Registered number: 10966583

RYDON GROUP HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Consolidated parent company accounts for filing with Rydon Holdings Limited. 05556300.

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COMPANY INFORMATION

Directors	R Bond N Standen
Company secretary	M Day
Registered number	10966583
Registered office	Rydon House Station Road Forest Row East Sussex RH18 5DW
Independent auditor	Grant Thornton UK LLP *Chartered Accountants & Statutory Auditor* 2nd Floor St John's House Haslett Avenue West Crawley West Sussex RH10 1HS

RYDON GROUP HOLDINGS LIMITED

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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- *prepare the financial statements on the going concern basis unless it is inappropriate to presume that the* Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activities of the company and its subsidiaries continued to be that of building contractors, developers and maintenance contractors.

Results and dividends

The loss for the year, after taxation and non-controlling interests, amounted to £2.1m *(2019 profit: £12.4m).*

During the year no ordinary dividends were paid *(2019: £5.0m).* The directors do not recommend the payment of further ordinary dividends *(2019: £nil).*

Preference share dividends paid during the year amounted to £0.36m *(2019: £0.19m).*

Directors

The directors who served during the year and up to the date of approval of these financial statements were:

R Bond
N Standen

Political contributions

Neither the company nor any of its subsidiaries made any political donations or incurred political expenditure during the year *(2019: £nil)*.

Future developments

Future developments are deemed to be of strategic importance to the Group and accordingly have been outlined within the Strategic Report. Future developments are discussed in the Strategic Report on page 8 of these financial statements.

Financial risk management

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

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

Credit risk
The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is continually reviewed by the senior management team. Within the Construction and Maintenance divisions, the majority of their customers are government/quasi-government bodies. In our Homes division, plot and land sales only take place once sales proceeds have been received.

Interest rate risk
The Group's cash and that of its subsidiaries are managed by the directors of Rydon Holdings Limited. The Group has entered into RCF and overdraft borrowing facilities with Lloyds Bank PLC bank. The interest rate is based on a fixed margin on top of the Bank of England base rate. Given the nature of our business and size of the facilities the directors do not think it is appropriate to use financial instruments to manage interest rate risk.

Engagement with employees

The Group places a strong emphasis on regular engagement and communications with employees and employee representative groups in order to provide regular updates on the progress of the Group as well as other relevant matters. Channels for communications are generally two way in the sense that feedback and dialogue is encouraged and include:

- A monthly 'bulletin' from the directors providing a rolling overview of market engagement, policies and reward and recognition
- Staff 'tool box' talks where site staff are updated by directors on current developments
- A staff forum managed by employee representatives through which ideas are encouraged and staff engagement activities are discussed
- A Group intranet site which is regularly updated with news and event information as well as updates on policy and process
- Ordinarily the Group holds an annual staff meeting in March for all employees but this was cancelled in 2020 due to social distancing measures. To compensate, the CEO and directors sent out weekly email updates to all staff during the initial lockdown
- Annual performance reviews and appraisals where directors and their reports engage with employees on performance targets and the support required to meet them
- Reward and recognition where employees that have achieved notable successes such as securing an industry award or receiving a significant professional accreditation are recognised in the monthly bulletin.

Engagement with suppliers, customers and others

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

Disabled employees

The Group's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Disabled employees receive appropriate training to promote their career development within the group. Employees who become disabled are retained in their existing posts where possible or retrained for suitable alternative posts.

Qualifying third party indemnity provisions

Third party directors and officers insurance, a qualifying third party indemnity provision, was provided for all directors and officers of the company during the year and at the date of approval of the financial statements under a policy in the name of the Company, and all subsidiary companies.

Greenhouse gas emissions, energy consumption and energy efficiency action

Greenhouse Gas (CHG) Emissions
In line with the Greenhouse Gas Protocol (GHG) Corporate Accounting and Reporting Standards, the Group has been engaged in a process aimed at reducing our energy and greenhouse gas emissions.

The Group currently maintain both scope 1 & 2 emissions, which are generated from our sites, offices and transport. We maintain emissions from a range of transport including company cars / vans, and "grey fleet" (personal cars used for business purposes).

The Group is currently devising a strategy to reduce our carbon footprint significantly including:

- Encouraging employees to purchase renewable technology cars,
- Purchasing energy efficient equipment where appropriate in our offices,
- Replacing heating, ventilation and air-conditioning systems with energy-efficient equipment where possible,
- Adopting behavioural change measures where possible.

We have a longstanding commitment to tackling climate change. Our calculated carbon footprint for the current financial year is 1,568 tCO2e whilst energy consumption was 3,581 MWh.

Methodology
Emission sources have been reported under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 as required. We have calculated and reported our emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2020 (reference "Introduction guidance").

The reporting period is the year ended 30 September 2020, the same as covered by the Annual Report and Financial Statements. The boundaries of the GHG inventory are defined using the operational control approach. In general, the emissions reported are the same as those which would be reported based on a financial control boundary.

Intensity metric and emissions in Tonnes CO2 equivalent (tCO2e)
Scope 1 and scope 2 carbon intensity metric = 2.51 tCO2e per person based on the average number of employees during the period (624).

	2020 £000
Scope 1 Emissions (natural gas & gas oil)	**411**
Scope 1 Emissions (transport)	**779**
Scope 2 Emissions (electricity)	**378**
	1,568

Efficiency measures taken
1) Replaced aging office equipment with energy-efficient products
2) Continual review of car policy and driver's handbook
3) Expanded video conferencing and online meetings (as opposed to face to face meetings)
4) Installing electric vehicle charging points at our various premises

Objectives for 2020/2021
1) Reduce our baseline electricity and gas consumption by 2%
2) Continual review of existing office equipment and company policies
3) Reviewing supply contracts to determine feasibility of renewable energy
4) Assessment of the Energy Opportunity Scheme (ESOS) recommendations and implementation of those relevant to Rydon's business
5) Continue with our energy-savings programme

Provision of information to auditor

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

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

Post balance sheet events

There have been no significant events since the year end that the directors consider require disclosure in, or adjustments to, these financial statements except for the purchase of the minority interest in Beacon Plant Hire (Southern) Limited in October 2020 for a consideration of £350,000.

Auditor

Given that KPMG LLP have audited the Group for over 12 years, good governance considerations have led the directors to appoint Grant Thornton UK LLP as auditors in place of KPMG LLP.

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

This report was approved by the board on 31 December 2020 and signed on its behalf.

R. Bond

R Bond
Director

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Introduction

The directors present their strategic report on the Group for the year ended 30 September 2020.

The Rydon Group Strategic Focus

- The strategic focus of Rydon Group is to derive a fair return from its delivery of built environment solutions for education, housing, healthcare and commercial that address social challenges and advance society.
- With over forty years' experience in the industry, using a rich bank of knowledge across our three operating divisions - Rydon Construction, Rydon Homes and Rydon Maintenance - we combine our commitment to a passion for quality, working together and with multi-disciplinary experience, to make a positive difference to the communities we work with.
- The Rydon Group is privately owned and committed to working as a co-ordinated team with like-minded business partners and clients to deliver quality solutions. Equally, each operating company within the Rydon Group has its own specialist skills and can operate independently or through integrated, cross-disciplined programmes involving various components of the Group.

Results and performance

The results of the Group for the year show a loss before tax of £2.5m (2019 profit: £16.1m). The equity funds attributable to the owners of the parent company of the Group total £36.2m (2019: £40.1m).

The results for the year were impacted by Covid-19 which extended construction programmes, reduced client activity and delayed receipt of third party information such as local authority and land registry searches, and extended mortgage survey and approval processes during the lockdown period.

The performance of the Group during the year to 30 September 2020 has produced the following results.

Rydon Homes
Rydon Homes transforms carefully sourced land into opportunities to deliver high quality new housing that will satisfy market demand and support community need. Rydon Homes specialises in delivering small, select developments of high quality spacious homes, with easy access to local facilities and green spaces, typically within a friendly, well connected village in Sussex or Kent.

This is achieved through either the development or sale of the consented land. We do so in a manner which enables business growth, and allows us to make a reasonable return on our investment.

Our strength is in our ability to identify and contractually secure future development land opportunities and then add value by using our planning and commercial expertise to successfully promote these opportunities through the complexities of the planning system.

Rydon Construction

Rydon continues to be successful with its strategic focus on mixed use development opportunities in London and the South East. These are typically residential-led public sector partnerships where Rydon delivers a combination of private sales, affordable and private rented homes together with new facilities such as schools, health centres and community centres. August 2020 saw the launch of nine private for sale appartments adjacent to Fulham Boys School that Rydon expects to deliver in 2021 for LocatED, the government-owned property company, responsible for buying and developing sites for new schools in England. Green Man Lane in Ealing is a nine year four phase scheme which has already delivered a new school to the local community and will comprise mixed tenure housing and retail space with an estimated completion date of 2023. Rydon also has a number of diversified, non-housing projects underway including current work at Kent Medical Campus in Maidstone and the construction of a multi-storey car park together with residential and retail units in Bishops Stortford.

Rydon is also focused on the provision of a variety of housing needs for the UK's ageing population, particularly in the South West of the UK where we have been established since 2008 and have delivered a number of successful projects including extra care facilities, community hubs, schools and military facilities as part of the Aspire Defence Framework. In the South West, Rydon has continued to increase the diversity of its client base with projects such as an automotive research propulsion facility (IAAPS) for the University of Bath and a new factory in Bradford-On-Avon for AB Dynamics, which supplies integrated test systems to help develop the next generation of vehicles in the global automotive industry.

Rydon Maintenance

Our Maintenance business is primarily focused on Hard Facilities Management such as reactive and planned preventative maintenance, lifecycle works, alterations and small works, including void maintenance, delivered through a number of long-term PFI contracts. We have established a strong reputation as a provider of high quality maintenance services to social housing landlords throughout London and the South East of England, where we maintain around 10,000 properties.

We also currently maintain a wide range of facilities that comprise the healthcare estates of a number of NHS Trusts across a wide geography of England. Our experience in working within sensitive healthcare environments, including in specialist mental healthcare facilities, and of working closely with the service providers and users of these facilities, makes Rydon one of the leading FM companies in this field.

We have recently expanded our focus towards 'blue light' emergency services such as the South East Coast Ambulance Service (SECAM) where we are managing the Trust's properties via a help desk in relation to mechanical and electrical, public health system and fabric maintenance repairs. Maintenance has also started working with local authorities, such as Epsom & Ewell to maintain its building and other assets such as the public library and street lighting.

Rydon Group Holdings

We have made progress throughout the year in relation to key elements of our strategy, but unfortunately this has been affected by the impact of Covid-19. The Board monitors the progress of the Group by reference to the following KPIs:

Group Financial KPIs	**2020**	**2019**
Group turnover including share of joint ventures	£190.5m	£227.1m
Group turnover	£188.3m	£203.7m
Gross profit	£24.1m	£43.3m
Earnings before interest and tax	£(2.0)m	£16.1m
Return on capital*	(3.4)%	28.1%
Current ratio	1.8	1.7
Total assets less current liabilities	£58.0m	£57.2m

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

Operational KPIs	**2020**	**2019**
Housing – Successful planning decisions	9	7
Housing – Awaiting planning decisions	3	6
Housing – Failed planning decisions	1	3
Rydon Maintenance – Forward order book	£310m	£321m

Strategy and future developments

The Group's objectives are aligned with its strategy to capitalise on the economic and sector opportunities and to add shareholder value whist retaining and motivating our workforce.

Additionally, Rydon Construction continues to target strategic expansion further into the South West of England where it is well placed to deliver developments and take advantage of the continued sector opportunities. The Group's success is dependent on the proper selection, pricing and ongoing management of the risks it accepts.

Within our development company, Rydon Homes, we will continue to maintain and increase our portfolio of contractually controlled land at a level that will support our business model.

Rydon is always committed to leaving a positive legacy; delivering wider benefits to the communities where we work; minimising our impact on the environment; and bringing new employment opportunities for local people. We bring together an immense wealth of experience, expertise and talent, united by common values and principles. Rydon is a member of the 5% club, committing at least 5% of its staff to 'earn and learn' opportunities. We are members of Women Into Construction, promoting gender equality in the workforce and we have Fundraising Champion status with construction industry charity CRASH. Over the past four years we have raised nearly £20,000 to support their homelessness and hospice projects.

The Group's strategy of maintaining a balanced portfolio of activities in its depth and variety of projects places the Group in a strong position.

Business environment

2020 has been a highly unpredictable year for all industry sectors due to the impact of Covid-19. Government intervention during lockdown resulted in some construction and maintenance work being deemed as essential, especially in relation to healthcare service delivery and construction site delivery where safe social distancing could be maintained.

Consequently, Rydon Group has sustained business momentum during the pandemic through a combination of returns from its work in housing and healthcare and by taking prudent measures such as the use of the job retention scheme. Having emerged from lockdown, the Group has seen a strong interest in its Homes' rural developments, due to growing purchaser preference for non-urban living combined with the current stamp duty concession.

Health and safety remains paramount and Rydon has used its recent investments in cloud based telephony, communications and software solutions to enable remote working while maintaining levels of productivity. This has been particularly important for the company's Dartford-based call centre that has been able to coordinate incoming reactive maintenance work and schedule repairs with call centre operatives working safely from home. Rydon has all necessary social distancing and hygiene measures in place. This is also the case at its construction sites and client based satellite maintenance sites across the country.

Low borrowing rates combined with stamp duty relief as announced by the Chancellor during the course of 2020 has resulted in strong purchase demand which is having a positive effect on the national housing market, particularly in rural areas. Consequently, we have seen a higher level of reservations and completions at our Homes schemes in Matfield and Wadhurst in recent months and are now concentrating on our next developments in Balcombe and Hadlow. Even in London, we have seen our recently launched Construction London South East Heckfield Housed development adjacent to Fulham Boys School, prove very popular especially with first time buyers.

The government's positive stance towards housing as a key industry sector remains a big opportunity. Covid-19 measures have meant that Rydon has been able to adapt to deal with the changes presented by the pandemic and continue with much needed housing and maintenance programmes.

The Affordable Homes Programme provides grant funding to support the capital costs of developing affordable housing for rent or sale. As the Government's housing accelerator, Homes England will be making available £7.39 billion from April 2021 to deliver up to 130,000 affordable homes by March 2026 outside of London.

In relation to the Grenfell Tower tragedy, our assessment remains as stated in our previous annual reports. We welcome the rigorous Public Inquiry as well as other ongoing investigations. Whilst the report from Phase 1 has now been published there is still significant ongoing investigation in Phase 2 which started in January 2020. In particular we note the evidence given by a number of multinational suppliers of building products used in Grenfell Tower. Unfortunately, as a result of Covid-19, the Inquiry's provisional timetable has been further delayed and the conclusion of the current Modules are now listed as approximately December 2021. There is no timetable as yet beyond this for Module 8 (the Inquiry's role under the Coroners & Justice Act 2009). The final outcomes of the Inquiry therefore still remain some time away, although there are likely to be recommendations across the building product manufacture and construction sector in relation to building regulations, fire regulations and product certification. Rydon has reviewed the specific work carried out by Rydon Maintenance Limited and given the above and the limited nature of the work commissioned, the approvals received in relation to it and the interrelationship with work undertaken by other parties, no provision has been made in the accounts for any matters arising from these tragic events.

Principal risks and uncertainties

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

The full implications of Brexit on the economy remain uncertain. However the Group has sought to reduce risk through contract clause changes and closer engagement with our supply chain.

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

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

To help counter these identified risks the Board has invested in training, recruitment and succession planning as well as continuing to review and improve internal governance systems, putting into place indicators that support stress-testing areas of sensitivity for the Group.

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

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

The depth and variety of contracts held within the Rydon portfolio provides a balanced risk portfolio of activities to help mitigate current economic uncertainty and fluctuations.

Rydon Group is fully aware of its impact on the environment and upon its business reputation as a result of our activities and the lasting effect that these can have on clients, their customers and communities and other stakeholders. As such the Group's focus on its social, environmental and economic responsibilities is embedded into our Sustainable Development Policy.

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

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

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

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

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

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

Community and Environment
Our work makes a clear contribution to society and the environment around us. Whether we're building schools to provide inspiring spaces for learning, or looking after hospitals to maintain a safe environment for service users, we are committed to delivering quality solutions that leave a positive legacy for the communities in which we live and work. We source our materials responsibly and continually aim to minimise waste and carbon outputs. We create buildings that use energy efficiently, suit their surroundings and make a positive impact on the urban landscape. Our work with WRAP and Envirowise has helped to reduce our consumption of energy and water and significantly improve recycling - up to 100% on some sites.

Quality and Business Standards
As a company, our aim is to improve local communities – through Housing, Healthcare, Education and Commercial solutions - for the benefit of current and future generations. We build and maintain homes, schools and hospitals as well as Extra Care facilities, student accommodation, community leisure centres and more. And by doing so we are delivering award-winning, quality facilities built for local communities with a commitment from people who are passionate about what they do. We have governance mechanisms in place to ensure that we are adhering to industry standards and broader business processes which are regularly audited by both internal and external parties.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

This report was approved by the board on 31 December 2020 and signed on its behalf.

R. Bond

R Bond
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RYDON GROUP HOLDINGS LIMITED

Opinion

We have audited the financial statements of Rydon Group Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2020, which comprise the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cashflows, the consolidated analysis of net debt and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2020 and of the group's 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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 group's or the parent 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.

In our evaluation of the directors' conclusions, we considered the risks associated with the group's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, 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 group will continue in operation.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement as set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RYDON GROUP HOLDINGS LIMITED

Use of our report

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

Grant Thornton UK LLP

Nick Jones BA ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Crawley
31 December 2020

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 £000	2019 £000
Turnover			
Group and share of joint ventures' turnover		**190,502**	*227,111*
Less: share of joint ventures' turnover		**(2,247)**	*(23,452)*
Group turnover	4	**188,255**	*203,659*
Cost of sales		**(164,133)**	*(160,314)*
Gross profit		**24,122**	*43,345*
Administrative expenses		**(27,322)**	*(31,408)*
Other operating income	5	**1,229**	-
Operating (loss)/profit	6	**(1,971)**	*11,937*
Share of profit of joint ventures	18	**4**	*4,135*
Total operating (loss)/profit		**(1,967)**	*16,072*
Interest receivable and similar income	10	**601**	*650*
Interest payable and similar expenses	11	**(1,182)**	*(676)*
Other finance income	12	**27**	*24*
(Loss)/profit before tax		**(2,521)**	*16,070*
Tax on (loss)/profit	13	**425**	*(3,647)*
(Loss)/profit for the financial year		**(2,096)**	*12,423*
(Loss)/profit for the year attributable to:			
Non-controlling interests		**(35)**	*(10)*
Owners of the parent		**(2,061)**	*12,433*
		(2,096)	*12,423*

The notes on pages 30 to 64 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 £000	2019 £000
(Loss)/profit for the financial year		**(2,096)**	*12,423*
Other comprehensive income			
Actuarial loss on defined benefit pension schemes	30	**(1,510)**	*(3,962)*
Return on defined benefit pension scheme assets excluding amount in net interest	30	**(366)**	*4,410*
Unrecognised defined benefit pension scheme surplus in prior year	30	**-**	*200*
Movement on deferred tax relating to defined benefit pension scheme	24	**315**	*(134)*
Other comprehensive income for the year		**(1,561)**	*514*
Total comprehensive income for the year		**(3,657)**	*12,937*
(Loss)/profit for the year attributable to:			
Non-controlling interest		**(35)**	*(10)*
Owners of the parent Company		**(2,061)**	*12,433*
		(2,096)	*12,423*
Total comprehensive income attributable to:			
Non-controlling interest		**(35)**	*(10)*
Owners of the parent Company		**(3,622)**	*12,947*
		(3,657)	*12,937*

The notes on pages 30 to 64 form part of these financial statements.

RYDON GROUP HOLDINGS LIMITED
REGISTERED NUMBER:10966583

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2020

	Note		2020 £000		2019 £000
Fixed assets					
Intangible assets	16		**3,805**		*4,277*
Tangible fixed assets	17		**1,454**		*1,744*
Fixed asset investments	18		**(1,558)**		*(459)*
			3,701		*5,562*
Current assets					
Stocks	19	**15,564**		*25,982*	
Debtors: amounts falling due after more than one year	20	**6,566**		*3,218*	
Debtors: amounts falling due within one year	20	**72,447**		*77,610*	
Cash at bank and in hand		**30,844**		*19,049*	
		125,421		*125,859*	
Creditors: amounts falling due within one year	21	**(71,120)**		*(74,184)*	
Net current assets			**54,301**		*51,675*
Total assets less current liabilities			**58,002**		*57,237*
Creditors: amounts falling due after more than one year	22		**(16,977)**		*(13,728)*
Provisions for liabilities	25	**(4,292)**		*(4,592)*	
			(4,292)		*(4,592)*
Net assets excluding pension asset			**36,733**		*38,917*
Pension (liability)/asset	30		**(367)**		*1,430*
Net assets			**36,366**		*40,347*

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 SEPTEMBER 2020

	Note	2020 £000	2019 £000
Capital and reserves			
Called up share capital	26	**511**	*518*
Share premium account	27	**2,216**	*2,184*
Capital redemption reserve	27	**1,258**	*409*
Own share reserve	27	**(270)**	*(178)*
Merger reserve	27	**(10,809)**	*(10,809)*
Profit and loss account	27	**43,281**	*48,009*
Equity attributable to owners of the parent company		**36,187**	*40,133*
Non-controlling interests		**179**	*214*
		36,366	*40,347*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 December 2020

R. Bond

R Bond
Director

The notes on pages 30 to 64 form part of these financial statements.

RYDON GROUP HOLDINGS LIMITED
REGISTERED NUMBER:10966583

COMPANY BALANCE SHEET
AS AT 30 SEPTEMBER 2020

	Note		2020 £000		2019 £000
Fixed assets					
Investments	18		**16,730**		*16,730*
			16,730		*16,730*
Current assets					
Debtors: amounts falling due within one year	20	**72**		*107*	
Cash at bank and in hand		**12,151**		*41*	
		12,223		*148*	
Creditors: amounts falling due within one year	21	**(15,374)**		*(2,038)*	
Net current liabilities			**(3,151)**		*(1,890)*
Total assets less current liabilities			**13,579**		*14,840*
Creditors: amounts falling due after more than one year	22		**(8,657)**		*(9,497)*
Net assets excluding pension asset/liability			**4,922**		*5,343*
Net assets			**4,922**		*5,343*
Capital and reserves					
Called up share capital	26		**511**		*518*
Share premium account	27		**2,216**		*2,184*
Capital redemption reserve	27		**1,258**		*409*
Other reserves	27		**(111)**		*(101)*
Profit and loss account brought forward		**2,333**		*3,739*	
(Loss)/profit for the year		**(179)**		*4,804*	
Other changes in the profit and loss account		**(1,106)**		*(6,210)*	
Profit and loss account carried forward			**1,048**		*2,333*
			4,922		*5,343*

COMPANY BALANCE SHEET (CONTINUED)
AS AT 30 SEPTEMBER 2020

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 December 2020

R. Bond

R Bond
Director

The notes on pages 30 to 64 form part of these financial statements.

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

	Called up share capital	Share premium account	Capital redemption reserve	Own share reserve	Merger reserve	Profit and loss account	Equity attributable to owners of parent	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 October 2019	518	2,184	409	(178)	(10,809)	48,009	40,133	214	40,347
Comprehensive income for the year									
Loss for the year	-	-	-	-	-	(2,061)	(2,061)	(35)	(2,096)
Other comprehensive income for the year	-	-	-	-	-	(1,561)	(1,561)	-	(1,561)
Total comprehensive income for the year	-	-	-	-	-	(3,622)	(3,622)	(35)	(3,657)
Transactions with shareholders									
Shares issued during the year	1	32	-	-	-	-	33	-	33
Shares repurchased and cancelled during the year	-	-	849	-	-	(1,106)	(257)	-	(257)
Shares repurchased and cancelled during the year	(8)	-	-	-	-	-	(8)	-	(8)
Shares repurchased during the year	-	-	-	(82)	-	-	(82)	-	(82)
Movement on own share reserve	-	-	-	(10)	-	-	(10)	-	(10)
Total transactions with shareholders	(7)	32	849	(92)	-	(1,106)	(324)	-	(324)
At 30 September 2020	511	2,216	1,258	(270)	(10,809)	43,281	36,187	179	36,366

The notes on pages 30 to 64 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Called up share capital	Share premium account	Capital redemption reserve	Own share reserve	Merger reserve	Profit and loss account	Equity attributable to owners of parent	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 October 2018	547	2,109	344	(165)	(10,809)	41,272	33,298	224	33,522
Comprehensive income for the year									
Profit for the year	-	-	-	-	-	12,433	12,433	(10)	12,423
Other comprehensive income for the year	-	-	-	-	-	514	514	-	514
Total comprehensive income for the year	-	-	-	-	-	12,947	12,947	(10)	12,937
Transactions with shareholders									
Dividends: Equity capital	-	-	-	-	-	(5,000)	(5,000)	-	(5,000)
Shares issued during the year	3	75	-	-	-	-	78	-	78
Shares repurchased and cancelled during the year	-	-	65	-	-	(1,210)	(1,145)	-	(1,145)
Shares repurchased and cancelled during the year	(32)	-	-	-	-	-	(32)	-	(32)
Movement on own share reserve	-	-	-	(13)	-	-	(13)	-	(13)
Total transactions with shareholders	(29)	75	65	(13)	-	(6,210)	(6,112)	-	(6,112)
At 30 September 2019	518	2,184	409	(178)	(10,809)	48,009	40,133	214	40,347

The notes on pages 30 to 64 form part of these financial statements.

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

	Called up share capital	Share premium account	Capital redemption reserve	Own share reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 October 2019	518	2,184	409	(101)	2,333	5,343
Comprehensive income for the year						
Loss for the year	-	-	-	-	(179)	(179)
Total comprehensive income for the period	-	-	-	-	(179)	(179)
Transactions with shareholders						
Shares issued during the year	1	32	-	-	-	33
Shares repurchased and cancelled during the year	-	-	849	-	(1,106)	(257)
Shares repurchased and cancelled during the year	(8)	-	-	-	-	(8)
Movement on own share reserve	-	-	-	(10)	-	(10)
Total transactions with shareholders	(7)	32	849	(10)	(1,106)	(242)
At 30 September 2020	511	2,216	1,258	(111)	1,048	4,922

The notes on pages 30 to 64 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Called up share capital	Share premium account	Capital redemption reserve	Own share reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 October 2018	547	2,109	344	(86)	3,739	6,653
Comprehensive income for the year						
Profit for the year	-	-	-	-	4,804	4,804
Total comprehensive income for the year	-	-	-	-	4,804	4,804
Transactions with shareholders						
Dividends: Equity capital	-	-	-	-	(5,000)	(5,000)
Shares issued during the year	3	75	-	-	-	78
Shares repurchased and cancelled during the year	-	-	65	-	(1,210)	(1,145)
Shares repurchased and cancelled during the year	(32)	-	-	-	-	(32)
Movement on own share reserve	-	-	-	(15)	-	(15)
Total transactions with shareholders	(29)	75	65	(15)	(6,210)	(6,114)
At 30 September 2019	518	2,184	409	(101)	2,333	5,343

The notes on pages 30 to 64 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 £000	2019 £000
Cash flows from operating activities		
(Loss)/profit for the financial year	**(2,096)**	*12,423*
Adjustments for:		
Amortisation of intangible assets	**472**	*472*
Depreciation of tangible assets	**704**	*979*
Profit on disposal of tangible assets	**(139)**	*(124)*
Interest paid	**1,182**	*677*
Interest received	**(601)**	*(650)*
Finance income on defined benefit pension obligation /asset	**(27)**	*(24)*
Taxation charge	**(425)**	*3,647*
Decrease/(increase) in stocks	**10,418**	*(7,627)*
Decrease/(increase) in debtors	**8,537**	*(19,620)*
(Increase)/decrease in amounts owed by joint ventures	**(5,939)**	*2,718*
Increase in creditors	**3,766**	*813*
(Decrease)/increase in provisions	**(300)**	*224*
Decrease in amounts owed to joint ventures	**-**	*(531)*
Share of operating profit in joint ventures	**(4)**	*(4,135)*
Corporation tax paid	**(1,496)**	*(3,896)*
Contributions paid to defined benefit pension scheme	**(211)**	*(250)*
Administrative expenses paid to defined benefit pension schemes	**98**	*90*
Current service costs on defined benefit pension scheme	**61**	*55*
Net cash generated from/(used in) operating activities	**14,000**	*(14,759)*
Cash flows from investing activities		
Purchase of tangible fixed assets	**(515)**	*(702)*
Sale of tangible fixed assets	**240**	*515*
Interest received	**537**	*73*
Joint ventures interest received	**64**	*577*
Net cash from investing activities	**326**	*463*

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 £000	2019 £000
Cash flows from financing activities		
Issue of ordinary shares	33	78
Repurchase of own ordinary shares for cancellation	(280)	(1,196)
Repurchase of own preference shares for cancellation	(826)	(14)
Repurchase of own shares by Employee Benefit Trust	(82)	-
Repayment of finance leases	(45)	(403)
Repayment of other loans	-	(116)
Ordinary dividends paid	-	(5,000)
Preference share dividends paid	(363)	(190)
Interest paid	(1,005)	(474)
Hire purchase interest paid	(4)	(12)
Distributions from joint ventures	41	4,757
Net cash used in financing activities	(2,531)	(2,570)
Net increase/(decrease) in cash and cash equivalents	11,795	(16,866)
Cash and cash equivalents at beginning of year	19,049	35,915
Cash and cash equivalents at the end of year	30,844	19,049
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	30,844	19,049
	30,844	19,049

The notes on pages 30 to 64 form part of these financial statements.

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	At 1 October 2019 £000	Cash flows £000	Other non-cash changes £000	At 30 September 2020 £000
Cash at bank and in hand	19,049	11,795	-	30,844
Preference shares treated as debt	(9,497)	826	14	(8,657)
Finance leases	(93)	45	-	(48)
	9,459	12,666	14	22,139

The notes on pages 30 to 64 form part of these financial statements.

1. General information

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

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and loss account in these financial statements.

2.2 Basis of consolidation

The Group has prepared its consolidated financial statements under merger accounting as is permitted under FRS 102 in the case of group reorganisations. The entities party to the combination which took effect on 18 October 2017 were Rydon Group Holdings Limited and Rydon Holdings Limited and its subsidiaries and joint ventures at that date. The results and cashflows of all the combining entities were brought into the consolidated financial statements of Rydon Group Holdings from the beginning of the financial year commencing 1 October 2017. The difference between the nominal value of the consideration received for the shares issued and the nominal value of the shares received in exchange is shown as part of equity in the merger reserve along with the balance on the share premium and capital redemption reserve in the new subsidiary, Rydon Holdings Limited.

An entity is considered to be a subsidiary where it is controlled by the parent. Control is achieved where the group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The results of these subsidiaries are consolidated from the date that control commences until the date that control ceases.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date.

2. Accounting policies (continued)

2.3 Joint ventures

An entity is treated as a joint venture where the Group is a party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

In the consolidated accounts, joint ventures are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the joint venture. The consolidated profit and loss account includes the Group's share of the results of such undertakings applying accounting policies consistent with those of the Group. In the consolidated balance sheet, the interests in joint ventures are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition net of the adjustment to eliminate the unrealised profit on transactions between members of the group and the joint ventures.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

2.4 Going concern

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

Covid-19
The initial lockdown did lead to some site closures, however subsequently all sites have reopened following government guidance to do so. Our forecasts take into account extended build programs as a consequence of following social distances measures. Our Maintenance division provides property maintenance predominately to NHS trusts and Social Housing properties with much of the work deemed as key worker related. Our Homes division rebounded strongly from the initial lock down with our current and future pipeline of sites predominantly located in rural/village settings.

Despite the above we have undertaken severe down side stress tests including: no new currently unidentified construction sites starting for 12 months, the movement of land sales six to eight months back and plot sales on new sites in the period moving back 4 months. This scenario still saw us with a positive cash balance with nil borrowing.

2. Accounting policies (continued)

2.5 Revenue

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

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

- Sales of land and residential properties - when transactions have legally completed.
- Construction contracts – in accordance with the group's accounting policy on construction contracts. Where the outcome of a contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date and profit is that estimated to fairly reflect the profit arising up to that date.
- Provision of services – the value of work carried out over the period the services are delivered to the customer. Where a long term services contract exists, and the outcome of the contract can be estimated reliably, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date and profit is estimated to fairly reflect the profit arising up to that date.

2.6 Government grants

Grants of a revenue nature are recognised in the Consolidated profit and loss account in the same period as the related expenditure.

2.7 Interest income

Interest income is recognised in the Consolidated profit and loss account using the effective interest method.

2.8 Finance costs

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

2. Accounting policies (continued)

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

2.10 Intangible assets

Goodwill

Goodwill represents the difference between the fair value of the consideration of amounts paid on the cost of a business combination plus any transactions and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the consolidated profit and loss account over its useful economic life.

Amortisation is charged to the profit and loss account on a straight line basis over its estimated useful life which is 18 years from date of acquisition.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The group elected not to restate business combinations that took place prior to the transition date. In respect of the acquisitions prior to transition date, goodwill is included on the basis of deemed cost, which represents the amounts recorded under old UK GAAP. Intangible assets previously included in goodwill are not recognised separately.

2. Accounting policies (continued)

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	- the shorter of 10 years or the remainder of the lease term
Plant and machinery	- 4 years straight line
Motor vehicles	- 5 years straight line
Office equipment	- 4 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated profit and loss account.

2.12 Impairment

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.13 Investments

Investments in subsidiaries and joint ventures are measured at cost less accumulated impairment.

2. Accounting policies (continued)

2.14 Stocks and work in progress

Stocks, which include land held for development, construction work in progress and completed units, are valued at the lower of cost and net realisable value. Cost includes the cost of the land, materials, direct labour and development costs. At each balance sheet date stock is assessed for impairment, and where appropriate a provision is made to reduce the value to net realisable value.

Work in progress, which represents short term contract work, is stated at the lower of cost and net realisable value.

Land purchased for and in the course of development, is recorded at cost. Where such land is purchased on deferred settlement terms, the land and the related liability are discounted to their fair value. The liability is then increased to the settlement value over the period of financing, with the finance element being capitalised and included within stock.

2.15 Debtors

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

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

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.17 Creditors

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

2. Accounting policies (continued)

2.18 Provisions for liabilities

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

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

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

2.19 Dividends

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

Dividends on preference shares treated as debt are recognised as interest expense in the profit and loss account in the period in which the liability accrues.

2.20 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

2. Accounting policies (continued)

2.21 Pensions

Defined benefit scheme

The group operates defined benefit schemes in respect of certain employees and former employees. The defined benefit scheme liability/asset is the fair value of scheme assets less the present value of the defined benefit obligation at the balance sheet date. The calculation is performed by a qualified actuary using the projected unit credit method.

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 curtailments and settlements during the period are recognised in the profit and loss account. Actuarial gains and losses are recognised in other comprehensive income in the period in which they occur.

The scheme rules provide for a refund to the employer once all benefits have been secured, therefore any scheme surplus is recognised as an asset in the balance sheet.

Defined contributions scheme

Contributions to personal pension schemes are charged to the Consolidated profit and loss account in the period for which contributions are payable.

2.22 Employee benefit trust

Transactions of the group-sponsored Employee Benefit Trust are treated as being those of the sponsoring group company and are therefore reflected in the group financial statements. In particular, the trust's purchases and sales of shares in the company are debited and credited directly to equity.

2.23 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated profit and loss account on a straight line basis over the lease term.

2.24 Leased assets: the Group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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

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

Revenue and profit recognition

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

Valuation of land and work in progress

Key judgments are required in order to determine the net realisable value of land and work in progress. These include estimates of costs to complete, estimates of remaining income and selling costs. Where these lead to a net realisable value which is lower than cost, then a write down may be required.

Defined benefit pension

In order to determine the valuation of the defined benefit pension scheme liabilities, a number of key assumptions have been made. Each year in selecting these assumptions, the directors take advice from an independent qualified actuary, those assumptions are detailed in note 30.

4. Turnover

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

	2020 **£000**	*2019* *£000*
Sale of land and residential properties	**29,850**	*26,834*
Construction contracts	**110,468**	*123,961*
Provision of services	**47,937**	*52,864*
	188,255	*203,659*

All turnover arose within the United Kingdom.

5. Other operating income

	2020 **£000**	*2019* *£000*
Government grants receivable	**1,229**	-
	1,229	-

6. Operating (loss)/profit

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

	2020 £000	2019 £000
Profit on disposal of fixed assets	139	124
Depreciation of tangible fixed assets - owned	658	932
Depreciation of tangible fixed assets - leased	46	46
Amortisation of goodwill	472	472
Operating lease rentals - plant and machinery	2,585	2,485
Other operating lease rentals - other	750	660

7. Auditor's remuneration

	2020 £000	2019 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	13	14
Fees payable to the Group's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	142	167
Taxation compliance services	-	52
Services relation to taxation	-	49
	142	268

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2020 £000	*Group 2019 £000*
Wages and salaries	**29,093**	*31,834*
Social security costs	**3,020**	*3,382*
Cost of defined contribution scheme	**1,524**	*1,439*
Cost of defined benefit scheme	**61**	*55*
	33,698	*36,710*

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	*2019 No.*
Management	**478**	*521*
Direct labour	**146**	*134*
	624	*655*

9. Directors' remuneration

	2020 £000	*2019 £000*
Directors' emoluments	**472**	*472*
	472	*472*

During the year retirement benefits were accruing to no directors *(2019 - NIL)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £467,000 *(2019 - £466,000)*.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL *(2019 - £NIL)*.

On 3 June 2020, a director received an interest free loan of £200,000 from Rydon Holdings Limited, the direct subsidiary undertaking of the company. The loan was repaid in full on 28 September 2020.

10. Interest receivable and other similar income

	2020 £000	2019 £000
Interest received from joint ventures	64	577
Other interest receivable	537	73
	601	650

11. Interest payable and similar expenses

	2020 £000	2019 £000
Bank interest, facility fees and non-utilisation charges	995	450
Finance leases and hire purchase contracts	4	12
Other interest payable	10	24
Preference share dividends	173	190
	1,182	676

12. Other finance income

	2020 £000	2019 £000
Interest income on pension scheme assets	682	904
Net interest on net defined benefit liability	(655)	(880)
	27	24

13. Taxation on (loss)/profit

	2020 £000	*2019 £000*
Corporation tax		
Current tax on (loss)/profit for the year	**(376)**	*3,209*
Adjustments in respect of previous periods	**178**	*(133)*
Total current tax	**(198)**	*3,076*
Deferred tax		
Origination and reversal of timing differences	**(227)**	*571*
Total deferred tax	**(227)**	*571*
Taxation on (loss)/profit	**(425)**	*3,647*

13. Taxation on (loss)/profit (continued)

Factors affecting tax (credit)/charge for the year

The tax assessed for the year is higher than *(2019 - higher than)* the standard rate of corporation tax in the UK of 19% *(2019 - 19%)*. The differences are explained below:

	2020 £000	*2019 £000*
(Loss)/profit before tax	**(2,521)**	*16,070*
Loss/(profit)Profit multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	**(479)**	*3,053*
Effects of:		
Expenses not deductible for tax purposes	**139**	*392*
Adjustments to tax charge in respect of prior periods	**178**	*(133)*
Decrease in pension fund prepayment leading to a decrease in tax	**(41)**	*(25)*
Deferred tax not recognised in prior period	**(235)**	*40*
Other timing differences leading to an increase in taxation	**13**	*-*
Special factors affecting joint-ventures and associates leading to an increase in the tax charge	**-**	*323*
Other differences leading to a decrease in the tax charge	**-**	*(3)*
Total tax (credit)/charge for the year	**(425)**	*3,647*

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

14. Dividends

	2020 £000	*2019 £000*
Dividends paid on ordinary shares		
Dividends paid on "A" Ordinary shares	**-**	*3,755*
Dividends paid on "B" Ordinary shares	**-**	*1,183*
Dividends paid on "D" Ordinary shares	**-**	*62*
Total dividends paid on ordinary shares	**-**	*5,000*

15. Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and loss account in these financial statements. The loss after tax of the parent company for the year was £179,000 *(2019 - profit £4,804,000).*

16. Intangible assets

Group

	Goodwill £000
Cost	
At 1 October 2019	**38,768**
At 30 September 2020	**38,768**
Amortisation	
At 1 October 2019	**34,491**
Charge for the year	**472**
At 30 September 2020	**34,963**
Net book value	
At 30 September 2020	**3,805**
At 30 September 2019	*4,277*

Goodwill arising on the acquisition of Equipe Regeneration Limited is being amortised over 18 years. The directors consider this to be an appropriate period over which to amortise the goodwill, based on their assessment of the value expected to flow over the duration of the company's existing contracts.

17. Tangible fixed assets

Group

	Short-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Office equipment £000	Total £000
Cost					
At 1 October 2019	1,155	1,052	2,064	3,622	7,893
Additions	1	98	311	105	515
Disposals	-	(77)	(494)	(10)	(581)
At 30 September 2020	1,156	1,073	1,881	3,717	7,827
Depreciation					
At 1 October 2019	1,071	711	1,095	3,272	6,149
Charge for the year on owned assets	33	139	311	175	658
Charge for the year on financed assets	-	-	-	46	46
Disposals	-	(50)	(420)	(10)	(480)
At 30 September 2020	1,104	800	986	3,483	6,373
Net book value					
At 30 September 2020	52	273	895	234	1,454
At 30 September 2019	*84*	*341*	*969*	*350*	*1,744*

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2020 £000	*2019 £000*
Office equipment	35	*81*
	35	*81*

18. Investments

Group

	Investment in joint ventures £000
Cost	
At 1 October 2019	**(459)**
Recognition of unrealised profit	**(1,062)**
Distributions from joint ventures	**(41)**
Share of profit	**4**
At 30 September 2020	**(1,558)**

Company

	Investments in subsidiary companies £000
Cost	
At 1 October 2019	**16,730**
At 30 September 2020	**16,730**
Net book value	
At 30 September 2020	**16,730**
At 30 September 2019	*16,730*

18. Investments (continued)

For the year ending 30 September 2020, the following subsidiary entities were entitled to exemption from audit of individual entity accounts under Section 479A of the Companies Act 2006 as Rydon Group Holdings Limited has guaranteed these subsidiaries under Section 479C of the Companies Act 2006:

Rydon Holdings Limited (registered number 05556300)
Real (Goldsmiths) Row Limited (registered number 08087549)
Real (Ealing) Limited (registered number 06838328)
Real (Packington) Limited (registered number 06152236)
Real (Hillside) Limited (registered number 06013234)
Real (Developments) Limited (registered number 07524906)
Real (Sutton) Limited (registered number 05769731)
Real (High Lane) Limited (registered number 10788208)
Real Limited (registered number 05210553)
Insite Energy Holdings Limited (registered number 07074586)
Beacon Plant Hire (Southern) Limited (registered number 06194231)

19. Stocks

	Group 2020 £000	*Group 2019 £000*
Work in progress	**9**	*54*
Land and development costs	**15,555**	*25,928*
	15,564	*25,982*

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stock recognised in cost of sales during the year as an expense was £27.2m (2019: £16.5m).

20. Debtors

	Group 2020 £000	*Group 2019 £000*	Company 2020 £000	*Company 2019 £000*
Due after more than one year				
Trade debtors	**6,472**	*3,125*	-	-
Other debtors	**63**	*60*	-	-
Deferred tax asset (note 24)	**31**	*33*	-	-
	6,566	*3,218*	-	-

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

In the prior period, £2,200,000 has been reclassified from Amounts recoverable on long term contracts to Trade debtors as the directors consider this is a more appropriate classification for the balances concerned. The reclassification has no impact on the net assets brought forward and the prior year profit after tax.

	Group 2020 £000	*Group 2019 £000*	Company 2020 £000	*Company 2019 £000*
Due within one year				
Trade debtors	**16,346**	*28,063*	-	-
Amounts owed by group undertakings	-	-	**4**	-
Amounts owed by joint ventures and associated undertakings	**10,433**	*4,493*	-	-
Other debtors	**7,464**	*5,687*	**42**	*81*
Prepayments and accrued income	**1,123**	*1,174*	-	-
Amounts recoverable on long term contracts	**35,195**	*37,090*	-	-
Tax recoverable	**1,214**	*975*	**26**	*26*
Deferred taxation (note 24)	**672**	*128*	-	-
	72,447	*77,610*	**72**	*107*

Amounts owed by group undertakings are unsecured and repayable on demand.

In the prior period, £7,273,000 has been reclassified from Amounts recoverable on long term contracts to Trade debtors as the directors consider this is a more appropriate classification for the balances concerned. The reclassification has no impact on the net assets brought forward and the prior year profit after tax.

21. Creditors: Amounts falling due within one year

	Group 2020 £000	*Group 2019 £000*	**Company 2020 £000**	*Company 2019 £000*
Payments received on account	**1,552**	*1,464*	**-**	*-*
Trade creditors	**15,377**	*17,644*	**-**	*-*
Amounts owed to group undertakings	**-**	*-*	**14,923**	*1,395*
Corporation tax	**728**	*2,202*	**-**	*12*
Other taxation and social security	**4,482**	*4,687*	**-**	*-*
Obligations under finance lease and hire purchase contracts	**48**	*45*	**-**	*-*
Other creditors	**5,455**	*6,195*	**-**	*190*
Accruals and deferred income	**43,478**	*41,947*	**451**	*441*
	71,120	*74,184*	**15,374**	*2,038*

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

In the prior period, £4,592,000 has been reclassified from Accruals and deferred income to Provisions for liabilities as the directors consider this is a more appropriate classification for the balances concerned. The reclassification has no impact on the net assets brought forward and the prior year profit after tax.

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

	Group 2020 £000	*Group 2019 £000*	**Company 2020 £000**	*Company 2019 £000*
Net obligations under finance leases and hire purchase contracts	**-**	*48*	**-**	*-*
Accruals and deferred income	**8,320**	*4,183*	**-**	*-*
Preference share capital treated as debt (note 26)	**8,657**	*9,497*	**8,657**	*9,497*
	16,977	*13,728*	**8,657**	*9,497*

23. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2020 £000	*Group 2019 £000*
Within one year	**48**	*45*
Between 1-5 years	**-**	*48*
	48	*93*

24. Deferred taxation

Group

	2020 £000	*2019 £000*
At beginning of year	**161**	*866*
Credited/(charged) to the profit or loss	**227**	*(571)*
Credited/(charged) to other comprehensive income	**315**	*(134)*
At end of year	**703**	*161*

At end of year

The deferred tax asset is made up as follows:

	Group 2020 £000	*Group 2019 £000*
Accelerated capital allowances	**90**	*124*
Short term timing differences	**544**	*282*
Pension deficit/(surplus)	**69**	*(245)*
	703	*161*

	Group 2020 £000	*Group 2019 £000*
Due after more than one year	**31**	*33*
Due within one year	**672**	*128*
	703	*161*

25. Provisions for liabilities

Group

	Provisions £000
At 1 October 2019	**4,592**
Credited to profit or loss	**(300)**
At 30 September 2020	**4,292**

Provisions for liabilities are construction related and are the directors' estimate of the amounts expected to be paid. It is unlikely that this obligation will be incurred materially within a year of the balance sheet date. £4,592,000 has been reclassifed in the prior period from accruals and deferred income to provisions in these financial statements as the directors consider the classification more appropriate for the balances concerned. The reclassification has no impact on the net assets brought forward and the prior year profit after tax nor on the net assets at the opening date of the prior period, 1 October 2018.

26. Share capital

Group and Company

	2020	*2019*
	£000	*£000*
Shares classified as equity		
Allotted, called up and fully paid		
3,752,015 *(2019 - 3,818,590)* "A" Ordinary shares of £0.10 each	**375**	*382*
1,294,333 *(2019 - 1,294,333)* "B" Ordinary shares of £0.10 each	**129**	*129*
68,123 *(2019 - 68,123)* "D" Ordinary shares of £0.10 each	**7**	*7*
	511	*518*

During the year, 79,075 "A" ordinary shares (2019 - 320,425) were purchased by the company for consideration of £280,063 (2019 - £1,196,562). These shares were subsequently cancelled.

During the year the company issued 12,500 "A" ordinary shares (2019 - 31,000) which were issued for consideration of £33,800 (2019 - £77,820).

The "A" ordinary shares are non-voting. The "B" and "D" ordinary shares carry 100% of the voting rights. All ordinary shares rank equally in the event of a winding up and for the receipt of dividends.

	2020	*2019*
	£000	*£000*
Shares classified as debt		
Allotted, called up and fully paid		
8,656,835 *(2019 - 9,497,416)* Preference shares of £1.00 each	**8,657**	*9,497*

During the year 840,581 preference shares (2019: 33,064) were repurchased by the company for consideration of £826,166 (2019: £13,605) and subsequently cancelled.

The preference shares are non-voting and entitled to a fixed preferential dividend at an annual rate of 2% of the original subscription price.

27. Reserves

Share premium account

The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses.

Capital redemption reserve

The capital redemption reserve contains the amounts transferred following repurchase and redemption of the company's shares.

Other reserves

Own share reserves represent the purchase price of shares required to settle awards granted under equity-settled share based payment plans. These shares are held by an Employee Benefit Trust sponsored by a group company.

At the balance sheet date 54,730 "A" ordinary shares (2019: 33,470 "A" ordinary shares) and 9,464 preference shares (2019: 2,688) were held in the Trust and had not yet vested unconditionally with employees. Shareholder's funds have been reduced by £270,000 (2019: £178,000) in respect of the purchase price of these shares.

Merger Reserve

The merger reserve represents the difference on net assets arising following the creation of the new group in October 2017 accounted for under merger accounting described in note 2.2.

Profit and loss account

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

28. Share based payments

The group has an equity settled share option scheme for shares in the company. Under this scheme, options have been granted to directors of subsidiary companies and senior employees within the group to acquire shares in the company.

Options are exercisable at a price set when the option is granted, which partly reflects the anticipated growth of the group. 50% of each option vests three years after the date of the grant, the remaining 50% vests three years after the first 50% is exercised. Options are generally forfeited if the employee leaves the group before the options vest. Details of these options are given in the table below.

Date of Original Grant	Number of options	Number of shares	Price per share
7 March 2006	16	61,500	£2.00
3 July 2006	1	3,000	£2.00
9 March 2007	1	625	£2.36
19 March 2007	1	5,000	£2.36
27 June 2007	1	3,000	£2.36
19 December 2007	3	4,500	£2.88
1 November 2008	1	5,000	£2.88
28 April 2010	2	5,375	£1.06
26 August 2010	1	1,000	£1.06

	Weighted average exercise price £ 2020	**Number 2020**	*Weighted average exercise price £ 2019*	*Number 2019*
Outstanding at the beginning of the year	**2.13**	**108,500**	*2.10*	*129,500*
Forfeited during the year	**2.00**	**(7,000)**		*-*
Exercised during the year	**2.70**	**(12,500)**	*1.91*	*(21,000)*
Outstanding at the end of the year	**2.06**	**89,000**	*2.13*	*108,500*

	2020 Number	*2019 Number*
Exercisable at 30 September	**89,000**	*108,500*
	89,000	*108,500*

The options outstanding at 30 September 2019 had a weighted average exercise price of £2.06 (2019 - £2.13). No options were granted during the year ended 30 September 2020 (2019 - nil).

29. Contingent liabilities

Certain companies within the group have given performance guarantees for other Group companies, the majority of which are parent company guarantees from Rydon Group Limited supporting performance. At 30 September 2020, the group had performance guarantees provided by third parties to support its construction operations of £18.4m (2019 - £13.6m). The Group considers the likelihood that an outflow of cash under these agreements is low and that no provision is required.

The Company, along with other companies in the Group, has provided security over its assets in relation to a revolving credit facility and an overdraft facility made available to Rydon Holdings Limited. The facilities guaranteed comprise a revolving credit facility of £30.0m and an overdraft facility of £10.0m, of which the drawn balances were £nil at 30 September 2020 (2019: £nil) for both facilities.

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

The directors' assessment in relation to the Grenfell Tower tragedy has been set out in note 32.

30. Pension commitments

Defined contribution scheme

The group contributes to defined contribution pension schemes in respect of certain subsidiary directors and employees. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and amounted to £1,524,000 (2019 - £1,439,000).

Defined benefit pension scheme

The group's defined benefits scheme was closed to future accrual of benefits on 30 September 2009, with all active members at that date becoming deferred pensioners. As a result an assumption is not required for salary increases this period as the linkage of benefits to salary increases has been broken. Members' accrued benefits will be revalued to retirement in line with inflation. The pension cost is assessed in accordance with the advice of a qualified actuary using the projected unit method. The last full actuarial assessment of the scheme was at 30 September 2018 which was finalised on 4 December 2019.

The group also participates in Prudential Platinum Pension Scheme - Rydon Maintenance Limited, a Sub-Scheme of the Prudential Platinum Pension Scheme which is a multi-employer scheme. The Sub-Scheme has been accounted for as a defined benefit scheme from 1 October 2018, previous to that it was accounted for as a defined contribution scheme. The net pension asset of the Sub-Scheme at the date of change was £200,000. In accordance with FRS 102.28.11B this asset has been recognised as a separate item in other comprehensive income in the prior year.

The Prudential Platinum Pension Scheme is a funded defined benefit pension scheme in the UK. The Sub-Scheme is administered within a trust which is legally separate from the company. There is an independent Trustee who acts in the interest of the Sub-Scheme and all relevant stakeholders, including the members and the company. The Trustee is also responsible for ensuring that the correct benefits are paid, that the Sub-Scheme is appropriately funded and that Sub-Scheme assets are appropriately invested.

This Sub-Scheme provides pensions and lump sums to members on retirement and to their dependants on death. Members who leave service before retirement are entitled to a deferred pension. Active members of the scheme pay contributions as a percentage of salary and the company pays the balance of the cost as determined by regular actuarial valuations and scheme expenses. The Trustees are required to use prudent assumptions to value the liabilities and costs of the scheme whereas the accounting assumptions must be best estimates.

A formal actuarial valuation is being carried out as at 31 December 2019. The provisional results of that valuation have been projected to 30 September 2020 with allowance for subsequent member movements using the assumptions set out below. The figures in the following disclosure were measured using the Projected Unit Method.

The Sub-Scheme was in deficit at the last valuation as at 31 December 2016 and recovery plan contributions of £16,700 per annum are being paid until 30 June 2021.

30. Pension commitments (continued)

The net (deficit)/surplus position of the two schemes is set out below:

	2020 £000	2019 £000
Rydon Group Pension Scheme	(581)	1,214
Prudential Platinum Pension - Rydon Maintenance Limited	214	216
Total plan (liability)/surplus	(367)	1,430

	2020 £000	2019 £000
Fair value of plan assets	35,842	36,307
Present value of plan liabilities	(36,209)	(34,877)
Net pension scheme (liability)/asset	(367)	1,430

The amounts recognised in profit or loss are as follows:

	2020 £000	2019 £000
Current service cost	(61)	(55)
Administrative expenses	(98)	(90)
Interest on obligation	(655)	(880)
Interest income on plan assets	682	904
Total	(132)	(121)

30. Pension commitments (continued)

Reconciliation of fair value of plan liabilities by scheme:

	2020 £000	2019 £000
Rydon Group Pension Scheme		
Opening defined benefit obligation	**33,874**	*29,828*
Interest cost	**635**	*856*
Actuarial losses	**1,473**	*3,825*
Benefits paid	**(896)**	*(635)*
	35,086	*33,874*
Prudential Platinum Pension - Rydon Maintenance Limited		
Opening defined benefit obligation	**1,003**	-
Previously unrecognised defined benefit obligation	**-**	*813*
Current service cost	**61**	*55*
Interest cost	**20**	*24*
Actuarial loss	**37**	*137*
Benefits paid	**(12)**	*(38)*
Contributions by scheme participants	**14**	*12*
	1,123	*1,003*
Total fair value of plan liabilities	**36,209**	*34,877*

30. Pension commitments (continued)

Reconciliation of fair value of plan assets by scheme:

	2020 £000	2019 £000
Rydon Group Pension Scheme		
Opening fair value of scheme assets	35,088	30,481
Administrative expenses	(97)	(68)
Interest income on plan assets	658	874
Return on plan assets excluding interest income	(367)	4,301
Contributions by employer	119	135
Benefits paid	(896)	(635)
	34,505	35,088
Prudential Platinum Pension - Rydon Maintenance Limited		
Opening fair value of scheme assets	1,219	-
Previously unrecognised scheme assets	-	1,013
Administrative expenses	(1)	(22)
Interest income on plan assets	24	30
Return on plan assets excluding interest income	1	109
Contributions by employer	92	115
Contributions by scheme participants	14	12
Benefits paid	(12)	(38)
	1,337	1,219
Total fair value of plan assets	35,842	36,307

The group expects to contribute £107,000 to its defined benefit pension schemes in 2021.

	2020 £000	2019 £000
Analysis of actuarial (loss)/gain recognised in Other Comprehensive Income		
Actual return less interest income included in net interest income	(366)	4,410
Experience gains and losses arising on the scheme liabilities	(1,510)	(3,962)
Unrecognised defined benefit pension scheme surplus in prior year	-	200
	(1,876)	648

30. Pension commitments (continued)

Principal actuarial assumptions at the Balance sheet date:

	2020 %	2019 %
Rydon Group Pension Scheme		
Discount rate	**1.6**	*1.9*
RPI price inflation	**2.9**	*3.1*
CPI price inflation	**2.2**	*2.0*
Rate of increase for pensions in payment	**2.8**	*3.0*
Rate of increase for pensions in deferment	**2.2**	*2.0*
Mortality rates		
- for a male member aged 65 now	**21.4**	*21.3*
- at 65 for a male member aged 45 now	**22.4**	*22.3*
- for a female member aged 65 now	**23.4**	*23.2*
- at 65 for a female member aged 45 now	**24.6**	*24.4*
Prudential Platinum Pension - Rydon Maintenance Limited		
Discount rate	**1.5**	*1.9*
RPI inflation	**2.8**	*3.0*
CPI inflation	**2.0**	*2.0*
Rate of increase in salaries	**2.5**	*2.5*
Revaluation of deferred pensions: RPI increases	**2.8**	*3.0*
Revaluation of deferred pensions: CPI increases	**2.0**	*2.0*
Increases for pensions in payment: RPI max 6%	**2.8**	*3.0*
Increases for pensions in payment: CPI increases	**2.0**	*2.0*
Mortality rates:		
- for a male member aged 65 now	**22.0**	*21.9*
- at 65 for a male member aged 45 now	**23.7**	*23.6*
- for a female member aged 65 now	**24.3**	*24.2*
- at 65 for a female member aged 45 now	**26.0**	*25.9*

30. Pension commitments (continued)

Defined benefit pension scheme assets

	2020 £000	2019 £000
Rydon Group Pension Scheme		
Equity instruments	13,980	12,715
Debt instruments	7,931	11,810
Property	1,307	1,354
Other assets	11,287	9,209
	34,505	35,088
Prudential Platinum Pension - Rydon Maintenance Limited		
Equity instruments	231	227
Debt instruments	949	844
Other assets	157	148
	1,337	1,219

31. Commitments under operating leases

At 30 September 2020 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2020 £000	Group 2019 £000
Not later than 1 year	559	599
Later than 1 year and not later than 5 years	666	1,197
Later than 5 years	133	205
	1,358	2,001

32. Grenfell Tower

In relation to the Grenfell Tower tragedy, our assessment remains as stated in our previous annual reports. We welcome the rigorous Public Inquiry as well as other ongoing investigations. Whilst the report from Phase 1 has now been published there is still significant ongoing investigation in Phase 2 which started in January 2020. In particular we note the evidence given by a number of multinational suppliers of building products used in Grenfell Tower. Unfortunately, as a result of Covid-19, the Inquiry's provisional timetable has been further delayed and the conclusion of the current Modules are now listed as approximately December 2021. There is no timetable as yet beyond this for Module 8 (the Inquiry's role under the Coroners & Justice Act 2009). The final outcomes of the Inquiry therefore still remain some time away, although there are likely to be recommendations across the building product manufacture and construction sector in relation to building regulations, fire regulations and product certification. Rydon has reviewed the specific work carried out by Rydon Maintenance Limited and given the above and the limited nature of the work commissioned, the approvals received in relation to it and the interrelationship with work undertaken by other parties, no provision has been made in the accounts for any matters arising from these tragic events.

33. Related party transactions

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

	2020	*2019*
	£000	*£000*
Sales to joint ventures	**6,597**	*10,588*
Amounts due from joint ventures	**10,433**	*4,493*
Interest received from joint ventures	**436**	*577*
Ordinary share dividends paid to directors	**-**	*3,157*
Preference share dividends paid to directors	**210**	*105*
Sale of property to director	**-**	*4,500*
Key management personnel remuneration	**3,818**	*4,686*
Dividends paid to key management personnel	**113**	*1,487*
Loans made to key management personnel	**34**	*38*
Loans repaid by key management personnel	**(106)**	*(13)*
Amounts payable by key management personnel	**(397)**	*(469)*

The list of joint ventures is included in note 35.

Key management personnel remuneration relates to remuneration paid by Rydon Group Limited to subsidiary company directors within the Rydon Group Holdings Limited group of companies excluding the directors of Rydon Group Holdings Limited whose remuneration in disclosed in note 9.

34. Controlling party

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

35. Subsidiary undertakings

Subsidiary undertakings of the group are all incorporated in the United Kingdom and have their registered office at Rydon House, Station Road, Forest Row, East Sussex, RH18 5DW.

Direct and indirect subsidiary undertakings are included in the consolidated accounts of Rydon Group Holdings Limited by virtue of the provisions in the Companies Act 2006 Section 1162 (2a) with the exception of Beacon Plant Hire (Southern) Limited which is included in the consolidated accounts of Rydon Holdings by virtue of the provisions in the Companies Act 2006 Section 1162 (2c(i)).

Direct subsidiary undertakings

Name	Class of shares	Holding	Principal activity
Rydon Holdings Limited	Ordinary	100 %	Intermediate holding company

Indirect subsidiary undertakings

Name	Class of shares	Holding	Principal activity
Rydon Group Limited	Ordinary	100 %	Intermediate holding company
Rydon Construction Limited	Ordinary	100 %	Building contractor
Rydon LSE Limited	Ordinary	100 %	Building contractor
Rydon SW Limited	Ordinary	100 %	Building contractor
Rydon Homes Limited	Ordinary	100 %	Developer
Rydon Maintenance Limited	Ordinary	100 %	Property maintenance
Equipe Regeneration Limited	Ordinary	100 %	Property maintenance
Insite Energy Holdings Limited	Ordinary	100 %	Intermediate holding company
Ryhurst Limited	Ordinary	100 %	Intermediate holding company
Ryhurst (Lancashire STEP) Limited	Ordinary	100 %	Holding company for a dormant LLP
Ryhurst (Cheshire) Limited	Ordinary	100 %	Holding company for a dormant LLP
Ryhurst (IOW) Limited	Ordinary	100 %	Holding company for a dormant LLP
Ryhurst (Nominee) Limited	Ordinary	100 %	Holding company for a dormant LLP
Real Limited	Ordinary	100 %	Intermediate holding company
Real (Developments) Limited	Ordinary	100 %	Developer
Real (Goldsmiths Row) Limited	Ordinary	100 %	Dormant
Real (Ealing) Limited	Ordinary	100 %	Developer
Real (Sutton) Limited	Ordinary	100 %	Developer
Real (Packington) Limited	Ordinary	100 %	Dormant
Real (Hillside) Limited	Ordinary	100 %	Dormant
Real (High Lane) Limited	Ordinary	100 %	Dormant
Beacon Plant Hire (Southern) Limited *	Ordinary	50 %	Machinery & equipment rental

35. Subsidiary undertakings (continued)

*The minority interest 50% shareholding in Beacon Plant Hire (Southern) Limited was purchased by Rydon Holdings Limited in October 2020.

Participating interests

Joint ventures

Name	Holding	Principal activity
Insite Energy Limited	50 %	Property maintenance
Red Rose Corporate Services LLP	50 %	Dormant
Villicare LLP	50 %	Dormant
Wight Life Partnership LLP	50 %	Dormant
Green Man Lane LLP	50 %	Developer
Packington Square LLP	50 %	Dormant
Lancumb Partnership LLP	25 %	Dormant

Joint ventures are all incorporated in the United Kingdom and have their registered office at Rydon House, Station Road, Forest Row, East Sussex, RH18 5DW unless as otherwise noted below:

Green Man Lane LLP: The Point, 37 North Wharf Road, London, W2 1BD
Lancumb Partnership LLP: Richard House, Winckley Square, Preston, PR1 3HP
Insite Energy Limited: Office 201, 69 Old Street, London, EC1V 9HX