Walter Lilly & Co Limited

Annual Report

Year ended 30 September 2019

Contents of the Annual Report

Company information

Directors	C J Butler A J Postlethwaite S D Frampton J P Joyce (appointed 26th February 2019) D M Beach (resigned 30th June 2019) P Scott Renew Corporate Director Limited
Secretary	Renew Nominees Limited
Registered office	3175 Century Way, Thorpe Park, Leeds, LS15 8ZB
Registered number	00352437
Auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA
Bankers	HSBC Bank plc City Branch 33 Park Row Leeds LS1 1LD

Strategic Report

Principal activities

The principal activities of the company are unchanged since last year and consist of building contracting in the United Kingdom.

Business model

The company engages in specialist building activities which are characterised by the use of a supply chain of subcontractors to carry out building works under the control of the company as principal contractor. The company seeks to add value by focusing on repeat business from strong customer relationships.

Business review and results

The company continues to focus on the London high quality residential market, supported by country residence work in the Home Counties, conservation work at the Palace of Westminster and work in the science and pharmaceutical sector. Our turnover for the year was below budget and this was as a result of the continued suspension of one project, the delayed commencement of two contracts and the delay of a current live project. The high quality residential market has tightened, however we expect an increase in our turnover in 2019/20 due to positive prospects in the science and pharmaceutical sector. The market has shifted to single stage tenders, but we still continue to target the two stage and negotiated opportunities that exist. We shall remain selective about all the projects we tender. Our strong secured work position suggests that we enter the 2019/20 financial year with expectations of achieving our budget and the appropriate margin. The Board remains confident that our continued selectivity in tendering, our cautious approach to agreeing contract terms and conditions and our insistence on surety of payment will, subject to a stable economy, result in hitting our proposed turnover and margin.

The profit for the financial year after taxation was £693,390 (2018: £351,840). The surplus of £693,390 (2018: £351,840) for the year has been transferred to reserves prior to the payment of a dividend of £250,000 (2018: £1,000,000).

Key performance indicators

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

The directors have set a target range for operating profit (before exceptional items) as a % of sales as a key performance indicator for the business and this is reviewed each month.

Our safety record AFR on reportable accidents was 0 (2018: 1.48) as there were no reportable accidents in the year. Our All Accident Frequency Rate of 5.75 (2018: 3.69) represents an increase due to a reduction in the number of operatives on site in the rolling year. However the total number of time lost accidents for the rolling year of 5 is the same number as 2018. Our health, safety and environmental training continues with new initiatives put in place for 2019/20. The Board remain committed to ensuring that there is an improvement in the all accident frequency rate and that the AFR remains at zero.

	2019	**2018**
Operating profit % of sales		
Upper range target	3.0%	3.0%
Actual performance	2.4%	0.7%
Lower range target	2.0%	2.0%
All Accident Frequency Rate	**5.75**	3.69

Strategic Report (Continued)

Principal risks and uncertainties

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

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

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

Liquidity risk
The company is a participant together with a number of fellow subsidiaries in the group banking arrangements of its ultimate holding company, Renew Holdings plc, and as a result has risks associated with the financial status and performance of the other companies within that group.

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

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

Environment

The company's policy with regard to the environment is to ensure that the actual and potential environmental impact of its activities are understood and effectively managed. Operations are conducted so as to comply with all legal requirements relating to the environment in all areas where business is carried out. During the period covered by this report the company has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

Approval

The strategic report was approved by the Board on 25th November 2019 and signed on its behalf by:

S Wyndham-Quin
For and on behalf of Renew Nominees Limited – Secretary
Company registered number is 00352437.

Report of the Directors

The directors present their report and the audited financial statements for the year ended 30 September 2019.

Directors

The directors and officers serving during the year and subsequently were:

C J Butler	Director
A J Postlethwaite	Director
S D Frampton	Director
D M Beach	Director (Resigned 30th June 2019)
Renew Corporate Director Limited	Director
J P Joyce	Director (appointed 26th February 2019)
P Scott	Director
Renew Nominees Limited	Secretary

Apart from those directors whose interests are disclosed in the financial statements of Renew Holdings plc, the directors with an interest in Renew Holdings plc shares at 30 September 2019 were:

	Ordinary Shares of £0.10 each	
	30/9/2019	**30/9/2018**
A Postlethwaite	175	175
S Frampton	Nil	426
C Butler	Nil	2,544

No director had a beneficial interest in the share capital of any subsidiary of Renew Holdings plc.

Apart from those directors whose interests are disclosed in the financial statements of Renew Holdings plc, no director was granted, or exercised, any options to subscribe in the shares of Renew Holdings plc during the year ended 30 September 2019.

Employee involvement and policy

The directors recognise the need for communication with employees at every level. All employees have access to a copy of the group annual report and financial statements, which together with regular staff briefings, internal notice board statements and an in-house magazine called "Walter Lilly News", keep them informed of progress within the company. We also have "Re news" which updates the staff on the group.

The company continues to be committed to the health, safety and welfare of its employees and observe the terms of the Health & Safety at Work Act 1974 and subsequent legislation and regulations.

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

Report of the Directors (Continued)

Safety, Health and Environmental Policies

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

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

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

The company recognises that effective training is important to the improvement of SHE performance. There is a regular programme of internal health and safety courses for all personnel. In addition, several managers successfully completed the Site Safety Management Training Scheme, a five-day training course accredited and certificated by the Construction Industry Training Board.

Quality assurance

The company is committed to the achievement of quality. It operates a quality management system which complies with the requirements of BS EN ISO 9001:2000 and is audited on a continual basis by BSI Quality Assurance.

Disclosure of information to the auditor

At the date of making this report each of the company's directors, as set out on page 4, confirm the following:

- So far as each director is aware, there is no relevant information needed by the company's auditor in connection with preparing their report of which the company's auditor is unaware, and

- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditor in connection with preparing their report and to establish that the company's auditor is aware of that information.

Report of the Directors (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

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

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

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

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

Auditor

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

Approval

The report of the directors was approved by the Board on 25th November 2019 and signed on its behalf by:

S Wyndham-Quin
For and on behalf of Renew Nominees Limited- Secretary.
The company's registered number is 00352437

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALTER LILLY & CO LIMITED

Opinion
We have audited the financial statements of Walter Lilly & Co Ltd ("the company") for the year ended 30th September 2019 which comprise the Profit and Loss account, Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30th September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit
Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the appropriateness of the going concern basis of preparation of the financial statements. This depends on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty 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 and this is particularly the case in relation to Brexit.

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALTER LILLY & CO LIMITED (Continued)

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALTER LILLY & CO LIMITED (Continued)

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

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

David Morritt

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

25th November 2019

Profit and Loss account

Year ended 30 September 2019

	Note	2019 £000	2018 £000
Turnover	1	36,126	62,738
Cost of sales		(31,728)	(58,779)
Gross profit		4,398	3,959
Administrative expenses		(3,516)	(3,490)
Profit on ordinary activities before taxation	2	882	469
Taxation	4	(189)	(118)
Profit for the financial year		693	351

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

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

The company has no recognised gains or losses other than the gains above and therefore no separate statement of comprehensive income has been presented.

STATEMENT OF CHANGES IN EQUITY

	Share Capital £000	Profit & Loss £000	Total Equity £000
At 1st October 2017	**29**	**8,339**	**8,368**
Transfer from P&L Account		351	351
Dividends paid		(1,000)	(1,000)
At 1st October 2018	**29**	**7,690**	**7,719**
Transfer from P&L Account		693	693
Dividends paid		(250)	(250)
At 30th September 2019	**29**	**8,133**	**8,162**

Balance Sheet
As at 30 September 2019

		2019		2018	
	Note	£000	£000	£000	£000
Fixed assets					
Tangible assets	5		128		190
Current assets					
Debtors: due after more than one year	6	2,045		2,569	
Debtors: due within one year	6	21,249		33,185	
Cash at bank and in hand		13,325		6,594	
		36,619		42,348	
Creditors – amounts falling due within one year	7	(27,160)		(32,823)	
Net current assets			9,459		9,525
Total assets less current liabilities			9,587		9,715
Creditors – amounts falling due after more than one year	8		(1,425)		(1,996)
Net assets			8,162		7,719
Capital and reserves					
Called up share capital	9		29		29
Profit and loss account			8,133		7,690
Equity shareholders' funds			8,162		7,719

The financial statements were approved by the Board on 25th November 2019 and signed on its behalf by:

P Scott
Director

Notes to the Financial Statements

Year ended 30 September 2019

Basis of Financial Statements

Walter Lilly & Co Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

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

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

•Reconciliation of the number of shares outstanding from the beginning to end of the period;

•Cash Flow Statement and related notes; and

•Key Management Personnel compensation.

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

•The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

1.1 Measurement Convention

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

Notes to the Financial Statements (continued)

Year ended 30 September 2019

1 ACCOUNTING POLICIES (Continued)

1.2 Going Concern Basis

The directors have reviewed the company's cash flow and operating forecasts and have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As a result, the directors believe that the going concern basis is appropriate for the preparation of these financial statements.

1.3 Accounting Estimates and Judgements

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

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

1.4 Turnover

Turnover represents the invoiced amount of goods sold and services provided less returns and allowances, excluding value added tax. In the case of construction contracts, turnover is recognised when the outcome of the contract can be estimated reliably and represents the sales value of work done during the year by reference to the stage of completion of the contract activity. Stage of completion is calculated through measurements of work performed. Turnover is generated entirely in the UK, and the company continues to operate within a single business segment, construction and civil engineering.

1.5 Construction Contract Debtors

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

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

Notes to the Financial Statements (continued)

Year ended 30 September 2019

1 ACCOUNTING POLICIES (Continued)

1.6 Impairment excluding Stocks and Deferred Tax Assets

Financial assets

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

1.7 Tangible Fixed Assets and Depreciation

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

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.
Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Fixtures and fittings	3-10 years

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

1.8 Pension Commitments

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

1.9 Leased Assets

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

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

Notes to the Financial Statements (continued)

Year ended 30 September 2019

1 ACCOUNTING POLICIES (Continued)

1.10 Taxation

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

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

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

In accordance with FRS 102 'The Financial Standard', deferred tax is not provided on permanent timing differences.

Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

1.11 Basic Financial Instruments – Trade and Other Debtors/creditors

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

1.12 Related Party Transactions

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

Notes to the Financial Statements (continued)

Year ended 30 September 2019

	2019	2018
2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**£000**	**£000**
The profit on ordinary activities before taxation is stated after charging:		
Fees payable to the company's auditors for the audit of the financial statements	29	26
Depreciation of owned assets	89	99
Hire of plant and machinery	358	435
Operating lease rentals – motor vehicles	5	8
Operating leases - other	91	13

3 DIRECTORS AND EMPLOYEES

	2019 No.	2018 No.
The average number of employees, including directors, during the year was as follows:		
Construction	83	121
Administration	26	27
	109	148

	2019	2018
	£000	**£000**
Staff costs, including directors remuneration, were as follows:		
Wages and salaries	6,378	9,202
Social security costs	763	1,094
Other pension costs	887	1,112
	8,028	11,408

Notes to the financial statements (continued)

Year ended 30 September 2019

3 DIRECTORS AND EMPLOYEES (continued)

	2019	2018
	£000	£000
Directors' emoluments:		
Aggregate emoluments	664	1,276
Company contributions to stakeholder pension plans	75	83
	739	1,359

At September 2019, the number of directors who had contributions paid to their stakeholder plans by the company was 5 (2018:5)

	2019	2018
	£000	£000
Highest paid director:		
Aggregate emoluments	150	289
Defined contribution scheme pension contributions	28	-
	178	289

The emoluments of P Scott have been borne by the ultimate holding company, Renew Holdings plc, and the details of his remuneration is disclosed in that company's accounts.

Notes to the financial statements (continued)

Year ended 30 September 2019

	2019	**2018**
4 TAXATION	**£000**	**£000**
UK Corporation Tax:		
Current tax on profit for the year	195	122
Adjustment in respect of prior year	(6)	-
Current taxation	189	122
Deferred taxation:		
Net reversal of timing differences	-	(4)
Tax charge on profit on ordinary activities	189	118

	2019	**2018**
Reconciliation of effective tax rate:	**£000**	**£000**
Profit on ordinary activities before taxation	882	469
UK corporation tax rate 19% (2018: 19%)	168	89
Expenses not deductible for tax purposes	27	33
Deferred tax timing difference	-	(4)
Adjustment in respect of prior year	(6)	-
Total tax expense included in Profit & Loss Account	189	118

	2019	**2018**
Deferred tax	**£000**	**£000**
Deferred tax asset at 1 October 2018	26	22
Profit and loss account	-	4
Deferred tax asset at 30 September 2019	26	26
Accelerated capital allowances	26	26

Notes to the financial statements (continued)

Year ended 30 September 2019

5 TANGIBLE FIXED ASSETS

	Fixtures and fittings
	£000
Cost	
At 1 October 2018	626
Additions	27
Disposals	(19)
At 30 September 2019	634
Depreciation	
At 1 October 2018	436
Charge for the year	89
Disposals current year	(19)
At 30 September 2019	506
Net book value	
At 30 September 2019	128
At 30 September 2018	190

6 DEBTORS

	2019	**2018**
	£000	**£000**
Amounts due after more than one year		
Amounts recoverable on contracts	2,045	2,569
Amounts due within one year		
Trade debtors	2,322	8,093
Amounts owed by group undertakings	4,177	12,587
Amounts recoverable on contracts	14,471	11,977
VAT	69	335
Other debtors	7	2
Prepayments and accrued income	177	165
Deferred taxation (see note 4)	26	26
	21,249	33,185

Notes to the financial statements (continued)

Year ended 30 September 2019

7 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£000	£000
Payments receivable on account	4,718	7,253
Trade creditors	4,291	7,948
Amounts owed to group undertakings	5,579	5,579
Other taxes and social security	15	106
Corporation tax	195	122
Other creditors	362	370
Accruals and deferred income	12,000	11,445
	27,160	32,823

Under the terms of the Renew Holding plc's group banking agreement, security has been granted over the company's assets to the group's bankers.

8 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019	2018
	£000	£000
Trade creditors	1,425	1,996

9 SHARE CAPITAL

	2019	2018
	£000	£000
Allotted, called up and fully paid: 29,000 (2018:29,000) Ordinary shares of £1 each	29	29

10 DIVIDENDS

	2019 £000	2018 £000
Interim dividends of £8.62 (2018: £34.48) per ordinary share	250	1,000

Notes to the financial statements (continued)

Year ended 30 September 2019

11 OTHER FINANCIAL COMMITMENTS

The company had no capital commitments at 30 September 2019 (2018: £nil)

The company had annual commitments under non-cancellable operating leases as follows:

	2019		2018	
	Land and buildings £000	Plant, equipment & vehicles £000	Land & buildings £000	Plant, equipment & vehicles £000
Operating leases expiring:				
Within one year	152	7	72	6
Between two and five years	557	18	-	-
	709	25	72	6

During the year £96,000 (2018: £21,000) was recognised as an expense in the profit and loss account in respect of operating leases.

12 PENSION COMMITMENTS

The company does not operate its own pension scheme. During the year the company has made payments of £886,804 (2018: £1,112,000), into employees' pension plans. The cost of contributions being charged to the profit and loss account as incurred. There were no liabilities outstanding at the year end (2018: £nil).

13 CONTINGENT LIABILITIES

Under the terms of a group debenture and guarantee, a fixed and floating charge over the assets of the company has been granted to HSBS Bank plc.

The company has issued performance bonds amounting to £7,120,591 (2018: £6,636,430) in the normal course of trading.

14 CASH FLOW STATEMENT AND RELATED PARTY TRANSACTIONS

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

The company is also exempt under the terms of FRS 102 'The Financial Reporting Standard' from disclosing related party transactions with Renew Holdings plc or subsidiaries which are 100% owned by Renew Holdings plc. There are no other related party transactions.

15 PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is YJL Limited, which is incorporated in England and Wales. The smallest and largest group for which consolidated financial statements are prepared is Renew Holdings plc.

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