Rock & Alluvium Limited

Annual report and Financial statements

For the year ended 30 June 2020

Registered number: 01795468

Rock & Alluvium Limited

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Rock & Alluvium Limited
Directors and advisers

Directors

DM Brockett
B Hocking
M Baxter
N Cocker

Company secretary

Galliford Try Secretariat Services Limited

Registered office

Cowley Business Park
Cowley
Uxbridge
Middlesex
UB8 2AL

Independent auditors

BDO LLP
Chartered Accountants and Statutory Auditors
55 Baker Street
London
W1U 7EU

Bankers

Barclays Bank plc
15 Colmore Row
Birmingham
B3 2WN

HSBC Bank plc
70 Pall Mall
London
SW1Y 5EZ

Rock & Alluvium Limited
Strategic report for the year ended 30 June 2020

The directors present their strategic report of Rock & Alluvium Limited ("the Company"), for the year ended 30 June 2020.

Review of business

The Company's principal activities are to provide specialist foundation services with specific regard to load bearing piles for the construction and civil engineering industries.

COVID-19

The Covid-19 outbreak developed rapidly in 2020. Measures taken to contain the virus have affected the wider economy and directly impacted on the Company's trading results. The Company continued to operate sites where possible, in a safe and appropriate manner and strictly in accordance with both Government and the Construction Leadership Council health and safety guidelines and regulations. The Directors regularly review the working capital requirements of the Company as part of the Galliford Try Holdings plc Group while considering downside sensitivities, including the economic uncertainties resulting from Covid-19 which resulted in the closure of sites across the country (in the first lockdown between March and June 2020). All sites have since re-opened and remain open and appropriate operating procedures adopted, including social distancing measures. Further details are also provided in note 1.

Section 172 Companies Act 2006

Section 172(1) of the Companies Act 2006 imposes a general duty on every company director to act, in good faith, in the way they consider would be most likely to promote the success of the company for the benefit of its shareholders, while taking into account how the Company's activities and Board decisions will affect its stakeholders. This statement explains how the Board complies with its obligations under s172 which is consistent with that disclosed in the consolidated Galliford Try Holding plc's annual report for the year ended 30 June 2020.

The Company recognises the importance of its stakeholders' views and actively engages with them, proactively considering their interests in the decisions it makes.

Employees

We use the following mechanisms to outline our approach to employee priorities and gather feedback on our interactions:

- Face-to-face engagement through the Employee Forum, our annual Graduate Welcome event, director site and office visits; Performance Development Reviews/one-to-ones, toolbox talks and town halls.
- Wider communication tools such as emails, videos, webcasts, while also monitoring various metrics such as employee churn, sickness leave and wider health and safety KPI's.
- Independent support such as access to our Employee Assistance Programme and whistleblowing hotline.
- Encouraging and analysing independent employee feedback via employee surveys or via sites such as Glassdoor and JobCrowd.

Clients

Satisfied clients are essential for a sustainable and profitable business. We use the following mechanisms to outline our approach to client priorities and gather feedback on our interactions:

- Direct engagement through face-to-face, video or telephone client meetings; high- quality bid submissions, contract negotiation and management; client satisfaction surveys; site tours; business development activities such as attendance at exhibitions and Meet the Buyer events.
- Indirect engagement such as project reports, marketing materials, an up-to-date website, press coverage and engaging in social media.
- Project performance feedback.

Section 172 Companies Act 2006 (continued)

Supply chain

We rely on suppliers to deliver our construction projects. We use the following mechanisms to outline our approach to supply chain priorities and gather feedback on our interactions:

- Direct engagement through Meet the Buyer events; workshops; face-to-face, video or telephone meetings; contract negotiation and management and toolbox talks.
- Creating mutually-beneficial relationships through our Advantage through Alignment programme.
- Indirect engagement such as via trade associations, project reports, an up-to-date website, press coverage, engaging in social media and involvement in the Considerate Constructors Scheme.

We recognise the importance of our stakeholders' views and actively engage with them, proactively considering their interests in the decisions we make.

Shareholders

We must act in the interests of our shareholders to maintain the capital needed to fund our activities. We use the following mechanisms to outline our approach to shareholder priorities and gather feedback on our interactions:

- Direct engagement through investor roadshows; face-to-face, video or telephone communications; Capital Markets Days, results presentations and webcasts; analyst briefings; AGMs; our Annual Report; consultations and Regulatory News Service announcements.
- Indirect engagement such as an up-to-date website, press coverage, engaging in social media, trading updates; corporate and financial videos and contributions to investor decision-making resources.

Communities

We construct buildings and infrastructure in communities and must meet the needs of local groups so we are welcomed and can carry out our work. We use the following mechanisms to outline our approach to the wider community and gather feedback on our interactions

- Direct engagement such as through our membership of the Considerate Constructors Scheme, local newsletters, town hall meetings and exhibitions, school and college visits, site tours, Open Doors and local community engagement plans.
- Indirect engagement such as an up-to-date website, press coverage and engaging in social media.

Standards of business conduct

The Board is acutely aware of the need to maintain high standards of business conduct. The Group has a strong ethical culture, underpinned by our values, policies and our Code of Conduct, all of which are endorsed by the Board. The Code of Conduct sets out the ethical standards everyone in Galliford Try must adhere to and provides a framework to ensure we always behave in a way that reflects our values. The Group also has specific policies and procedures to prevent bribery and corruption, as described on page 39 of the Group's annual report for year ended 30 June 2020.

Environmental impact

Information on the Group's environmental impact can be found on pages 36 and 37 of the Group's annual report for year ended 30 June 2020 which is publicly available.

Principal risks, uncertainties and key performance indicators

From the perspective of the Company, the principal risks and uncertainties are integrated with that of Galliford Try Holdings plc and are not managed separately. These are discussed within the Group's annual report.

The directors monitor the Company's revenue, operating profit, working capital and cash as its key performance indicators. The development, performance and position of Galliford Try Holdings plc, which includes the Company, is discussed in the Group's annual report, which does not form part of this report. The Galliford Try Holdings plc annual report is publicly available.

Further details on those considered to be the key principal risks are listed below:

Principal risk	Potential cause	Mitigation
Opportunity pipeline: Insufficient pipeline of opportunities in our target markets	- A significant and sustained reduction in Government investment in building and infrastructure projects. - Delays to and/or reduced levels of private sector investment due to macro-economic conditions.	- We manage the potential impact of an economic downturn by building a strong order book. - We concentrate on sectors and clients with long-term growth and profitability potential. - We have appointed sector leads to manage activity in each of our core areas.
Margin erosion: We fail to deliver project margins in line with tender and/or forecasts	- Programme delays and cost escalation. - Poor control of client and subcontractor variations and claims processes. - Contractual notices not given as per contract requirements. - Poor record-keeping and document management. - Poor design quality and/or co-ordination. - An imbalance between supply and demand for materials and subcontractors results in higher than expected prices. - Unrealistic estimates, including cost to complete, inflation estimates, outcomes of disputes, final value included in project forecasts.	- Robust review and approval of contractual terms, pre-contract to ensure we do not sign up to contracts with onerous terms. - Margin thresholds employed. - Monthly cross-disciplinary contract review meetings on all projects. - Project level controls and management oversight of project forecasts has been strengthened and visibility of risks and exposures has improved. - Standardised formats (value cost analysis and cost and value reconciliation) for monitoring and reporting project performance and forecasts. - Comprehensive commercial training. - A programme of commercial 'health checks' to provide an independent assessment of the project team's reported project performance and forecast outturn.
Supply chain and joint arrangement partners: We are unable to secure subcontractors and joint venture partners with the quality, capacity and financial resilience that we need	- Lack of capacity in the supply chain due to high levels of activity in the construction sector. - Lack of geographical coverage. - Subcontractor insolvency. - Failure to comply with fair payment practices.	- We develop long-term relationships with key suppliers and subcontractors to ensure that we remain a priority customer when resources and materials are in short supply. - The Group's Advantage through Alignment programme facilitates greater engagement with our key supply chain members and provides them with greater visibility of our pipeline of projects. - We are committed to meeting the requirements of the Prompt Payment Code. - We use a credit tracker on the Dun and Bradstreet portal to monitor subcontractor financial strength.

Principal risks, uncertainties and key performance indicators (continued)

Cash management: We are unable to maintain sufficient net cash to finance business operations	- Loss-making projects. - Inability to produce accurate cash forecasts. - Significant amounts of cash locked up in WIP and claims against clients. - Insolvency of a key client.	- Each business unit reviews its cash forecast weekly and monthly, and the Group prepares a detailed daily cash book forecast for the following eight-week period to highlight any risk of intra-month fluctuations.

General

The Company's loss for the financial year was £327K (2019: profit £804K), which will be deducted from reserves. Net assets as at 30 June 2020 was £8,285K (30 June 2019: £8,161K).

On behalf of the board

N Cocker
Director
16/12/2020

Rock & Alluvium Limited
Directors' Report for the year ended 30 June 2020

The directors present their report and audited financial statements of Rock & Alluvium Limited ("the Company"), registered number 01795468 for the year ended 30 June 2020.

Future developments

The directors do not expect any significant changes to the principal activities of the Company in the foreseeable future.

Dividends

The directors do not recommend the payment of a dividend (2019: £Nil).

Political and charitable donations

The Company is exempt from disclosing political and charitable donations as it is a wholly owned subsidiary incorporated in the United Kingdom.

Financial risk management

The Company's operations expose it to a variety of financial risks, including the effects of credit risk, liquidity risk, cash flow risk and interest rate risk. The policies to mitigate the potential impact of these financial risks are set by the directors, who monitor their effectiveness on a monthly basis during board meetings.

Where appropriate, credit checks are made prior to the acceptance of a new customer and these are reviewed on a periodic basis together with ongoing checks in respect of existing customers. Weekly reviews of the debtors ledger are carried out with the finance and sales teams and action initiated, as appropriate, to collect any overdue amounts, thus optimising the Company's liquidity position.

The rates of interest earned or paid on the Group's cash balances and loans and overdrafts are monitored on an ongoing basis with regular reviews of the Galliford Try group banking arrangements. Deposits, loans and overdrafts are made with reference to these facilities, in conjunction with projections of future cash requirements.

The Galliford Try Holdings plc group actively maintains an appropriate level of cash reserves that are available for operations and planned expansions of the Group as a whole. The group ensures that sufficient cash reserves are made available to its subsidiary undertakings.

Additional information on the group's financial risk management can be found in the consolidated group financial statements of Galliford Try Holdings plc copies of which are publicly available.

Directors

The present directors of the Company are set out on page 1, all of whom served throughout the year and up to the date of signing the financial statements.

Employees

The Company is committed to providing equal opportunities to all employees and applicants that have a disability, have had a disability in the past, or who become disabled, accommodating to all their needs where reasonably practicable as required by the Equality Act 2010. Further details regarding employee engagement are detailed within the Strategic Report.

Qualifying third-party and pension scheme indemnity provisions

The Group maintains appropriate Directors' and Officers' Liability Insurance on behalf of the directors and General Counsel and Company Secretary. In addition, individual qualifying third-party indemnities are given to the directors and General Counsel and Company Secretary which comply with the provisions of Section 234 of the Companies Act 2006, and were in force throughout the year and up to the date of signing the Annual Report.

Going concern

The Company is part of the wider Galliford Try Holdings plc group (the "Group"), and the directors of the Group have assessed the full cash requirements of each Company over the coming 12 months. As at 30 June 2020 and at the time of signing these financial statements, the Group had substantial cash balances, no debt, and a strong forward secured order book.

The Directors regularly review the working capital requirements of the Company as part of the Group while considering downside sensitivities, including the economic uncertainties resulting from Covid-19 which resulted in the closure of sites across the country. All sites have since re-opened and appropriate operating procedures adopted, including social distancing measures. Even in the worst-case scenario, the Group is forecast to continue to meet obligations and remain cash positive.

The directors of the Group have provided a letter of support that the Group will provide sufficient operational and financial support to the Company to enable it, in the normal course of business, to meet its liabilities as they fall due and carry on its business without curtailment for the foreseeable future. Given the financial strength of the wider Group the directors consider that this financial support will enable the Company to discharge its obligations in the ordinary course of business for a period of at least twelve months from the date when the financial statements are authorised for issue. The directors therefore consider it appropriate to continue to prepare the financial statements on a going concern basis.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 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.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware;
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, BDO LLP, who were appointed during the year, have indicated their willingness to continue in office.

Post balance sheet events

No matters have arisen since the year end that requires disclosure in the financial statements.

The directors' report was approved by the board of directors on 16 December 2020 and signed by its order by:

Galliford Try Secretariat Services Limited
Company Secretary

Rock & Alluvium Limited
Independent auditors' report to the members of Rock & Alluvium Limited

Report on the financial statements

Opinion

We have audited the financial statements of Rock & Alluvium Limited ("the Company") for the year ended 30 June 2020 which comprise the Balance sheet, the Income statement, the Statement of changes in equity and the 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 101 *Reduced Disclosure Framework* (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 June 2020 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

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, 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

As explained more fully in the Statement of Directors Responsibilities, 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.

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:
https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Charles Ellis (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
16 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Rock & Alluvium Limited
Income statement for the year ended 30 June 2020

	Note	2020 £'000	2019 £'000
Revenue	2	**11,586**	19,417
Cost of sales[1]		**(9,543)**	(16,046)
Gross profit		**2,043**	3,371
Administrative expenses		**(2,323)**	(2,389)
Operating (loss)/profit		**(280)**	982
Interest receivable and similar income	4	**–**	10
Interest payable and similar charges	4	**(252)**	–
(Loss)/profit before taxation	5	**(532)**	992
Tax credit/(charge) on (loss)/profit	6	**121**	(188)
(Loss)/profit for the financial year		**(411)**	804

There are no recognised gains and losses other than those shown in the income statement above and therefore no separate statement of comprehensive income has been presented.

All results are derived from continuing operations.

The notes on pages 15 to 29 are an integral part of these financial statements.

[1] The Company adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity. This results in a reduction in operating lease costs within administrative expenses and an increase in depreciation charge and interest expense (note 8 and 21).

Rock & Alluvium Limited
Balance sheet as at 30 June 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	7	**979**	1,224
Right of use asset[1]	8	**5,270**	–
Total non-current assets		**6,249**	1,224
Current assets			
Inventories	9	**1**	6
Trade and other receivables	10	**7,150**	9,877
Cash and cash equivalents	12	**598**	767
Corporation tax recoverable	11	**115**	–
Total current assets		**7,864**	10,650
Total assets		**14,113**	11,874
Liabilities			
Current liabilities			
Trade and other payables	13	**(1,348)**	(3,506)
Lease liabilities[1]	8	**(1,180)**	–
Corporation tax payable	14	**–**	(172)
Total current liabilities		**(2,528)**	(3,678)
Net current assets		**5,336**	6,972
Non-current liabilities			
Lease liabilities[1]	8	**(3,249)**	–
Deferred taxation	16	**(135)**	(35)
Total non-current liabilities		**(3,384)**	(35)
Total liabilities		**(5,912)**	(3,713)
Net assets		**8,201**	8,161
Equity			
Share capital	17	**100**	100
Other reserves		**775**	775
Profit and loss account		**7,326**	7,286
Total equity		**8,201**	8,161

The notes on pages 15 to 29 are an integral part of these financial statements.

The financial statements on pages 12 to 29 were approved by the Board of directors on 16 December 2020 and signed on its behalf by:

N Cocker
Director
Registered number: 01795468

[1] The Company adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity. This results in a reduction in operating lease costs within administrative expenses and an increase in depreciation charge and interest expense, refer to notes 8 and 21.

Rock & Alluvium Limited
Statement of changes in equity for the year ended 30 June 2020

	Share capital £'000	Other reserves £'000	Profit and loss account £'000	Total equity £'000
As at 01 July 2018	100	775	6,482	7,357
Profit for the financial year	–	–	804	804
As at 30 June 2019	100	775	7,286	8,161
Adjustment as a result of transition to IFRS 16 on 1 July 2019[1]	–	–	451	451
As at 01 July 2019	100	775	7,737	8,612
Loss for the financial year	–	–	(411)	(411)
As at 30 June 2020	**100**	**775**	**7,326**	**8,201**

The notes on pages 15 to 29 are an integral part of these financial statements.

[1] The Company adopted IFRS 16 Leases on 1 July 2019 using the modified retrospective approach with any reclassification and adjustments arising from the initial application recognised as an adjustment to opening equity. This results in a reduction in operating lease costs within administrative expenses and an increase in depreciation charge and interest expense, refer to notes 8 and 21.

1. Accounting policies

General Information

Rock & Alluvium Limited ('the Company') is a limited Company incorporated and domiciled in England and Wales (Registered number: 01795468). The address of the registered office is Cowley Business Park, Cowley, Uxbridge, Middlesex, UB8 2AL. Refer to note 20 for details of the immediate and ultimate parent undertaking. The principal activity of the Company is set out on page 2.

The financial statements are measured and presented in pounds sterling as that is the currency of the primary economic environment in which the Company operates. The amounts stated are denominated in thousands (£'000).

Basis of accounting

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 20 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS as adopted by the EU may be obtained.

The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- The requirements of IAS 7 to present cash flow statement.
- The requirements of paragraph 45(b) and 46 to 52 of IFRS 2, Share Based Payments.
- The requirements of IFRS 7, Financial Instrument Disclosures.
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement.
- The requirements of paragraph 30 and 31 of IAS 8 Accounting Policies.
- The requirements of paragraph 17 of IAS 24, Related Party Disclosures, and the requirements in IAS 24 to disclose related party transactions between two members of the Galliford Try group.
- The requirements of paragraph 134 (d) to 134 (f) of IAS 36 Impairment of Assets.
- Certain disclosure requirements under IFRS12 Disclosure of Interests in Other Entities.
- The requirements of Paragraph 38 of IAS1, Presentation of financial statements.

New amendments to standards that became mandatory for the first time for the financial year beginning 1 July 2019 are listed below. The new amendments had no significant impact on the Company's results other than certain revised disclosures.

- Amendments to FRS 9 'Financial Instruments' on prepayments with negative compensation and modification of financial liabilities (effective 1 January 2019).
- Amendments to IAS 19 ' Employee Benefits' on plan amendment curtailment or settlement (effective 1 January 2019).
- IFRS 16 'Leases' (effective 1 January 2019).
- Amendments to IAS 28 'Long-term interests in Associates and Joint Ventures' (effective 1 January 2019).
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019).
- Amendments resulting from annual improvements 2015-2017 cycle (effective 1 January 2019).

1. Accounting policies (continued)

Basis of accounting (continued)

The new standards and amendments had no significant impact on the Company's results except as described below:

- IFRS 16 Leases'

The Company has adopted IFRS 16 Leases from 1 July 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and instead introduces a single lease accounting model. The Company, as lessee, has recognised a long-term depreciating right of use asset and corresponding lease liability. The lease was previously categorised as either operating or finance leases.

The Company has adopted the modified retrospective approach for IFRS 16, recognising the right of use asset as if IFRS 16 has always been applied (but using the incremental borrowing rate as at the date of initial application of 1 July 2019), with a resulting transition adjustment recognised to opening equity. The weighted average incremental borrowing rate applied was 3.77%.

The Company has used the following practical expedients permitted by the standard on transition to IFRS 16:

- The treatment of leases with a remaining term of less than 12 months at 1 July 2019 as short–term leases.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The reliance on assessments made under IAS 37 prior to transition as to whether leases are onerous as an alternative to performing an impairment review.

Payments associated with short–term leases (with a lease term of 12 months or less) and leases of low–value assets are recognised as an expense on a straight–line basis over the lease term.

In line with the requirements of the standard with regards to the transition option adopted, the Company has not restated its comparative information which continues to be reported under previous leasing standards, IAS 17. As required by IFRS 16, the Company has provided a reconciliation of the lease commitment disclosed as at 30 June 2019 to the opening lease liability under IFRS 16 as at 1 July 2019.

The financial impact on transition is as follows (note 8):

	£'000
Right of use assets	**5,594**
Lease liabilities	**(5,037)**
Deferred tax liability recognised on transition	**(106)**
Retained earnings on transition at 1 July 2019	**451**

As a result of this new standard, the Company has reviewed its accounting policies in respect of lease accounting (where applicable) and this is detailed below.

Accounting policy applied from 1 July 2019

Prior to 1 July 2019, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases. Rentals under operating leases were charged to the income statement on a straight–line basis over the lease term.

1. Accounting policies (continued)

Basis of accounting (continued)

Accounting policy applied from 1 July 2019 (continued)

From 1 July 2019, leases are recognised as a right–of–use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term at a constant periodic rate of interest on the remaining balance of the liability. The right–of–use asset is depreciated over the lease term on a straight–line basis, unless the useful life of the asset is shorter than the lease term. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company leases a variety of property, plant and equipment, such as offices, site plant and accommodation and cars. Rental contracts are usually made for fixed periods of 1 to 5 years but may be for longer or shorter periods or include extension options or break clauses. Leases of site plant and accommodation are not made for fixed periods but can be terminated when no longer required. Leases are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Payments associated with short–term leases and leases of low–value assets (defined as those with a weekly lease payment of less than £25) are recognised on a straight–line basis as an expense. Assets and liabilities arising from a lease are initially measured on a net present value basis. Lease liabilities comprise the net present value of the following lease payments:

- Fixed payments (including in–substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or a rate.

The lease payments are discounted using the appropriate incremental borrowing rate specific to each lease within each asset class. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, with similar security, the funds necessary to obtain an asset of similar value to the right–of–use assets in a similar economic environment.

Right–of–use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any direct costs incurred or expected to dismantle and remove the underlying asset, less any lease incentives received.

New standards, amendments and interpretations issued but not effective or yet to be endorsed by the EU are as follows:

- Amendments to IFRS 3 – Definition of a Business (effective 1 January 2020).
- Amendments to IAS 1 and IAS 8 on the Definition of Material (effective 1 January 2020).
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform (effective 1 January 2020).
- Amendment to IFRS 16 – Covid-19-Related Rent Concessions (effective 1 June 2020).
- IFRS 17 'Insurance Contracts' (effective 1 January 2023).
- Amendments to IAS 1, Presentation of financial statements on classification of liabilities as current or non-current (effective 1 January 2022).

The Company has yet to assess the full impact of these new standards and amendments. Initial indications are that they will not significantly impact the financial statements of the Company.

1. Accounting policies (continued)

Covid-19

The Covid-19 outbreak has developed rapidly in 2020. Measures taken to contain the virus have affected the wider economy and directly impacted on the Company's trading results (as detailed further in the Strategic report). The Company continued to operate sites where possible, in a safe and appropriate manner and strictly in accordance with both Government and the Construction Leadership Council health and safety guidelines and regulations. In light of the pandemic, the Company has performed a further review of its accounting policies and consider they remain appropriate.

Going concern

The Company is part of the wider Galliford Try Holdings plc group (the "Group"), and the directors of the Group have assessed the full cash requirements of each Company over the coming 12 months. As at 30 June 2020 and at the time of signing these financial statements, the Group had substantial cash balances, no debt, and a strong forward secured order book.

The Directors regularly review the working capital requirements of the Company as part of the Group while considering downside sensitivities, including the economic uncertainties resulting from Covid-19 which resulted in the closure of sites across the country. All sites have since re-opened and appropriate operating procedures adopted, including social distancing measures. Even in the worst-case scenario, the Group is forecast to continue to meet obligations and remain cash positive.

The directors of the Group have provided a letter of support that the Group will provide sufficient operational and financial support to the Company to enable it , in the normal course of business, to meet its liabilities as they fall due and carry on its business without curtailment for the foreseeable future. Given the financial strength of the wider Group the directors consider that this financial support will enable the Company to discharge its obligations in the ordinary course of business for a period of at least twelve months from the date when the financial statements are authorised for issue. The directors therefore consider it appropriate to continue to prepare the financial statements on a going concern basis.

Critical accounting estimates and judgments

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Estimation of costs to complete and loss provisions

In order to determine the profit and loss that the Company is able to recognise on its construction contracts in a specific period, the Company has to allocate total costs of the construction contracts between the proportion completing in the period and the proportion to complete in a future period. The assessment of the total costs to be incurred and final contract value requires a degree of estimation.

1. Accounting policies (continued)

Critical accounting estimates and judgments (continued)

The estimation of final contract value includes assessments of the recovery of variations which have yet to be agreed with the client, compensation events and claims where these meet the criteria set out in the Company's accounting policies and are in accordance with IFRS 15 Revenue from Contracts with Customers and are therefore highly probable to be agreed. The amount of these variations and claims can be substantial and at any time, these are often not fully agreed with the customer due to timing and requirements of the normal contractual process.

The Company recognises recoveries of claims from clients in certain situations where clear entitlement has been established such as through dispute-resolution processes. Therefore, assessments are based on an estimate of the potential cost impact of the compensation events and revenue is constrained to the extent that amounts that the Company believes are highly probable of not being subject to a significant reversal.

Revenue and profit

Revenue is recognised when the Company transfers control of goods or services to customers. Revenue comprises the fair value of the consideration received or receivable net of rebates, discounts and value added tax. Where consideration is subject to variability, the Company estimates the amount receivable. Revenue recognised is constrained to the amount which is highly probable not to result in a significant reversal in future period. Revenue also includes the Company's proportion of work carried out under jointly controlled operations.

Where a modification to an existing contract occurs, the Company assesses the nature of the modification and whether it represents a separate performance obligation required to be satisfied or whether it is a modification to the existing performance obligation.

Revenue is recognised as follows:

Construction contracts

Revenue comprises the value of construction services transferred to a customer during the period. The results for the period include adjustments for the outcome of contracts, including jointly controlled operations, executed in both the current and preceding years.

Fixed price contracts - the amount of revenue recognised is calculated based on total costs incurred as a proportion of total estimated costs to complete. The estimated final value includes variations, compensation events and claims where it is highly probable that there will not be a significant reversal. Provision will be made against any potential loss as soon as it is identified.

Cost-reimbursable contracts - revenue is recognised based upon costs incurred to date plus any agreed fee. Where contracts include a target price consideration is given to the impact on revenue of the mechanism for distributing any savings or additional costs compared to the target price. Any revenue over and above the target price is recognised once it is highly probable that there will not be a significant reversal. Revenue includes any variations and compensation events where it is highly probable that there will not be a significant reversal.

Interest income and expense

Interest income and expense is recognised on a time proportion basis using the effective interest method.

Dividend policy

Final dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

1. Accounting policies (continued)

Income tax

Current income tax is based on the taxable profit for the year. Taxable profit differs from profit before taxation recorded in the income statement because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The liability for current tax is calculated using rates that have been enacted, or substantively enacted, by the balance sheet date.

The Company surrenders tax losses and other allowances by group relief to other Galliford Try group companies. The party accepting such surrender pays the company an amount equal to the amount of tax such accepting party would have paid but for such surrender.

Deferred income tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes with the exception of the initial recognition of goodwill arising on an acquisition. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on rates and laws that have been enacted or substantively enacted by the balance sheet date. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying temporary differences can be deducted. Deferred income tax is charged or credited through the income statement, except when it relates to items charged or credited through the comprehensive income, when it is charged or credited there.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated to write off the cost of each asset to estimated residual value over its expected useful life. Freehold land is not depreciated. The annual rates of depreciation are as follows:

On cost:

Leasehold improvements	2% on cost
Plant and machinery	15% to 33%
Fixtures and fittings	10% to 33%

In addition to systematic depreciation, the book value of property, plant and equipment would be written down to estimated recoverable amount should any impairment in the respective carrying values be identified. The asset residual values, carrying values and useful lives are reviewed on an annual basis and adjusted if appropriate at each balance sheet date. Repairs and maintenance expenditure is expensed as incurred on an accruals basis.

Leases

Leases for all comparative periods have been accounted for under IAS 17. Under this standard, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases. Rentals under operating leases were charged to the income statement on a straight-line basis over the lease term. IFRS 16 is applicable to all accounting periods beginning on or after 1 July 2019. In accordance with IFRS 16, leases are recognised as a right–of–use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term at a constant periodic rate of interest on the remaining balance of the liability. The right–of–use asset is depreciated over the lease term on a straight–line basis, unless the useful life of the asset is shorter than the lease term.

1. Accounting policies (continued)

Inventories

Inventories are valued at the lower of cost and net realisable value. Work in progress is valued at the lower of cost, including direct costs and directly attributable overheads, and net realisable value.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established based on an expected credit loss model (general or simplified approach as detailed under impairment of financial assets). The amount of the loss is recognised in the income statement.

When a trade receivable is uncollectible, it is written off against the impairment provision for trade receivables. Subsequent recoveries of amounts previously written off are credited against cost of sales in the income statement. Short-term trade receivables do not carry any interest and are stated at their amortised cost, as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal value. Bank overdrafts are also included as they are an integral part of the Company's cash management. Bank deposits with an original term of more than three months are classified as short-term deposits where the cash can be withdrawn on demand and the penalty for early withdrawal is not significant.

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate and subsequently held at amortised cost. The discount to nominal value is amortised over the period of the credit term and charged to finance costs using the effective interest rate. Changes in estimates of the final payment due are taken to developments (land), in due course, to cost of sales in the income statement.

Retirement benefit obligations

The Company operates a defined contribution pension scheme. The pension cost charge disclosed in note 3 represents contributions payable by the Company to the fund. Contributions to the defined contribution schemes are determined as a percentage of employees' earnings and are charged to the income statement on an accruals basis.

2. Revenue

Revenue and profit are recognised as follows:

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms
Fixed price	A number of projects are undertaken using fixed-price contracts. Contracts are typically accounted for as a single performance obligation; even when a contract (or multiple combined contracts) includes both design and build elements, they are considered to form a single performance obligation as the two elements are not distinct in the context of the contract given that each is highly interdependent on the other. The Company typically receives payments from the customer based on a contractual schedule of value that reflects the timing and performance of service delivery. Revenue is therefore recognised over time (the period of construction) based on an input model (reference to costs incurred to date). Un-invoiced amounts are presented as contract assets. Management do not expect a financing component to exist.
Cost-reimbursable	A number of projects are undertaken using open-book/cost-plus (possibly with a pain/gain share mechanism) contracts. Contracts are typically accounted for as a single performance obligation with the majority of these contracts including a build phase only. The Company typically receives payments from the customer based on actual costs incurred. Revenue is therefore recognised over time (the period of construction) based on an input model (reference to costs incurred to date). Un-invoiced amounts are presented as contract assets. Management do not expect a financing component to exist.

Disaggregation of revenue

The Company derives its revenue from contracts with customers for the transfer of goods and services, both at a point in time and over time. The revenue disaggregation below represents the Company's underlying revenue.

Timing of revenue recognition	**2020** **£'000**	2019 £'000
Over time	**11,586**	19,417
At a point in time	**–**	–

Transaction price allocated to the remaining performance obligations

The Company applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

3. Employees and directors

Employee benefit expense for the Company for the year is:

	2020 **£'000**	2019 £'000
Wages and salaries	**2,992**	3,431
Social security costs	**312**	357
Other pension costs	**183**	181
	3,487	3,969

3. Employees and directors (continued)

The average monthly number of people including executive directors employed is:

	2020 Number	2019 Number
By activity:		
Production and sales	**41**	42
Administration and support	**18**	19
Management	**6**	6
Average number of employees during the year	**65**	**67**

The disclosure above includes employees who are employed by Galliford Try Employment Limited, a fellow subsidiary company, who are seconded to Rock & Alluvium Limited and their costs are recharged to the Company accordingly.

Highest paid director

	2020 £'000	2019 £'000
Aggregate emoluments	**160**	188
Company pension contributions to money purchase schemes	**8**	24
	168	212

Aggregate directors' emoluments

	2020 £'000	2019 £'000
Aggregate emoluments	**177**	295
Company pension contributions to money purchase schemes	**65**	35
Total	**242**	330

The emoluments of B Hocking and N Cocker are paid by other subsidiaries within the Group. These directors are also directors of fellow subsidiaries of Galliford Try Holdings plc and it is not possible to make an accurate apportionment in respect of their emoluments to this subsidiary. Accordingly, the above details include no emoluments in respect of these directors. Their emoluments are disclosed where appropriate in the financial statements of the companies where significant costs are incurred.

4. Interest payable and similar charges / interest receivable and similar income

	2020 £'000	2019 £'000
Interest receivable and similar income		
-on gross cash balances (note 12)	–	10
Total interest receivable and similar income	–	10
Interest payable and similar charges		
-on gross overdraft balances (note 12)	**(38)**	–
-on leased assets	**(214)**	–
Total interest payable and similar charges	**(252)**	–
Net finance (cost)/income	**(252)**	10

5. (Loss)/profit before taxation

The following items have been included in arriving at the (loss)/profit before taxation:

	2020 £'000	2019 £'000
Employee benefits expense	**3,487**	3,969
Depreciation of property, plant and equipment		
- Owned assets	**212**	168
- Right of use assets	**514**	–
Repairs and maintenance expenditure on property, plant and equipment	**43**	33

Services provided by the Company's auditors

During the year the Company obtained the following services from the Company's auditors at costs as detailed below:

The auditors' remuneration is borne by Galliford Try Services Limited, a fellow subsidiary of Galliford Try Holdings plc (2019: fees payable to the Company's auditors for the audit of the financial statements £7,000).

6. Tax on (loss)/profit

	2020 £'000	2019 £'000
Current tax for the year	**115**	(172)
Deferred tax credit/(expense)	**6**	(20)
Adjustments in respect of prior years:		
Deferred tax	**–**	4
Income tax credit/(expense)	**121**	(188)

The total income tax credit for the year of £121K (2019: expense £188K) is higher than (2019: lower than) the blended standard rate of corporation tax in the UK of 19.00% (2019: 19.00%).

The differences are explained below:

	2020 £'000	2019 £'000
(Loss)/profit on ordinary activities before taxation	**(533)**	992
(Loss)/profit before income tax multiplied by the blended standard rate in the UK of 19.00% (2019: 19.00%)	**101**	(189)
Expenses not deductible for tax purposes	**(3)**	(3)
Non-taxable income	**1**	–
Adjustments in respect of prior years	**–**	4
Other	**22**	–
Income tax credit	**121**	(188)

7. Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 01 July 2019	217	2,055	36	2,308
Additions	–	94	5	99
Disposals	–	(171)	–	(171)
At 30 June 2020	**217**	**1,978**	**41**	**2,236**
Accumulated depreciation				
At 01 July 2019	170	908	6	1,084
Charge for the year	10	195	7	212
Disposals	–	(39)	–	(39)
At 30 June 2020	**180**	**1,064**	**13**	**1,257**
Net book amount				
At 30 June 2020	**37**	**914**	**28**	**979**
At 30 June 2019	47	1,147	30	1,224

On transition to IFRS 16 on 1 July 2019, the Company has recognised right of use assets, refer to Note 8. Prior to 1 July 2019, under IAS 17, there were no assets held under finance leases.

The cost of land and buildings primarily relates to leasehold improvements.

There has been no impairment of property, plant and equipment during the year (2019: £Nil).

8. Leases

This note provides information for leases where the Company is a lessee.

Right of use assets

	Land and buildings £'000	Plant and machinery £'000	Motor Vehicles £'000	Total £'000
Cost				
At 01 July 2019 (on transition to IFRS16)	1,367	4,118	109	5,594
Additions	–	–	189	189
At 30 June 2020	**1,367**	**4,118**	**298**	**5,783**
Accumulated depreciation				
At 01 July 2019 (on transition to IFRS 16)	–	–	–	–
Charge for the year	83	351	79	513
At 30 June 2020	**83**	**351**	**79**	**513**
Net book amount				
At 30 June 2020	**1,284**	**3,767**	**219**	**5,270**
At 1 July 2019 (on transition to IFRS16)	1,367	4,118	109	5,594

8. Leases (continued)

Lease liabilities

	2020 £'000	2019 £'000
Current	1,180	–
Non-current	3,249	–
Total lease liabilities	**4,429**	–

The statement of profit or loss shows the following amounts relating to leases:

	2020 £'000	2019 £'000
Depreciation of right-of-use assets	**513**	–
Interest expense (included in finance cost)	**214**	–
Total expenses	**727**	–

The total of future minimum lease payments under short term and low value non-cancellable lease rentals (that are recognised as an expense over a straight- line) are payable as follows:

	Plant and machinery £'000	Motor Vehicles £'000
Less than 1 year	39	92
Total	39	92

The Company has not early adopted the Amendment to IFRS 16 Covid-19 Related Rent Concessions (effective 1 June 2020). The amendment is optional and not expected to have a material impact.

9. Inventories

	2020 £'000	2019 £'000
Raw materials and consumables	**1**	6

No inventories have been written off during the year (2019: £nil).

10. Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade receivables	**36**	77
Contract assets	**1,290**	1,983
Amounts owed by Group undertakings	**5,501**	7,355
Recoverable value-added tax	**257**	357
Prepayments and accrued income	**66**	105
	7,150	9,877

Amounts owed by fellow group undertakings are a mixture of interest bearing and non-interest bearing balances, unsecured and are repayable on demand.

11. Corporation tax recoverable

	2020 £'000	2019 £'000
Corporation tax recoverable	115	–

The Company surrenders tax losses and other allowances by group relief to other Galliford Try group companies. The party accepting such surrender pays the Company an amount equal to the amount of tax such accepting party would have paid but for such surrender.

12. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash and cash equivalents	**598**	767

It should be noted that cash and cash equivalents and bank overdrafts are presented on a net (offset) basis in the current year whereas they were presented on a gross basis in the prior year. In 2016, the IFRS Interpretations Committee released an update in respect of IAS 32 'Financial instruments: presentation' specifically in relation to offsetting and cash pooling. This clarified that in order to offset bank account balances, an entity must have both a legally enforceable right and an intention to do so. The Company's bank arrangements and facilities with both HSBC Bank plc and Barclays Bank plc provide the legally enforceable right to offset and in the current year, the Company demonstrated its intention to offset by formally sweeping the balances. Consequently, the balances have been offset in the financial statements in 2020.

Treasury is managed by Galliford Try Services Limited, a fellow subsidiary of Galliford Try Holdings plc, on behalf of the Group and all subsidiary entities, and those entities earn interest at a rate of 1.5% on bank deposits and are charged 6.5% on bank overdrafts. It should be noted that interest income has been earned on gross cash balances and interest expense has been charged on gross overdraft balances (note 4).

13. Trade and other payables

	2020 £'000	2019 £'000
Trade payables	**962**	1,979
Amounts owed to Group undertakings	**27**	34
Accrued liabilities	**359**	1,493
	1,348	3,506

Amounts owed to fellow group undertakings are non-interest bearing, unsecured and repayable on demand.

14. Corporation tax payable

	2020 £'000	2019 £'000
Corporation tax payable	–	172

15. Contract balances

Contract assets and liabilities are included within "trade and other receivables" and "trade and other payables" respectively on the face of the Balance Sheet. Where there is a corresponding contract asset and liability in relation to the same contract, the balance shown is the net position. The timing of work performed (and thus revenue recognised), billing profiles and cash collection, results in trade receivables (amounts billed to date and unpaid), contract assets (unbilled amounts where revenue has been recognised) and customer advances and deposits (contract liabilities), where no corresponding work has yet to be performed, being recognised on the Company's balance sheet.

	Contract assets £'000
At 30 June and 1 July 2019	**1,983**
Revenue recognised of which relates to performance obligations satisfied in the current year	**11,586**
Transfers in the period from contract assets to trade receivables	**(12,279)**
	1,290

16. Deferred taxation

Deferred income tax is calculated in full on temporary differences under the liability method using a tax rate of 19.0% (2019: 19.0%).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities. The net deferred tax position at 30 June 2020 was:

	2020 £'000	2019 £'000
Deferred tax liabilities	**(135)**	(35)

The movement for the year in the net deferred income tax account is as shown below:

	2020 £'000	2019 £'000
At 30 June 2019	**(35)**	(19)
Effect of transition to IFRS16	**(106)**	–
At 30 June 2019	**(141)**	(19)
Income statement:		
Deferred tax credit	**6**	4
Adjustment to prior year's deferred income tax	–	(20)
At 30 June 2020	**(135)**	(35)

Deferred income tax assets have been recognised in respect of all the losses and other temporary differences because it is probable that these will be recovered.

17. Share capital

Allotted and fully paid ordinary shares of 1 each	**Number of shares**	**Share capital £'000**
At 01 July 2019 and 1 July 2018	**100,120**	100
At 30 June 2020 and 30 June 2019	**100,120**	100

18. Guarantees and contingent liabilities

Disputes arise in the normal course of business, some of which lead to litigation or arbitration procedures. The directors make proper provision in the financial statements when they believe a liability exists. Whilst the outcome of disputes and arbitration is never certain, the directors believe that the resolution of all existing actions will not have a material adverse effect on the Company's financial position.

19. Post balance sheet events

No matter has arisen since the year end that requires disclosure in the financial statements.

20. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Galliford Try Construction & Investments Holdings Limited which is registered in England and Wales. The ultimate parent undertaking and controlling party is Galliford Try Holdings plc, which is registered in England and Wales. Copies of the consolidated group financial statements of Galliford Try Holdings plc are publicly available from Galliford Try Holdings plc, Cowley Business Park, Cowley, Uxbridge, Middlesex, UB8 2AL.

21. *Impact of the adoption of* IFRS 16 Leases

The following is the impact of transition on the individual balance sheet accounts:

	As originally reported at 30 June 2019 £'000	Impact of IFRS16 £'000	As at 1 July 2019 Group total £'000
Right of use assets	–	5,594	5,594
Lease prepayment assets (de-recognised)	–		
Lease liabilities	–	(5,037)	(5,037)
Lease accrual liabilities (de-recognised)	–		–
Deferred tax (associated with leases)	–	(106)	(106)
Net impact on retained earnings on transition at 1 July 2019	–	451	451

The following is a reconciliation of the operating lease commitment disclosed at 30 June 2019 to opening lease liability at 1 July 2019:

	£'000
Operating lease commitment disclosed at 30 June 2019	(6,376)
Discounted at the incremental borrowing rate[i]	2,293
Adjustments as a result of a different lease term under IFRS 16	(954)
Lease liability recognised at 1 July 2019	(5,037)

[i] The weighted average borrowing rate was 3.77%, with a range of values between 3.10% and 5.98%.

Impact in the period

As a result of the application of IFRS 16, the operating lease rental expense previously charged to operating profit in the income statement is replaced by an amortisation charge for the 'right of use' assets recognised in operating profit and an interest charge on the lease liabilities recognised in finance costs. During the year ended 30 June 2020, the depreciation charge relating to right of use assets was £514K and the interest charge was £214K.