63)	(372)
Total tax expense included in profit and loss	2,282	1,504

Amalgamated Construction Limited

Notes to the Financial Statements (continued)

Year ended 30 September 2020

6 TANGIBLE FIXED ASSETS

	Short term Leasehold Premises £000	Plant & Equipment £000	Motor Vehicles £000	Total £000
Cost				
At 1 October 2019	1,199	3,607	858	5,664
Additions	81	236	-	317
Disposals	-	-	(256)	(256)
At 30 September 2020	<u>1,280</u>	<u>3,843</u>	<u>602</u>	<u>5,725</u>
Depreciation				
At 1 October 2019	460	3,414	858	4,732
Charge for year	124	117	-	241
Disposals	-	-	(256)	(256)
At 30 September 2020	<u>584</u>	<u>3,531</u>	<u>602</u>	<u>4,717</u>
Net Book Value				
At 30 September 2020	<u>696</u>	<u>312</u>	<u>-</u>	<u>1,008</u>
At 30 September 2019	<u>739</u>	<u>193</u>	<u>-</u>	<u>932</u>

The net book value of assets under hire purchase agreements at 30 September 2020 was £588,000 (2019: £702,000 - which excludes assets under hire purchase agreements which were fully satisfied in the year). During the year £114,000 (2019: £114,000) of depreciation was charged against assets held under hire purchase agreements.

7 INVESTMENTS

	2020 £000	2019 £000
Shares in Giffen Holdings Limited - at cost	5,234	5,234

Giffen Holdings is registered in England & Wales and is 100% owned by the Company. Giffen Holdings owns 100% of Giffen Group Limited and 33.3% of Switchgear & Substation Alliance Limited, both of which are also registered in England & Wales. The registered office of all of the subsidiary undertakings is 3175 Century Way, Thorpe Park, Leeds LS15 8ZB. The registered office of Switchgear & Substation Alliance Limited is 83 Friar Gate, Derby, DE4 1FL. Investment is held at cost and reviewed annually for impairment.

8 STOCK

	2020 £000	2019 £000
Consumables and plant spares	13	68

Amalgamated Construction Limited

Notes to the Financial Statements (continued)

Year ended 30 September 2020

9	DEBTORS – AMOUNTS FALLING DUE WITHIN ONE YEAR	2020 £000	2019 £000
	Trade debtors	4,112	6,267
	Amounts owed by group undertakings	6,057	5,821
	Amounts recoverable on contracts	28,013	15,455
	Prepayments and accrued income	412	484
		<hr/>	<hr/>
		38,594	28,027
		<hr/>	<hr/>

10	CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	2020 £000	2019 £000
	Trade creditors	10,174	21,882
	Amounts owed to group undertakings	7,288	6,493
	Other taxes and social security	13,521	6,311
	Hire purchase obligations	107	102
	Current taxation	2,148	1,323
	Deferred taxation (see note 12)	175	430
	Accruals and deferred income	47,288	31,799
		<hr/>	<hr/>
		80,701	68,340
		<hr/>	<hr/>

Bank loans and overdrafts are secured under the terms of the Renew Holding plc banking agreement. Security is granted over the Company's assets to the group's bankers.

11	CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2020 £000	2019 £000
	Hire purchase obligations:		
	Between one and two years	107	107
	Between two and five years	90	197
		<hr/>	<hr/>
		197	304
		<hr/>	<hr/>

Amalgamated Construction Limited

Notes to the Financial Statements (continued)

Year ended 30 September 2020

12	DEFERRED TAXATION	2020 £000	2019 £000
	The movement in the deferred taxation liability is as follows:		
	At 1 October	(430)	(257)
	Charged to profit and loss account	(197)	(299)
	Credited to statement of comprehensive income	452	126
		<hr/>	<hr/>
	At 30 September	(175)	(430)
		<hr/>	<hr/>
		2020 £000	2019 £000
	Accelerated capital allowances	78	89
	Pension deferred tax liability	(253)	(519)
		<hr/>	<hr/>
		(175)	(430)
		<hr/>	<hr/>
13	SHARE CAPITAL	2020 £000	2019 £000
	Equity shares		
	Allotted, called up and fully paid ordinary shares of £1 each	3,000	3,000
		<hr/>	<hr/>
14	DIVIDENDS	2020 £000	2019 £000
	Interim dividend of £2.83 (2019: £2.67) per ordinary share	8,500	8,000
		<hr/>	<hr/>

Amalgamated Construction Limited

Notes to the Financial Statements (continued)

Year ended 30 September 2020

15 OTHER FINANCIAL COMMITMENTS

The Company had capital commitments of £nil at the year end (2019: £nil).

Commitments under non-cancellable operating lease rentals are as follows:

	2020		2019	
	Land and Buildings £000	Plant, Equipment & Vehicles £000	Land and Buildings £000	Plant, Equipment & Vehicles £000
Within one year	552	1,748	292	1,565
Between two and five years	1,751	2,737	837	2,307
Over five years	-	-	195	-
	<u>2,303</u>	<u>4,485</u>	<u>1,324</u>	<u>3,872</u>

During the year £2,439,000 (2019: £2,205,000) was recognised as an expense in the profit and loss account in respect of operating leases.

16 PENSION COMMITMENTS

The Company operates funded pension schemes for certain employees and directors. The total cost of all pensions to the Company for the year was £2,244,000 (2019: £2,354,000).

The Amco Group Pension Scheme (the Scheme) is a final salary pension scheme. The Scheme was closed to future accrual of benefits on 31 January 2009.

The Scheme assets are held in a separate trustee-administered fund to meet long term liabilities to past and present employees. The trustees of the scheme are required to act in the best interests of the Scheme's beneficiaries. The appointment of members of the trustee board is determined by the trust documentation.

Under FRS 102, the liabilities of the Scheme are measured by discounting the best estimate of future cash flows to be paid out by the Scheme using the projected unit method, which is an accrued benefits valuation method.

The liabilities set out in this note have been calculated by an independent actuary based on the preliminary results of the most recent full actuarial valuation at 31 December 2019, updated to 30 September 2020. The results of the calculations and the key financial and demographic assumptions that have been used are shown below. The full actuarial valuation as at 31 December 2019 will be finalised by March 2021.

Amalgamated Construction Limited

Notes to the Financial Statements (continued)

Year ended 30 September 2020

16 PENSION COMMITMENTS (continued)

Following the 2016 actuarial valuation, the Company agreed to pay a contribution of £42,000 per month from January 2018 to October 2020, an amount of £504,000 per annum pro rata. This will be reassessed as part of the finalisation of the 2019 actuarial valuation.

Key financial assumptions:

	2020 %	2019 %
Discount rate	1.50	1.75
Inflation – RPI	2.90	3.10
Inflation – CPI	2.20	2.10
Salary increases	2.20	2.10
Increases in deferred pensions	2.20	2.10

The expected return on assets is a weighted average of the individual asset categories and their expected rates of return which are determined by consideration of historical experience and current market factors.

Pensions in payment in respect of service from 5 April 1997 to 5 April 2005, and deferred pensions subject to statutory revaluation, have been assumed to increase in line with future price inflation.

The mortality assumption adopted for the purposes of the calculations at 30 September 2020 is S3PxA CMI (2019) and in 2019 was S3PxA CMI (2018), both with a long term rate of 1.25% pa.

Average life expectancies (in years)	2020	2019
Male retiring at reporting date at age 62	25.1	25.1
Male retiring at reporting date +20 years at age 62	26.4	26.5
Female retiring at reporting date at age 62	27.4	27.4
Female retiring at reporting date +20 years at age 62	28.8	28.8

Members are assumed to retire at the earliest age at which they can take their full pension unreduced and are assumed to commute pension to obtain a retirement lump sum equal to 90% of the maximum permitted.

During 2013, the Trustees of the Scheme, in consultation with the directors, used scheme assets to purchase annuities which match certain pension liabilities in a transaction known as a "buy in". This asset provides protection against falls in gilt yields and risks in the performance of other asset classes.

During the year the Company paid additional contributions of £nil (2019: £465,000) to fund selected transfer values out of the pension scheme.

Amalgamated Construction Limited

Notes to the Financial Statements (continued)

Year ended 30 September 2020

16 PENSION COMMITMENTS (continued)

The following amounts at 30 September were measured in accordance with the requirements of FRS102.

Movements in scheme assets and obligations	2020 £000	2019 £000
Total fair value of scheme assets brought forward	15,227	14,412
Expected return on scheme assets	258	398
Employer contributions	504	969
Benefits paid	(1,450)	(1,916)
Actual return on scheme assets less interest on scheme assets	568	1,364
	<hr/>	<hr/>
Total fair value of scheme assets carried forward	<u>15,107</u>	<u>15,227</u>
	2020 £000	2019 £000
Present value of scheme obligations brought forward	13,746	13,324
Interest on scheme obligations	228	353
Past service costs including curtailments	-	260
Benefits paid	(1,450)	(1,916)
Actuarial movement due to changes in financial and demographic assumptions	1,861	1,725
	<hr/>	<hr/>
Total fair value of scheme obligations carried forward	<u>14,385</u>	<u>13,746</u>
	2020 £000	2019 £000
Surplus in the scheme	722	1,481
Deferred tax	(253)	(519)
	<hr/>	<hr/>
Net surplus	<u>469</u>	<u>962</u>

Amalgamated Construction Limited

Notes to the Financial Statements (continued)

Year ended 30 September 2020

16 PENSION COMMITMENTS (continued)

Amount credited/(debited) to financial income	2020	2019
	£000	£000
Interest on scheme assets	258	398
Interest on scheme obligations	(228)	(353)
	<u>30</u>	<u>45</u>
Net pension interest		
Amounts recognised in the statement of comprehensive income	2020	2019
	£000	£000
Actual return on scheme assets less interest on scheme assets	568	1,364
Actuarial movement due to changes in assumptions on scheme obligations	(1,861)	(1,725)
	<u>(1,293)</u>	<u>(361)</u>
Actuarial movement		
Movement in net scheme surplus during the year	2020	2019
	£000	£000
Net scheme asset brought forward	1,481	1,088
Employer contributions	504	969
Past service cost including curtailments	-	(260)
Net pension interest	30	45
Actuarial movement	(1,293)	(361)
	<u>722</u>	<u>1,481</u>
Net scheme surplus carried forward		
Analysis of assets	2020	2019
	£000	£000
Annuities	6,738	6,685
Diversified Growth Fund	5,363	5,847
Other	3,006	2,695
	<u>15,107</u>	<u>15,227</u>
Actual return on assets		

Amalgamated Construction Limited

Notes to the Financial Statements (continued)

Year ended 30 September 2020

16 PENSION COMMITMENTS (continued)

History of experience gains and losses	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Gain/(loss) on Scheme assets	568	1,364	(90)	(680)	930
Experience (loss)/gain on Scheme liabilities	(1,861)	(1,725)	491	1,096	(2,811)
	<u>(1,293)</u>	<u>(361)</u>	<u>401</u>	<u>416</u>	<u>(1,881)</u>
Total actuarial (loss)/gain					

As a result of the TUPE transfer of a number of employees following the award of the Network Rail Civils Minor Works Framework in Scotland in 2012, the Company is now a participating employer to its own Shared Cost section, operated for 10 employees of the Company (2019: 14), within the Railways Pension Scheme, a defined benefit scheme.

Contributions to the scheme are set by RPMI Limited, the Railways Pension Scheme administrator, and are treated as a profit and loss pension cost for the statutory accounts. As at 30 September 2020 the net assets of the section were £2,162,000 (2019: £2,073,000).

As a result of the small number of individuals involved, the value of the scheme and the potentially short term nature of the Framework, FRS 102 pension accounting is not considered appropriate.

17 CONTINGENT LIABILITIES

Under the terms of a group debenture and guarantee, a fixed and floating charge over the net assets of the Company has been granted to HSBC Bank Plc.

18 PROVISIONS

	2020 £000	2019 £000
At 1 October	-	2,000
Transferred from accruals	2,750	-
Released during the year	-	(2,000)
	<u>2,750</u>	<u>-</u>
At 30 September		

Provisions arise in respect of various contractual or legal disputes, the outcome of which cannot be assessed with a high degree of certainty. A liability is only recognised where, based on the Company's view or legal advice, it is considered probable that an outflow of resource will be required to settle a present obligation that can be measured reliably.

Amalgamated Construction Limited

Notes to the Financial Statements (continued)

Year ended 30 September 2020

19 CASH FLOW STATEMENT AND RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of Renew Holdings plc and is included in the consolidated financial statements of Renew Holdings plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 102 'The Financial Reporting Standard'.

The Company is also exempt under the terms of FRS 102 'The Financial Reporting Standard' from disclosing related party transactions with Renew Holdings plc or subsidiaries which are 100% owned by Renew Holdings plc.

20 PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is Amco Group Limited which is a wholly-owned subsidiary of Renew Holdings plc both of which are incorporated in England and Wales. The smallest and largest group for which consolidated financial statements are prepared is Renew Holdings plc.

The registered address for the Company, its immediate parent and Renew Holdings plc which is the ultimate holding Company, is 3175 Century Way, Thorpe Park, Leeds LS15 8ZB. Copies of the financial statements can be obtained from the Company Secretary at that address.

21 POST BALANCE SHEET EVENT

On 20 November 2020 the High Court handed down a further judgement in the Lloyds Bank case regarding equalising for guaranteed minimum pension benefits ("GMPs"). The judge found that pension schemes do have a liability to pay top-ups to members who transferred out in the past. We are working with the trustees of our pension scheme, and our actuarial and legal advisers, to understand the extent to which the judgement crystallises additional liabilities for Amalgamated Construction's pension scheme. Subject to materiality, any adjustment necessary is expected to be recognised as an exceptional item in the 30 September 2021 accounts. At the current time we are unable to estimate the amount of this potential additional liability and we will be working with the trustees of the scheme to assess the extent to which former members of the scheme might be impacted.