# Carey Group Limited
(formerly Carey Group PLC)

Annual Report and Accounts 2020
for the 18 month period ended 30 September 2020

Building a strong foundation for our future

# Contents

# Financial highlights

## Group revenue

Group revenue for 2020 represents an 18 month period. Group revenue was impacted by market uncertainty related to Brexit and by the Covid-19 pandemic in the last 6 months of the financial period

£748.9m

(2019: £575.3m)

## Operating profit

Group profit reflects an 18 month period. Operating profit for the period reflects the impact of changes in the basis of estimation of accounting for claims and retentions, exceptional restructuring costs and the impacts of Brexit and the Covid-19 pandemic

£16.6m

(2019: £2.5m)

## Order book

Secured and probable future contract revenue not currently recognised in the financial statements

£552.3m

(2019: £494.0m)

The Group's order book has seen healthy growth despite the challenges of both Brexit and the Covid-19 pandemic which have manifested in delays in contract awards and an elongation of the tendering process

## Net cash / (debt)

Net cash / (debt) at the period / year end

£3.4m
net cash

(2019: £22.1m net debt)

The Group has focused on its financial health and resilience during the financial period, establishing robust and effective working capital management processes. This has resulted in a significant improvement of its net cash / (debt) position moving from a historical net debt balance to a net cash position in the period

## Return on capital

Earnings before interest and taxation achieved from capital employed (Total Assets - Current Liabilities) statements

13.2%

(2019: 1.3%)

The improvement in EBITDA for the period compared to the previous financial year has resulted in a significant increase in the return in capital employed for the Group

## Debt cover

Total debt divided by underlying EBITDA

1.8

(2019 – 0.8m)

As a consequence of the reduction in debt levels for the Group and the improvement in EBITDA, the debt cover ratio has more than doubled in the financial period

# Strategic Report
## At a glance

### Careys Civil Engineering revenue by sector

| | |
|---|---|
| Mixed development | 21% |
| Residential | 18% |
| Infrastructure | 13% |
| Arts and leisure | 12% |
| Energy | 10% |
| Education | 10% |
| Other | 9% |
| Commercial | 7% |

**Our capabilities (services)**

- Design, digital and construction engineering solutions
- Demolition, cut and carve and façade retention solutions
- Site remediation and enabling works
- Infrastructure and all civil engineering elements
- Complex basements, substructures and concrete superstructures
- Public realms and hard landscaping

| | 2020 - 18 months £'000 | 2019 £'000 |
|---|---|---|
| Operating profit | £26,421 | £16,329 |
| Number of employees | 1,079 | 1,080 |

### BDL Dry Lining revenue by sector

| | |
|---|---|
| Residential | 71% |
| Commercial | 21% |
| Washrooms | 8% |

**Our capabilities (our services)**

- Dry lining and suspended ceilings
- Screeding of floors within buildings
- Design and fit-out of washrooms

| | 2020 - 18 months £'000 | 2019 £'000 |
|---|---|---|
| Operating profit | £4,360 | £1,131 |
| Number of employees | 131 | 127 |

# Strategic Report
## Chairman's statement

**In 2020 the Carey Group made positive financial and strategic progress and responded very capably to the market, whilst dealing with operational and workplace challenges posed by Covid-19. It is clear that the recent changes to the organisational structure have been instrumental to our 2020 delivery.**

### Management changes

The Board of Directors underwent several changes within the reporting period. Jason Carey and Tommy Carey assumed the permanent roles of Group CEO and Group COO. We are also very happy to welcome Warren Underwood as our new Group CFO and Steve Maslin as our first Non-Executive Director. These new appointments bring a huge amount of energy and experience to the Board, contributing positively to the immediate needs of the business and developing the emerging strategy. More recently we have also announced Bjourn Bigley as Managing Director of Careys Civil Engineering. It's been a very difficult year for everybody as we strove to mitigate the impact of Covid-19 on our personal and working lives. Our strengthened boardroom and executive team have demonstrated expert leadership, and for this, I wish to extend my gratitude. Our leadership team and all colleagues have responded very positively to these challenges. It's been a huge team effort and on behalf of the shareholders and the Board of Directors I'd like to thank them for their commitment and professionalism.

### Governance

Moving forward we believe that good governance practices are very important, we continue to align with the Wates principles for private business and will be looking to add another Non-Executive Director to the Board to add more strength and depth during the forthcoming year. The Carey Group is committed to always having a representative Board of Directors both family and non-family members to ensure that we continue to evolve in a fair and balanced manner.

### Looking ahead

The Board of Directors has committed to a long term strategy. It believes that there are still many challenges and much uncertainty ahead but there are also real opportunities. The Carey Group's emerging strategy sets out a strong ambition for the future, focusing on core business capabilities allowing us to dynamically engage in a market that is going through unprecedented change. I believe the Group is financially resilient, it has a committed Board of Directors with a dedicated work force all working with a robust strategy to meet the market demands head on.

**John Carey**
**Chairman**

# Strategic Report

## Chief Executive Officer's review

### Introduction

I am delighted to share the 2020 Annual Report for the Carey Group and my first as Chief Executive Officer.

In April 2020 I was honoured to take on the role of leading the Group, ably supported by my colleagues, and build on the platform that has been created for us over the past 50 years.

### Covid-19

It would be remiss of me not to comment on the challenges that my first year in the role has held. Just as we were beginning to restructure and shape our new strategy, the Covid-19 pandemic hit. It challenged us in ways we never could have foreseen and it accelerated the pace at which we had to make decisions to secure the future of the Group. Despite these challenges, with the support of a great team and by holding steadfast to the values of the Company - care, humility, passion and authenticity - we faced those challenges in the Carey Way and have stabilised the Group, ready to grow again.

This is reflected in our strong performance over the last 18 months and has demonstrated exemplary working capital management resulting in a significant strengthening of our balance sheet and liquidity.

### Strategy

We are pleased to share our new five-year strategy for the Carey Group which supports a return to pre-pandemic turnover levels, identifying growth sectors and projects which will secure the building blocks for sustainable and ambitious growth thereafter.

The strategy includes a renewed vision, mission, values and behaviours and three strategic goals to help focus and grow our core offering of civil engineering and dry lining services.

As we embark on our five-year strategy, having a clear and focused offering for the Carey Group, underpinned by strong commercial and financial management, means we can concentrate our energies on our strategic goals of creating a great place to work, delivering operational excellence and becoming a partner of choice, confident that our business model is reflective of the consistently high performing areas of our business, suited to our core skillsets and offer a wide range of opportunities for sustainable growth.

Our vision is to become the most trusted and socially responsible construction company that people are proud to work with, and whilst it is not a shy or unassuming vision and will take hard work to get there, with our strategy in place and by using our passion and expertise to deliver exceptional construction services, I believe we will get closer to achieving it every day.

In line with our vision, it is imperative as we move forward that we also take a strong position regarding our social value. Whether it is through our people, our clients or our stakeholders, we want to support the communities we work in and leave a positive, lasting legacy. That's not a new phenomenon for us, we've been delivering in this space in the Carey Way for over 50 years and have more recently focused these activities through Careys Foundation. Setting a stake in the ground will allow us to build upon and realise our vision of being recognised as a truly socially responsible organisation.

Despite the extremely challenging conditions experienced over the last 18 months we have experienced extremely buoyant activity in winning work and I am pleased to report a strong order book of £552.3m (Careys Civil Engineering and BDL Dry Lining only) as we move into the next financial year.

I would like to thank all our employees for their hard work and loyalty to get us through an extremely challenging year. The level of commitment and willingness shown to go the extra mile has been truly humbling and as we begin the next phase of the Carey Group, we have every reason to be excited for the future.

The Groups Founders, John Carey, Tom Carey and Pat Carey, having completed the transition of the business to the second generation of the family, resigned their positions as Directors of the Group on 30 April 2021. I would like to particularly thank John Carey for his many years of service as Chair of the Board.

**Jason Carey**
**Group Chief Executive Officer**

# Strategic Report
## Operational review

### P J Carey (Contractors) Ltd – (Careys Civil Engineering)

Careys Civil Engineering operates across England, Scotland, Wales and Ireland with offices in London, Milton Keynes, Glasgow and Dublin.

The business operates in the following sectors:

- Energy
- Retail
- Education
- Industrial
- Arts and leisure
- Transport
- Aviation
- Residential
- Infrastructure
- Healthcare
- Mixed development

Top five turnover revenues for the reporting period include 21% mixed development, 18% residential, 13% infrastructure, 12% arts and leisure and 10% energy.

Within these sectors we provide the following services:

- Development of design, digital and construction engineering solutions
- Delivery of demolition, cut and carve and façade retention
- Site remediation and enabling works
- Provision of a project's infrastructure and all civil engineering elements
- Construction of complex basements, substructures and concrete superstructures
- Creation of public realms and provision of hard landscaping

Highlighted projects for the reporting period include the University of Glasgow's Learning and Teaching Hub where we provided civils and infrastructure packages, Woodsmith Mine in Whitby constructing the crucial 120m deep production and service shafts, Graven Hill in Bicester providing civil engineering and infrastructure services, One Nine Elms in Vauxhall with substructure works for the development's 43-storey River Tower and 56-storey City Tower, and Edinburgh Airport where we provided groundworks, utilities and drainage installation and a pavement quality (PQ) concrete pour.

We entered 2021 with an order book of £482.3m with projects throughout the UK. We have seen a significant increase in enquiries from the power sector in 2021 and are starting to see more solid opportunities in London come to market. Strategic tenders and our opportunities pipeline currently includes over 70 projects and is in excess of £1.7bn.

### BDL Group Ltd (formerly The BDL Group Public Limited Company) – (BDL Dry Lining)

BDL Dry Lining projects operate predominantly across London and the South East of England and is headquartered from the Carey Group's head office in London.

The business operates in the following sectors:

- Residential
- Commerical
- Washrooms

The revenue split for the reporting period across the three sectors were 71% residential, 21% commercial and 8% washrooms.

Within these sectors we provide the following services:

- Installation of dry lining and suspended ceilings
- Screeding of floors within buildings
- Design and fit-out of washrooms

BDL Dry Lining key projects for the reporting period include Elephant Park, New Mill Quarter and Walthamstow where we provided installation of dry lining and suspended ceilings.

We entered 2021 with a secured order book of £70.0m including projects at Southall Waterside, Kew Bridge and Paddington Cube.

The pipeline is also strong with strategic tenders and opportunities standing at 41 projects and over £85m.

# Strategic Report

## Operational review continued

### T.E Scudder Limited; Seneca Environmental Solutions Limited; P J Carey (Contractors) Limited, incorporated in Ireland; Careys New Homes Limited; and ION Environmental Solutions Limited

The Carey Group was restructured during 2020 and the following changes were made:

- Demolition services previously conducted by Scudder are now performed by Careys Civil Engineering.
- Seneca has ceased resource recovery and is now only offering RDF brokerage services to a select number of existing clients.
- Careys Building & Civil Engineering in Ireland no longer exists as a brand and any projects in Ireland moving forward will be delivered by Careys Civil Engineering.
- The development of residential land via Careys New Homes has ceased.
- ION Environmental Solutions Limited has ceased trading.

We entered 2021 with a predicted turnover of £39m within the above listed companies which is predominantly derived from Seneca (£13.2m) and Careys Building & Civil Engineering (Ireland) (£15.6m).

### Summary and outlook

At the start of the reporting period we did not expect the depth of challenges that the Covid-19 pandemic presented. On 23rd March 2020, as a Board of Directors and with the support of the founders of the Carey Group, we made the decision to close our site operations in response to the Covid-19 pandemic.

In the ensuing days and weeks, and in preparation for restarting safely and securing the future of the Group, the energy, resilience and efforts of our people to adapt our ways of working in the face of enormous uncertainty highlighted what makes the Carey Group such a special company. The impact of closing our site operations for a number of months and then the gradual opening with fewer operatives meant a reduction in productivity levels until new operating working practices could be established. We implemented a five-pillar plan for a safe return to work and with the support of our clients were pleased to resume operations in a safe, controlled and sustainable way.

The pandemic had a large impact on a number of our contracts, particularly in the aviation sector where contracts were paused or shutdown. As a result, we had to re-forecast our works and conduct a wider restructure of our businesses. This included closing ION Environmental, shutting the Seneca facility, operating in Ireland but at a reduced capacity, and realigning our demolition offering to our core civils business, Careys Civil Engineering.

This restructuring was carried out and completed within our extended financial year and we are now well positioned to deliver our future contracts and grow in line with our five-year strategy.

We ended the year with a strong order book, reflective of our focus on consistently delivering operational excellence and developing long-term relationships with blue-chip clients so we can position ourselves as a partner of choice.

In line with our strategy, our focus for the future is to build a sustainable and profitable business that is selected, targets projects that will benefit from our solution-based approach and provides us with the opportunity to work with clients who share our values.

Despite the challenges the pandemic brought, it highlighted how quickly and effectively we can act when we work in unison. Thanks to every one of our employees, our operational performance throughout the year is one we are extremely proud of and it gives me great confidence that with our focused, clear and lean strategy in place, we will be able to deliver exceptional projects and achieve great results again next year and for many thereafter.

**Tommy Carey**
**Group Chief Operating Officer**

# Strategic Report
## Section 172 (1) statement

The Board of Directors, in line with their duties under section 172 of the Companies Act 2006, have acted in a way that they consider, in good faith, promotes the success of the Group for the benefit of its members as a whole, and in doing so have regard to a range of matter when making decision for the longer term.

Such considerations of how section 172 factors have been applied by the Board of Directors are noted below:

- The likely consequences of decisions in the long term have been discussed further in the CEO's statement on page 6 where we detail our five-year strategy.
- The interests of the Company's employees can be found within Our people on pages 11 to 13.
- The need to foster the Company's business relationships with suppliers, customers and others is included within Stakeholder relationships and engagement on page 10 and Other Stakeholders on page 19.
- The impact of the Company's operations on the community and the environment are included within Health, Safety and Environment and Quality on pages 14 to 16, Corporate Social Responsibility on pages 17 to 19.
- The desirability of the Company maintaining a reputation for high standards of business conduct remains paramount to the business and can be seen throughout our report.
- The need to act fairly between members of the Company is summarised below.

The Group recognised the important of maintaining strong relationships with its stakeholders in order to create sustainable long-term value, and the Board of Directors encourages active dialogue and transparency with all its stakeholder groups.

The Board of Directors is responsible for setting the Group's overall strategy and maintaining oversight of its activities. The Board of Directors believes that having regard to each of these stakeholder groups ensures the proper discharge of their duties under section 172(1).

# Strategic Report
## Stakeholder relationships and engagement

### External impacts
The Carey Group's five-year strategy is underpinned by long-term goals and values, of which being a partner of choice is key. This strategic goal encompasses all the Group's stakeholder groups. The strategy is informed by the principles on which the Founding Shareholders built the Carey Group: providing for our family, looking after our people, and doing for clients what we told them we would do. The current Board of Directors is extending this thinking to encompass our responsibility to the communities that we touch and the environment - please see pages 17 to 18 for more details on community including our volunteering.

The three areas of the Carey Group Sustainability strategy underpinning the Group strategy are Community (where targets are set for social value and on our ethical supply chains), Carbon (with our baseline carbon footprint for scope 1,2 and 3 emissions for our operations and supply chain plus setting and monitoring science based targets that are tracked annually) and Compliance+ (the tracking of our minimum standards we set across all projects for key sustainability measures).

The government has developed a clear and defined set of aspirations for UK construction and it begins with a clear vision of where UK construction will be in 2025 with a defined set of aspirations which we share and support through our own strategy. The government's vision will provide the basis for the industry to exploit its strengths in the global market:

- **PEOPLE** An industry that is known for its talented and diverse workforce
- **SMART** An industry that is efficient and technologically advanced
- **SUSTAINABLE** An industry that leads the world in low-carbon and green construction exports
- **GROWTH** An industry that drives growth across the entire economy
- **LEADERSHIP** An industry with clear leadership from a Construction Leadership Council

### Shareholders
The three Founding Shareholders maintain a close relationship with and commitment to the Group. Each has an office at Carey House and routinely visits sites to meet our people and clients. The Company Secretary arranges regular family meetings to ensure they are updated on key events and decisions and their views are taken into account by the Board of Directors.

### Board of Directors communication
The Board of Directors make regular site and office visits to engage with our people. Further, the CEO introduced a new "Town Hall" discussion programme in 2020 which allows the CEO and the Executive Committee members to give regular updates to the whole workforce on key events and to take questions and feedback. The Board of Directors also closely follow employee engagement levels through informal listening groups, weekly check-in's and daily huddles at sites and in monthly or quarterly 1:1s. A formal employee engagement survey is being introduced in 2021 as part of the Great Place to Work strategic goal. The Group also uses Yammer, a social media tool that enables two-way dialogue between all colleagues.

# Strategic Report
## Our people

It is our people which, above all else, are fundamental to our success and reputation. As a family business, we know our people are at the heart of our continuing growth. With our people on our side – striving, learning, growing and developing – we can enhance and sustain our mission of using our passion and expertise to deliver exceptional construction services. We invest our time and energies in attracting, retaining and developing the talent we need.

### Behaviours make a difference

Our behaviours are guided by our values as well as our newly-developed Code of Ethical Conduct ('Doing the Right Thing'), which will set out the standards we expect our people to reach and is being launched in June 2021. Our values were co-created by our people to reflect the realities of working at the Group. Care, humility, passion and authenticity are the key values we live by. We work together, collaboratively and without hidden agendas, and we come together to help each other succeed.

### Employee involvement and engagement; listening, responding, improving

Employee engagement and wellbeing issues have been so critical in 2020, as have workplace arrangements, arising from the disruption caused in the reporting period by the Covid-19 pandemic and these have been outlined already in some detail within this report.

The Carey Group engages with its employees on a regular basis and in a number of ways to suit their different working patterns. This includes:

- Line manager briefings
- Communications forums and roadshows held by functions or brands across the Group
- An internal intranet
- Online learning resources
- Email news alerts
- Focus and listening groups
- Weekly bulletins
- Employee social media groups (Yammer)
- Quarterly magazine

Details of the financial and economic factors affecting the performance of the Group are shared with all employees at the appropriate time using the methods listed above. The Board of Directors agreed that our Independent Non-Executive Director, Steve Maslin, attend an Executive Committee meeting and hold a range of 1:1s meetings to meet as many of our people from a cross section as possible, providing the Board of Directors with another channel of direct feedback from the workforce strengthening the 'employee voice'. Other activities involving employees in feedback on our values and behaviours, employee development and upskilling are received by the CEO and Chief People Officer ensuring that feedback is listened to and acted upon where appropriate. The questions and answers are published in newsletters and online.

Listening to each other lies at the heart of our inclusive approach. During 2020, as we further developed our five-year strategy, we specifically held dedicated employee listening group sessions and client feedback conversations – each of these involves major stakeholders such as our people, our customers and our communities. Through our Operational Excellence strategic goal and our Engineering Innovation Forum our site project teams are able to share ideas to achieve meaningful operational changes.

It is however in our everyday local interactions where we believe employee involvement has the biggest impact. Our daily site group interactions and 1:1s are given great importance in understanding what matters most to our people and building on supportive team relationships.

### Celebrating diversity

Through our diversity policy, the Group seeks to ensure that all our people, without exception, are treated equally and fairly and that all employees are aware of their responsibilities.

# Strategic Report

## Our people continued

Our policies and procedures fully support our disabled colleagues. We take active measures to do so via a robust reasonable adjustment policy and processes to ensure colleagues are fully supported. The Group is responsive to the needs of its employees. As such, should any employee of the Group become disabled during their time with us, we will actively make reasonable adjustments to their working environment where possible, in order to keep the employee within the Group. It is the policy of the Group that the recruitment, training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

We consistently aspire to develop a culture where our people feel valued and are inspired to contribute to their fullest potential. Building a diverse workforce takes real investment and commitment and through case studies, we highlight successes in breaking down the gender barrier and encouraging more women to join the construction sector. We aim to tackle some of the long-ingrained biases that operate in our industry, and to offer a working environment that's fair to everybody and makes us attractive for people who want an interesting and diverse career. We wholly recognise the benefits for celebrating diversity and inclusion across the Group in what has traditionally been a male-dominated industry. Unconscious bias can deter the excellent, high-performing individuals we need to thrive as a business from making progress or even applying to join us. We now remove gender bias – whether male or female – from our recruitment communications and recruitment platform that uses behavioural algorithms to strip bias out of the hiring process, making it fairer and more objective.

### Gender pay reporting

Our Gender Pay Report can be viewed at https://www.careysplc.co.uk/group/gender-pay-report. This is our 4th year of reporting and shows the percentage difference between the average hourly earnings for male and female employees, regardless of their role, at a snapshot date of 5th April each year (this is different to 'equal pay', which requires men and women doing the same role to be paid the same).

Our figures for the reporting period have been significantly affected by the measures we took last year to safeguard the Group during the Covid-19 pandemic. On the snapshot date of 5 April 2020 the majority of our employees were either on furlough or taking a voluntary salary reduction so the report data is based on a very small group of people, so whilst PJ Carey (Contractors) Ltd (Careys Civil Engineering) had a total employee headcount of 1064, only 198 were considered as 'full pay relevant employees' and have been included in our calculations (155 males and 43 females).

We have therefore taken the opportunity to publish a set of voluntary calculations to review our gap on the total workforce alongside our actual snapshot date calculations (as required to report under) had these extraordinary events not been in play. We hope that this provides a truer reflection of the progress and challenges over the past four years. Our commitment to reducing our pay gap remains strong and our plan for action continues to centre on core actions around the development of our people, our engagement, retention and recruitment activities and for 2021 we have a refreshed dedicated focus across the business on Inclusion and Diversity, in support of our Great Place to Work strategic goal.

The full report covers all the disclosures, below however are a few highlights:

We are pleased to report that our female headcount has risen by 2.36% to 20%, 6% higher than the female representation across the construction industry.

Furthermore, whilst our reportable data suggested an increased pay gap for the reporting period, our projected calculations show that in real terms for our employees, both our mean and median pay gaps have reduced from 23.1% to 19.0% and from 20.9% to 20.0% respectively.

| | 2017 | 2018 | 2019 (not reported) | 2020 (reportable) | 2020 (projected) |
|---|---|---|---|---|---|
| **Mean pay gap** | 27.9% | 28.7% | 23.1% | 32.0% | 19.0% |
| **Median pay gap** | 22.1% | 24.1% | 20.9% | 33.0% | 20.0% |

# Strategic Report

## Our people continued

It is also encouraging to see that we now have the highest percentage of women in the upper quartile since we began reporting. Encouragingly, 5.6% of our female workforce were promoted in the reporting period, just behind the 7.2% for our male workforce. However, the majority of women at the Carey Group do continue to tend to be in non-client facing roles (in support functions) and unlikely to lead project delivery, which are the type of roles that predominantly make up the top two pay quartiles.

Both our mean and median bonus gap has reduced from last year suggesting greater equality in the bonuses being paid to all employees. We're proud that the percentage of males and females receiving a bonus is also at its highest level since reporting began, and nearly equal across both genders.

In 2021, we have renewed our focus on retention and the employee experience, including the launch of our first ever Employee Engagement and Diversity and Inclusion strategies to ensure all groups feel represented and heard. We want to ensure every person that works for us loves what they do, feels they can bring their authentic selves to work every day and be able to show their passions, enthusiasm and how much they care. This will aid female retention and the promotion of our female population through the ranks. In addition, our Remuneration Committee take a particular oversight of our gender pay data.

We continue to support current and future female colleagues in their personal and professional development as we strive to ensure women are represented at every level of the Group. Our leadership development and coaching programmes continue to extend their reach with several female members of staff now working as accredited facilitators in both fields. In addition, our learning guide is being developed which details the competencies and learning opportunities for our trade and technical roles. This is one of the tools used which allows open access to development and ensure a diverse and inclusive succession towards senior roles in our business.

A move towards virtual delivery, as a result of the pandemic, has allowed us to accelerate our behavioural learning programme, Leading Edge. We have created learning pathways which seek to develop and refine leadership skills for all our employees. By investing in the development of our leaders, this will have a positive impact on communication, social change, people retention and attracting a diverse workforce.

Since October 2020, we have been designing and delivering Identifying Unconscious Bias training across all levels of the business, with the intent to make our people aware of potentially harmful unconscious biases, and to reduce the impact of bias on their interaction with others. We aim to have trained all our leaders and managers in Identifying Unconscious Bias by September 2021. We hope this will help to open up opportunities to everyone, particularly those that are currently underrepresented in our most senior roles.

During the period, as a result of the restructure and Covid-19, the Group made a significant number of redundancies. This was done after a long consultation period and the Board of Directors tried to ensure this was done as compassionately and respectfully as possible. All our people affected were offered counselling, workshops on finding alternative employment and external outplacement support services.

The Board of Directors is determined that every member of our workforce should feel confident in bringing their authentic, whole selves to work. Therefore, the CEO will lead a new diversity and inclusion programme designed to make people of all genders, ethnicities, sexual orientation and age feel that they belong at the Carey Group.

### Addressing the gap

Narrowing the gender pay gap will take time. We continue to develop our early years recruitment policies and practices to be open and attractive to female candidates especially at apprentice and graduate entry levels. To support this strategy, we have invested the capabilities of a Talent and Apprenticeship Partner to broaden the diversity of our workforce across all under-represented groups. This will include forging strong partnerships with schools and colleges to help educate and encourage more female representation into the industry. By widening the scope of our apprenticeships, we have increased our number of female apprentices to 29% from 16% across our entire workforce. Our Resourcing function ensures all external and internal job adverts are gender neutral, ensuring they appeal to both male and female applications, and we are proud to continue utilising a digital recruitment platform which applies behavioural science to remove unconscious bias from the selection process. It enables us to collate and analyse equal opportunities recruitment data, including gender. We are the only construction company, to date, to utilise this method in our recruitment strategy.

# Strategic Report
## Health, safety, environment and quality

### Training and developing our teams
Our aim is to give great people every opportunity to professionalise the work they love. Our Leading Edge programme helps our new and existing leaders excel by providing them with the fundamentals of leadership and operational management. In addition, our workshops and toolkits give first-time line managers essential skills guidance and training, to support in areas such as recruitment and performance management. A number of our senior leaders have external mentors in place who help coach and guide our approach and help challenge and prevent 'group thinking'. Health and wellbeing is another key area of focus, and during the year we refreshed our wellbeing toolkits with more emphasis on mental as well as physical health and we have Mental Health First Aiders across the business.

With the increase in reporting period extending to 18 months, our RIDDOR reportable injuries only increase by 2 from the previous year to 27 (2019:25). Underground buried services strikes reduced from 19 in 2019 to 12 in 2020.

We attribute these results due to returning to work after the first lockdown in a very controlled manner. We implemented a Covid-19 five-pillar plan which brought intense focus on planning before contracts were restarted. The five-pillar plan consisted of:

1. Safe Systems of Work
2. Contractual and Commercial
3. People
4. Supply Chain
5. Group Support

Pillar 1 - Safe Systems of Work, each one of our sites was required to revisit their RAMS (Risk Assessments and Method Statements) and implement control measures in accordance with Build UK SOP (Standard Operating Procedures) for health and safety. Where works could not be completed safely whilst maintaining social distance the work was redesigned to ensure the task could be completed safely.

Pillar 2 - Contractual and Commercial, we clarified clauses in contracts to ensure we were in a financial position to return to work and had the required level of resources to safely return.

Pillar 3 - People, we required every colleague working for the Group to complete a Covid-19 medical questionnaire regarding their own health and the health of their families. For those that had vulnerable people within their households or where they themselves had pre-existing medical conditions, we made use of the furlough scheme and asked these colleagues to continue to shield at home.

Pillar 4 - Supply Chain, we contacted our suppliers to ensure goods and services were available for a minimum of eight weeks to allow us to return to work. We were concerned that if we did not have the correct resources that within a week or two of starting, we would have to stop due to lack of materials on site.

Pillar 5 - Group Support, we looked at our back office support staff to ensure we had sufficient people at work, albeit working from home, able to support our on-site operations.

Before any project could resume or start work, each of the five pillars had to be completed and approved. These additional steps, over and above our normal planning and execution of our projects, meant we slowly ramped up our on-site works, eventually getting back to almost pre-pandemic numbers on site.

The Group's BCP team (Business Continuity Planning), met twice weekly at the start of lockdown to ensure our control measures remained in line with changing guidance from government and the devolved nations we work in (Scotland, Ireland, Wales and England). In line with government advice, we implemented a number of control measures that altered all our regional offices and our headquarters in Wembley. Temperature scanners, one-way systems, every other workstation removed to ensure social distancing, enhanced cleaning regimes of all common touch points, door guards installed to keep fire doors open, whilst remaining compliant with fire regulations (doors close automatically when the fire alarm activates) to encourage air flow and hand sanitiser points installed in multiple locations within each of our offices. All of the above control measures and more were documented and briefed to our colleagues and a copy of our risk assessment was posted publicly on our website. Each one of our individual sites also had to complete bespoke Covid-19 risk assessments as part of their Pillar 1 Safe Systems of Work.

# Strategic Report

## Health, safety, environment and quality continued

During the pandemic we maintained all memberships and accreditations with a mix of remote auditing and on-site auditing when allowed. These external audits ensure our policies, procedures and systems remain legally compliant. We continue to use Spheracloud (Rivo) as our online HSEQ reporting and audit tool.

We support our people in following our carefully defined standards through the use of CGI's (Computer Generated Images) to ensure all our colleagues are aware of the standards we expect on all our sites. The Carey Visual Standards have been developed in an App available on all types of devices. This means our site teams have instant access to all our CGI's and can refer to the images and detailed text in the forms of Do's, Don't's and Considerations to make sure their planning and implementation of the work is in compliance at all times.

### Recognised standards

The efforts of our HSEQ and Plant and Fleet teams in particular to build and underpin our reputation as an employer who puts safety and top-class standards first, continue to be recognised. During the year, we retained our FORS Gold standard within our Plant and Fleet department and won distinction with our audits. While our apprenticeship programme is one that we are proud to recognise several of our people for their commitment to the future generation of skilled construction team members committed to the highest of standards.

### Sustainability

In 2020, we further modified and tweaked our Sustainability strategy and reduced the five core pillars to three, which are Carbon, Community and Compliance+.

We will look to reduce our carbon footprint year on year through careful assessment of our scope 1, 2 and 3 emissions. Working primarily with our internal procurement and plant and fleet teams, we will be able to directly influence future decision making, capital expenditure to ensure we remain compliant with our overall Group strategy to be the most trusted and socially responsible construction company, that people are proud to work with.

### Energy and Carbon reporting

| | | **UK** 18 months ending 30 September 2020 | **UK** 12 months ended 30 September 2020 |
|---|---|---|---|
| | **Emissions Scope** | **t CO2e** | **t CO2e** |
| Emissions from combustion of gas | 1 | 119 | 65 |
| Emissions from combustion of fuel for transport purposes | 1 | 8,186 | 4,644 |
| Emissions from purchased electricity | 2 | 803 | 552 |
| Emissions from other activities which the Company own or control including operation of facilities | 14,416 | 14,416 | 8,083 |
| **Scope 1 + 2** | | | |
| Emissions from business travel in rental cars or employee-owned vehicles where the business is responsible for purchasing the fuel | 3 | 421 | 211 |
| **Scope 1 + 2 + 3** | | | |
| Underlying energy (kWh) | | 96,048,478 | 54,404,580 |
| t CO2e / £m turnover (Scope 1 + 2) | | 32.6 | 31.7 |
| t CO2e / £m turnover (Scope 1 + 2 + 3) | | 33.2 | 32.2 |

# Strategic Report

Health, safety, environment and quality continued

## Entities for which data has been collected and consolidated in energy and carbon totals

BDL Group Limited (formerly The BDL Group Public Limited Company), Carey Group Limited (formerly Carey Group PLC), Careys 35 Baird St Ltd, ION Environmental Solutions Limited, P.J. Carey (Contractors) Limited, P.J. Carey Plant Hire (Oval) Limited, Seneca Environmental Solutions Limited, Careys New Homes Limited, T. E.Scudder Limited

## Omissions made

The Group has not disclosed a small amount of grid electricity use at some sites where it is the 'principal contractor'. This decision was made on the basis that the emissions and energy use are immaterial to the Group (estimated to account for less than 2% of emissions already disclosed) and that the data to model these impacts is impractical for the Group to obtain.

## Methodology

A location-based calculation of CO2 equivalent emissions was made using data collected from utility and fuel suppliers. Energy and emissions from owned transport were modelled using fuel card data. The methodology is consistent with the 2020 edition of the UK government GHG Conversion Factors for Company Reporting.

## Energy efficiency action over the financial year

The Group has developed a specification for the capture and analysis of online data. This approach will ensure the Group can more effectively record and monitor its energy usage and identify significant areas to target in the future, including its Scope 3 indirect impacts.

In conjunction with Non Road Mobile Machinery (NRMM) best practice the Group has invested and continues to invest in its fleet and plant equipment to ensure it is fully NRMM compliant. The Group's equipment has GPS tracking devices that allow the Group to access data in relation to idling and fuel consumption.

The Group also launched a new Sustainability strategy. The strategy identifies three key themes, one of which is carbon.

Community has two distinct parts. The first being how we support the local communities we are working within, e.g. how we encourage long term unemployed or ex-offenders to join our business. The second part is to ensure all our suppliers are ethically sourced and we do not inadvertently support modern slavery by employing non-compliant organisations.

Compliance+ is not about legal compliance, it is about ensuring we cooperate at a level that far exceeds legal obligations and delivers all our works in compliance with the Carey Way, which supports our five-year Group strategy.

To ensure the quality of the work completed by the Group meets and exceeds expectations of our clients, we continued to invest in training for our people. Due to Covid-19 restrictions however, most of this training centred around compliance training, e.g. first aid, manual handling etc. and was carried out remotely in most cases. Our experienced project management teams continue to use and be guided by our integrated management system (IMS), which itself is independently audited by a UKAS approved third party validator. LRQA (Lloyds Register) audit our HSEQ systems twice yearly and we are proud to confirm we have again maintained accreditation to ISO 9001, ISO 14001 and OHSAS 18001 with plans to migrate to ISO 45001 by the end of May 2021. We have altered our Leading Edge training to remote based training instead of classroom training, so that we can continue to roll out the 'Seven Habits of Highly Effective People'. This educates and enlightens those that attend how to be more effective, rather than efficient. This is extremely important to us at the Carey Group as this supports our mission: 'To use our passion and expertise to deliver exceptional construction services'. To achieve this, we align our people in four key values: care, humility, passion and authenticity.

# Strategic Report
## Corporate social responsibility

There's no doubt that the last 12 months have had a profound effect on all our lives at work and at home but that's not stopped us in our mission, it's made us more determined to ensure we are there to help and support one another.

On 23rd March 2020, before the national lockdown, the Board of Directors decided to close all site operations and offices. It was rightly seen as a direct conflict with our values to ask our people to continue using public transport, work on crowded sites and share welfare and canteen areas. The responsible decision was made to protect our people as well as the wider communities we work with directly and indirectly every day.

At the Carey Group, we are building a long-term sustainable business – one that creates added economic, environmental and social value for our stakeholders, upholds the highest safety standards, and promotes diversity and inclusivity.

We are proud of our priority which will always remain the health and safety of our people, ensuring everyone goes Safe Home Every Day. Through our value of care, we empower and encourage our people to check in with each other, listen to understand and to have each other's back. For us, wellbeing is important physically, mentally and financially. Our benefits package offers employee assistance programmes such as counselling and financial / legal advice, we have a series of trained Mental Health First Aiders throughout our organisation and we have our charitable Careys Foundation to support in times of real financial hardship.

### Careys Foundation

Careys Foundation was established in 2012 and became a registered charity in 2015. Through the activities of the Foundation, we are able to leave a positive legacy on the communities we work within. We take considerable pride in the Foundation's commitment and approach to helping others, which is firmly grounded in the strong Carey family values which have underpinned the wider Group since 1969. To date, the Foundation has contributed £1.69m to charitable and worthy causes. The Foundation focuses its efforts on three key areas – community, volunteering and charity. In the reporting period we provided:

**269**
**Charities** we have provided support for

**173**
**charitable events** supported

**1,400**
**volunteering hours –** more than double last years'!

### Community

We believe in honouring, respecting and supporting the communities we work with.

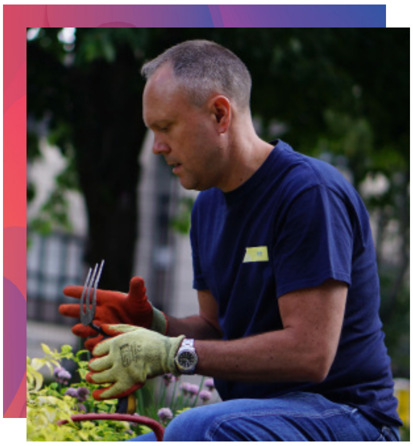
At all times, throughout each and every one of our projects, we look to engage positively with the community. This is best demonstrated through projects like Kettering General Hospital dementia garden. Careys Civil Engineering and BDL Dry Lining contributed people, resource and funds to transform an unused area into a stimulating space for patients and visitors to enjoy whilst in hospital. In addition to the garden, two new buildings now provide office space and a café for dementia nursing specialists to meet with patients and their families.

# Strategic Report

Corporate social responsibility continued

## Volunteering

Offering our time and resources to help improve the lives of others is in our Company DNA and a fundamental part of living our values. We provide volunteering opportunities and support for all of our people to apply their skills outside of the workplace. Through our volunteering scheme, everyone is entitled to one paid day of leave each year that they can use to volunteer for a charity of their choice.



Before lockdown, some of the ways in which our employees applied their efforts and talents to make a difference and create a positive impact within local communities included gardening, volunteering at food banks and spending time with older people.

Through our volunteering activities, we have seen first-hand that small gestures of support, provided enthusiastically by thousands of people, can provide incredible benefits for worthy causes.

## Charity

We actively encourage and support all our people to fundraise for charitable causes – they reflect our values with their amazing actions and are keen to get involved. Typical activities include challenges such as mountain climbs and extreme races in order to raise awareness and funds for charity.

In our biggest fundraising challenge to date, 'Le Tour de Careys' had over 250 employees participate in a 24-hour static cycle challenge. Across Glasgow, Manchester, Graven Hill, Wembley, Kings Cross, Mayfair and Dublin employees cycled as many miles as possible raising £55,000.

With the unshakable support and commitment of our people, clients and suppliers throughout 2019/20 we raised over £143,000 for our five chosen charities:

BREAST CANCER IRELAND researching a cure | Support Evelina London Children's Hospital | In aid of Alzheimer's Society United Against Dementia | BREAST CANCER NOW The research & care charity | rmn Research Motor Neurone

In support of the five chosen charities and to raise awareness of their causes, we wrapped five tipper wagons with each charities' branding.

In addition to its focus on three key areas – community, volunteering and charity – the Foundation also seeks to raise money through a series of high-profile events and partnerships. One such initiative saw Careys Foundation partnering with Careys Plant & Fleet to help raise awareness and funds for Breast Cancer Now with the addition of a pink excavator to its fleet.

The machine was named 'Hope' and does just that; highlighting Breast Cancer Now's aspiration and ambition that, by 2050, everyone who develops breast cancer will live and live well.

Throughout 2020, Careys put the highly visible and noticeable Hope to work at various projects across the UK, also donating a percentage of Hope's hire rate proceeds totalling £12,000 to this worthy cause.

# Strategic Report

## Corporate social responsibility continued

Since the first lockdown in April 2020, the majority of the Foundation's work had to significantly change to meet government guidance. However, we were still active and able to help over the summer of 2020 with the following:

Donating PPE to NHS staff at St Mary's Hospital, Paddington, North West London. Our PPE donation consisted of over 1,000 masks, goggles, gloves and face shields.

The London Irish Centre in Camden offers a range of support to people suffering hardship, sickness and during Covid-19, threat of isolation. After our canteen at Wembley head office was closed in March 2020, we reached out to the centre and were able to donate all the food supplies that otherwise would have gone to waste. The centre made over 100 parcels each day at the height of lockdown which were used to support those shielding or alone.

### Other stakeholders

The Group continues to act responsibly towards the communities that we serve and who are affected by our work. The Board of Directors closed all its sites ahead of the first government lockdown in response to concerns about congestion travelling to and at sites. Each of our sites and offices were opened only after a robust risk assessment and in line with the Group's Covid-19 safety protocols and all government guidance. The Group introduced measures to provide coordinated transport options so that our people did not have to travel to work by public transport.

Covid-19 demanded that we have had to communicate and work ever more closely with our clients and we have been delighted with the enhanced relationships we have formed with clients during this time. As part of the new strategy, the Group is introducing a new client engagement programme in our 'Partner of Choice' strategic goal which is designed to ensure that the Board of Directors is aware of how our clients view us and that we look for ways to collaborate more closely with clients on activities such as industry leading safety protocols. Many of our sites are subject to health and safety audits commissioned by our clients; we have a transparent approach to these audits and the Board of Directors is delighted that we passed all audits first time throughout the period and since the period end and would like to thank all colleagues involved. However, the Board of Directors remains vigilant and will continue to push the bar upwards on health and safety matters.

Similarly, Covid-19 demanded that we communicate and work ever more closely with our key sub-contractors and suppliers and the Group is grateful for the support it received from these stakeholders during the pandemic. The Group has worked hard to significantly reduce our average creditor days and implement stronger cash controls across our business. The Board of Directors is committed to having a better than median creditor payment period within the sector.

The Group has procedures to monitor its supply chain to ensure that the Modern Slavery Act requirements are adhered to throughout that supply chain and has open dialogue with the Independent Anti-Slavery Commissioner's Office.

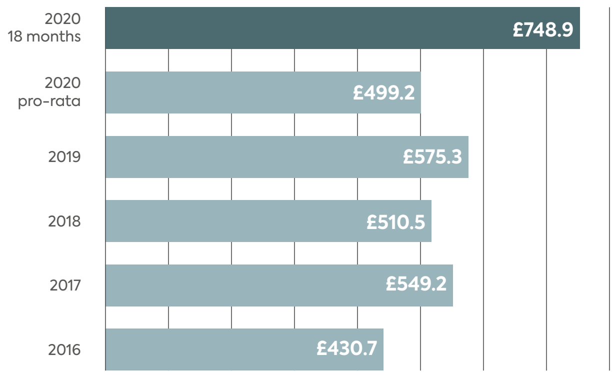
The Group is a member of Build UK, the main trade body for the construction sector and played an active part in Build UK's achievements in persuading government that the sector could reopen safely during the pandemic. The Group is determined to play an active part in working with Build UK to further the interests of the UK construction industry and build upon the widespread respect in which the sector is held.

# Strategic Report

## Key performance indicators
## Financial

**Group Revenue (£m)**

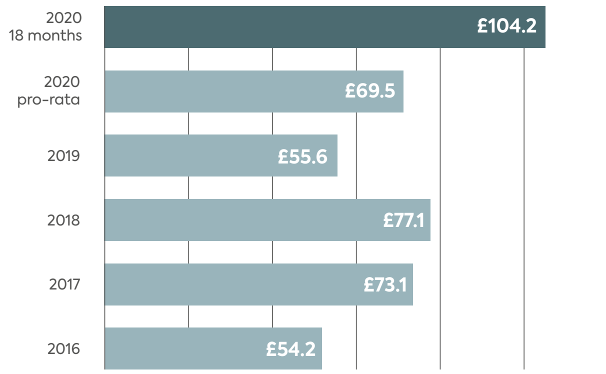
£748.9




Group revenue was impacted by market uncertainty related to Brexit and by the Covid-19 pandemic in the last 6 months of the financial period

**Gross Profit (£m)**

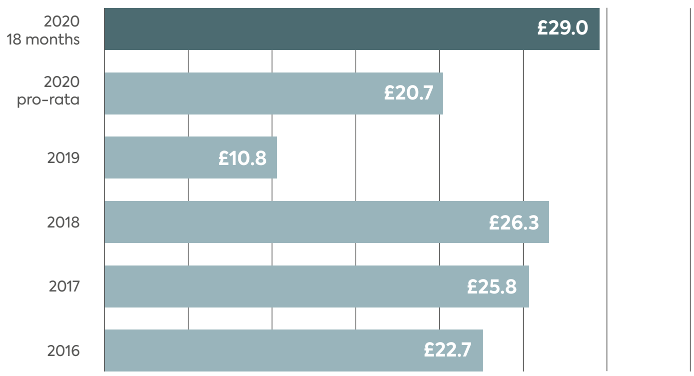
£104.2




Gross profit for the period reflects the impact of changes in the basis of estimation of accounting for claims and retentions and the impacts of Brexit and the Covid-19 pandemic

**EBITDA (£m)**

£29.0




EBITDA is earnings before interest, tax depreciation and amortisation. EBITDA for the period reflects the impact of changes in the basis of estimation of accounting for claims and retentions and the impacts of Brexit and the Covid-19 pandemic

**Net (debt) / cash balances (£m)**

£3.4


The Group has focused on its financial health and resilience during the financial period, establishing robust and effective working capital management processes. This has resulted in a transformation of its net (debt) / cash position moving from a historical net debt balance to a net cash position in the period

# Strategic Report
## Key performance indicators
## Non-financial

### Client and projects

Executives, Operational and Commercial Directors average rating of the Carey Group: 8.4 / 10

We started 108 new projects for 88 clients

Using an independent company we collected valuable feedback on our performance from our clients. We will be expanding this exercise to capture additional feedback from more clients and from different operational groups within their organisations.

### People

No of people on Leading Edge Leadership development skills programmes: 234

Mental health first aiders 19

Apprentices in our workplace 25

5,641 attendees across 1,564 training events

Our people are at the heart of what we do and our investment in them is critical to our success.

### Sustainability

Carbon: 13,555t CO2e

Intensity metric: t CO2e/£m turnover: 32.2

We are launching our new sustainability strategy focusing on community, compliance + and carbon. We are setting and monitoring science based carbon reduction targets for our scope 1,2 and 3 emissions.

### Health and Safety

RIDDORS 27

Strikes 12

With the increase of the reporting period, our RIDDORS only increase by 2 and our underground buried services strikes reduced by 7.

# Strategic Report
## Principle risks and uncertainties

### Risk
The Group's business involves a number of inherent risks which are captured in the Group risk register and for which the controls framework and mitigation actions are monitored regularly by the Risk and Audit Committee.

### Health and Safety failings
The Group operates in environments with the potential to cause serious injury to our direct workforce, sub-contractors, clients or members of the general public.

Mitigation:

- The Group runs a robust, integrated management system which is certified to ISO9001, 14001, and OHSA S18001
- Detailed planning, monitoring and risk assessments are executed for every site, including regular training of our workforce ("Plan, Do, Check, Act")
- Internal and external health and safety audits are conducted regularly and all results reviewed carefully
- Thorough investigation is conducted of all accidents and near misses
- The Group has a system of regular sharing of good practices and learnings from accidents and near misses
- The application of these processes is monitored by the Executive Health and Board Health and Safety Committees

### Contract delivery failings
The Group delivers a number of complex projects which carry the risks of delayed delivery, not meeting client specification and cost overruns, which could threaten the Group's reputation and profitability.

Mitigation:

- Robust tender and contract take-on controls are operated by the CEO and Senior Leadership team to ensure that the Group only accepts contracts for which it has the experience and expertise to deliver to an excellent standard
- Monthly trading and contract reviews are held at which the Executive Committee review the operational, health and safety and financial performance of all key contracts
- Monthly project reviews are held at which the COO and CFO review the operational, commercial and financial performance of each live project. Additionally, a separate monthly review of all projects with live disputes or contractual claims is undertaken by the CEO, COO and CFO in order to track progress and drive resolution

### Inability to recruit and retain talented people
The Group operates in a competitive sector and requires highly talented leaders to ensure it retains leadership in key markets. Its underlying contracts require delivery of a range of services by highly skilled technicians.

Mitigation:

- The Group uses detailed role descriptions and mentoring for all leaders and conducts reviews of the effectiveness of the Board of Directors and key committees
- A talent audit is conducted to ensure that there are succession plans for all key leaders
- The Leading Edge programme is designed to develop talent so that the Group is well-resourced to meet future needs

# Strategic Report

Principle risks and uncertainties continued

## Supply chain vulnerability

The Group's ability to operate could be compromised by loss or non-performance of a key supplier.

Mitigation:

- The Group maintains regular dialogue with key suppliers
- The Group identifies at least three key suppliers for each business activity to ensure continuity of supply should one supplier fail
- Creditor balances are reviewed weekly to ensure relationships are not threatened

## IT systems, data and cyber security are compromised

In common with most businesses, the Group could suffer reputational and financial loss if systems fail, data is lost and its security of information is compromised.

Mitigation:

- The Group complies with GDPR and Computer Misuse Act
- The Group complies with ISO 270001:2005

## Political and macro-economic disruption

The Group's business model could suffer from unforeseen significant adverse events.

Mitigation:

- Active involvement with trade representative and other business enables the Group's leaders to identify and plan for potentially significant adverse events
- An enhanced Board of Directors combines a leadership team combines a strong understanding of the construction sector and the Carey family values with professional experience of other large entities

## Business continuity threat

In common with every business the Group's ability to continue to operate could be threatened by a catastrophic external event, such as the Covid-19 pandemic.

Mitigation:

- The Group implemented its business recovery plan in successfully combating the disruption caused to much of UK business by the Covid-19 pandemic
- The Group operates a business continuity framework designed to: i) keep our people safe; ii) keep our clients and other stakeholders safe; iii) communicate regularly with all key stakeholders; iv) ensure the Group's financial health
- In the event of a business crisis the Executive Committee meets daily to ensure there is clear accountability for urgent actions and communication
- Rolling cash forecasts are reviewed at least weekly
- Effective remote working procedures are in place

# Strategic Report

Principle risks and uncertainties continued

## Non-compliance with law or regulation

The Group's activities could be seriously disrupted if it were found not to have complied with key aspects of law or regulations.

Mitigation:

- The Group has rigorous policies for anti-bribery and corruption, money laundering, and gifts and hospitality, and mandatory training of all the workforce is conducted periodically
- The Group maintains a whistle-blowing hotline which is administered by an independent, external agency
- The Group maintains a transparent approach with all regulators and government agencies

## Financial Risks

### Credit risk

The Group delivers large, complex projects to a number of clients and a failure to recover amounts receivable on a timely basis could damage the Group's available cash balances.

Mitigation:

- Credit references are obtained before a new client is taken on
- Credit references are subject subsequently to periodic review
- Key contracts are reviewed by members of the Executive Committee on a weekly basis and risk from poor project delivery or client financial instability are highlighted and appropriate actions taken
- Aged debtors are reviewed by the credit control at least weekly and overdue debts reported to the CFO weekly and the Executive Committee monthly

### Liquidity risk

The Group's business would be disrupted if it maintained inadequate cash reserves and was unable to meets its liability to the workforce and creditors on a timely basis.

Mitigation:

- Outstanding balances due from clients and due to creditors are reviewed on a weekly basis by the CFO
- The CFO prepares rolling three-month cash forecasts which are monitored and updated weekly and monitored by the Board of Directors at least quarterly
- The CFO prepares an annual cash forecast which is monitored by the Board of Directors quarterly

## Defined benefit pension scheme liability

We are responsible for funding our defined benefit pension scheme. Should our pension fund liabilities increase, we would need to make additional pension deficit payments, which would negatively impact our working capital.

Mitigation

In addition to Trustees appointed from within the Company, our defined benefit pension scheme also has an independent third party Trustee. In order to help them manage the scheme's investments, the Trustees have employed scheme advisors who guide them in implementing an investment strategy that meets the objectives of the scheme. Funds are spread among a number of providers, which are tasked with achieving capital growth and diversification, whilst avoiding excessive volatility. The Trustees have pursued a balanced approach to risk, in order to gain an increased expectation of better returns. This methodology has the added benefit of avoiding excessive reductions in fund value, during periods of poor stock market performance.

The scheme administrator produces an annual calculation of the scheme's liabilities so that the Trustees can monitor the scheme's performance on a regular basis.

# Strategic Report
## Financial Review

### Introduction

A number of key changes are reflected within the Annual Report and Accounts. The Group's accounting reference date has been changed to 30 September resulting in an extended reporting period of 18 months. At the same time the Group also made the decision to re-register from a Public Limited Company to a Private Limited Company. Finally, the appropriateness of the Group's Revenue Recognition policy has also been reviewed and amended to better reflect the earned value from our contact portfolio.

As part of the strategic review of the business and as a consequence of the continuing poor performance reported in the 2019 Annual Report, a decision was made at the start of the reporting period to focus on our civil engineering and dry lining businesses and to exit from those businesses that were not aligned with our strategic plans. This resulted in a managed winding down of our Irish contracting, demolition, asbestos removal and housebuilding companies. Recognising that this decision would reduce our Group turnover we simultaneously initiated a cost reduction programme to resize our overhead in line with the new shape of the Group. These initiatives were commenced in the first quarter of the financial year and good progress was made around delivery.

However, almost immediately the Group's operations were adversely impacted by the Covid-19 pandemic. After an initial closure of virtually all sites during March 2020, operations began to resume again within a few weeks but with significantly reduced productivity caused by social distancing measures. This impact combined with delays in project starts have impacted volumes. Decisive management action at this time mitigated the impact of the pandemic, protecting the Group's profitability and liquidity. The cost reduction programme was accelerated and the target reductions increased, working capital management intensified and forecasting cycles and disciplines improved.

Throughout this period, the Group has incurred restructuring charges as it has simplified its structure, significantly reduced its overhead costs and improved profitability across the Group. These actions mean that the Group is now well placed to meet future challenges and exploit opportunities that present themselves.

Due to the impact of the restructuring, cost reduction programme and Covid-19 on underlying performance, a decision was made to extend the accounting period to 30 September 2020 in order to ringfence the exceptional nature of these impacts in order that the Group could return to reporting underlying performance as quickly as possible.

At the same time as the change in accounting reference date was reviewed, consideration of the appropriateness of the Group's revenue recognition policy took place. This resulted in a move away from the existing recognition of revenue associated with retentions being recognised when those retention monies are received to the recognition of revenue in line with the performance and progress for each contract. This is more in line with the approach adopted by the majority of companies operating within the construction sector.

### Summary of financial performance

Despite the extremely severe and damaging impact of the Covid-19 pandemic to the UK economy and the consequential unprecedented levels of uncertainty, the Group has performed extremely well taking the opportunity to significantly improve the robustness and sustainability of its balance sheet.

Revenue for the 18-month period was £748.9m with an operating profit of £16.6m. The Group had net assets of £106.0m at 30 September 2020 (31 March 2019: £97.8m).

The Group's two core businesses of PJ Carey (Contractors) Ltd and BDL Group Limited (formally The BDL Group Public Limited Company) delivered combined revenues of £621.8m for the 18-month period representing 83.0% of Group revenue and operating profit of £30.8m. In addition Seneca Environmental Solutions Ltd also contributed £39.1m to turnover and £1.8m to operating profit.

# Strategic Report

## Financial Review continued

The non-core businesses contributed combined revenue of £88.0m and an operating loss of £16.0m. Activity in these businesses has essentially ceased at the period end with significant costs to complete in just one contract in the Irish contracting business which is expected to complete in Q1 2022. Those contracts which were loss making in 2019 and due to their materiality were classed as exceptional, have this period continued to be classed as exception for comparative purposes. These same contracts have resulted in continuing losses in the period of £5.0m which are presented as exceptional.

Due to the actions of the Board of Directors, in the current financial period no further losses are anticipated from these same contracts in 2021.

Cash generation and working capital management has been exemplary in the last six months of the financial period significantly strengthening the Group's balance sheet position most notably positively transforming the Group's net cash/(debt) position by £25.5m, whilst at the same time reducing debt levels in the Group by 45.5% to just £15.1m.

As a consequence of these actions the Group's liquidity measures have seen significant improvement with the key measures of current and quick ratios improving from 1.13 and 0.74 in 2019 to 1.25 and 1.06 in this reporting period.

These improvements all mean that the Group is extremely well positioned to meet both the challenges and opportunities of the next financial year as they arise as we pursue our three strategic goals.

The outbreak of the Covid-19 pandemic significantly impacted revenue during the last two quarters of the financial period. Reduced volumes resulted from site closures, lower productivity due to social distancing measures and delays in new contract starts. This impact was deeper for our Scottish and Irish sites where more stringent government-imposed lockdown measures were introduced.

Offsetting the reduction in profitability driven by lower volumes caused by Covid-19 and the restructuring, the management actions taken to reduce the Group's cost base have resulted in a material reduction in overhead costs and improved profitability.

Due to the number of exceptional impacts affecting underlying profitability in the period it is important to highlight a number of key factors which have led to the reported profit before taxation of £15.3m. The changes in the basis of estimation of accounting for claims and retentions have released a significant amount of additional profit into the period amounting to £19.6m. This positive adjustment has however been offset by both the impact of the COVID-19 pandemic which reduced profitability by an estimated £9.6m through reduced turnover and payments to furloughed staff. Additionally the restructuring of the Group resulted in exceptional redundancy costs of £4.2m which although producing estimated annual recurring savings of approximately £10.0m has in the period reduced profitability.

### Discontinued operations

Although the decision has be made to close TE Scudders Limited, ION Environmental Solutions Limited, Carey New Homes Limited and PJ Carey Contractors (Ireland) Limited, only ION Environmental Solutions Limited is classified as Discontinued in the reporting period. This is due to the fact that as the businesses are undergoing a managed closure they are only classified as Discontinued once all trading activity has ceased.

It is expected that activity in Carey New Homes Limited and T.E Scudders Limited will cease in 2021 and 2022 for PJ Carey Contractors (Ireland) Limited. All construction activities in Carey New Homes Limited ceased in 2020 with the sale of remaining housing stocks expected to conclude in 2021. TE Scudders Limited has seen the majority of construction activity conclude in 2020 with the settlement of all remaining final accounts anticipated in 2021. Finally, the Irish contracting business has one remaining contract which is expected to complete in Q1 of 2022. This contract was due to complete in 2021 but this has been delayed due to the continuing stringent lockdown rules in Ireland.

# Strategic Report

Financial Review continued

## Segmental reporting

Following the decision to restructure the business, the Group changed its reporting format to focus on its two key markets of civil engineering and dry lining. This is the basis of the Group's segmental information for the period ended 30 September 2020. The other businesses from which the Group is exiting are now presented as "Other". The Group has placed great emphasis on improving its balance sheet position and this has resulted in a significant improvement in its working capital position. At 30 September 2020 net cash was £3.4m compared to a net debt position at 31 March 2019 of -£22.1m. This was the result of strong cash generation over the last six months of the reporting period which resulted in a cash balance at 30 September 2020 of £18.5m which was £12.9m higher than at 31 March 2019.

The level of stock has fallen by £35.8m principally driven by strong sales of completed housing stock in Carey New Homes Limited. This has been particularly pleasing when considering the challenging market conditions presented by the Covid-19 pandemic.

The Group has been equally successful in its efforts to reduce the level of current liabilities across the Group which have fallen by £36.4m in the reporting period.

These factors have led to significant improvements in the Group's liquidity measures with both the current and quick ratios improving to 1.20 and 1.03 respectively (1.13 and 0.74 in 2019).

## Government support

As of 30 September 2020, there was a total tax deferred of £5.2m. This is VAT deferred in accordance with HMRC guidance and is payable by 31 March 2022.

A total of £13.3m was paid to furloughed staff during the period. The Group took advantage of the Coronavirus Job Retention Scheme (CJRS) receiving grants from the UK Government of £9.1m partially offsetting the cost of furloughed staff.

## Bank finance

The Group has committed debt facilities of £15m in the form a revolving credit facility with a three-year term. This new facility received formal credit approval on 16 March 2021.

During the financial period the Group repaid £12.6m of debt. The facilities repaid related to housing development facilities for Carey New Homes Limited. Additionally, a Bridging Loan in Carey Group Limited (formerly Carey Group PLC) for £10m expired in October 2020 without having been drawn.

## Going concern

The Board of Directors is required to consider the Group's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.

The Group was trading in line with the Board of Directors' expectations through the financial period up to 31 March 2020 and has made good progress in restructuring the business, overseeing the managed winding down of the non-core businesses and implementing a substantial reduction in the Group's overhead.

In March 2020, the Group's performance was adversely affected by the effects of the Covid-19 pandemic. Covid-19 has adversely affected the Group's revenue and resulted in it incurring additional costs. This has resulted in a lower level of profitability for the 2020 reporting period. Despite this the Group has been successful in significantly strengthening its balance sheet and in particular its cash position and liquidity measures.

At 30 September 2020, the Group had a £10.5m unutilised overdraft facility and as of May 2021 has an approved revolving credit facility of £15m with a term of three years.

# Strategic Report

## Financial Review continued

The current trading environment remains uncertain, principally due to the potential impact of Covid-19, which makes forecasting extremely challenging. The Group has performed sensitivity analysis looking at a number of stressed but plausible downside scenarios which have indicated sufficient liquidity and headroom in terms of the new banking facility and respective covenants.

The Board of Directors has reviewed the Group's short-term cash flow forecasts to 31 May 2022 (the going concern period), which have been prepared using certain key assumptions and include a number of stressed but plausible downside scenarios. These scenarios include a consideration of the risks which may arise to the Group's available liquidity and its ongoing compliance with its financial covenants within the Group's debt.

The Board of Directors also considered the macroeconomic and political risks affecting the UK economy, including Brexit. The Board of Directors noted that the Group's forecasts are underpinned by a significant proportion of revenue that is either secured or considered probable, and that the Group operates primarily in sectors, which are considered likely to remain largely unaffected by macroeconomic factors. In addition, significant cost reduction actions have already been taken to improve the Group's profitability.

The Board of Directors considered the Group's ability to manage its working capital, in order to mitigate the potential impact on the Group's liquidity over the forecast period, in particular at the lowest point under the downside scenarios in the spring of 2021.

As a result, the Board of Directors is satisfied that the Group has sufficient financial resources to continue to operate for a period of at least 12 months and therefore it has adopted the going concern basis in preparing the Group's 2020 financial statements.

Warren Underwood
**Group Chief Financial Officer**

### Approval of Strategic Report

The above information comes from the Carey Group Limited (formerly Carey Group PLC) Annual Report, which has been drawn up and presented in accordance with, and in reliance upon, applicable English company law – in particular Chapter 4A of the Companies Act 2006.

Please note that the Annual Report has been prepared for the Group as a whole, and acts as a strategic report for all subsidiaries.

Approved by the Board of Directors and signed on behalf of the Board:

**Jason Carey**
**Group Chief Executive Officer**

**Warren Underwood**
**Group Chief Financial Officer**

# Governance

## Introduction to Governance

The Board of Directors benchmarks its corporate governance processes and behaviour to the Wates Principles, published by the FRC in December 2018. While the Group is not required to apply these principles, the Board of Directors takes the view that these Principles represent best governance practice for large private companies and is committed to using them to assess the Carey Group's own governance.

The Group is on a journey to embed strong corporate governance and has made excellent progress on applying the Principles since the 2019 Annual Report as detailed below. These Principles are however still very new and like most private companies, the Group is still in the process of embedding stronger governance in some areas. We have given a summary at the end of this section of what we believe are the key next steps.

### Purpose and leadership

The Carey Group is a proud family enterprise and the strategy and purpose are founded on the values established by the Founder Shareholders over 50 years ago.

Now that the Group has celebrated its 50th Anniversary, The Founding Shareholders have been making a series of key appointments as part of their managed process to change the balance of control of the Group and enable the baton to be transferred over time to the next generation of the family. This second generation of the family now occupy key roles on the Board as Chief Executive Officer, Chief Operating Officer and Company Secretary as well as Head of Careys Foundation.

Jason Carey has set out a high-level summary of the Group's new strategy in his CEO's review. This is a key and exciting development in the Group's evolution. The Group's vision is "To be the most trusted and socially responsible construction company, that people are proud to work with". The strategy was developed in a collaborative way and at key stages the views of the Founder Shareholders and senior leaders were sought before the strategy was concluded. The strategy was presented to the wider business in a series of presentations that started in April 2021.

The Board of Directors is responsible for the Group's culture and will consider key proposed actions against four required values: care, humility, passion and authenticity. These values and the behaviours that underpin them resonated with the Founding Shareholders and senior leaders as the strategy was being developed. The Board of Directors is conscious that the impact of Covid-19 on our people, the Group and the UK economy as a whole could place our values under stress and is vigilant in ensuring that short-term pressures are not allowed to erode our values. The signs to date are encouraging and the Board of Directors is especially grateful to the whole workforce for being agile in re-opening our sites while maintaining a rigorous adherence to our very robust Covid-19 controls.

The strategy is underpinned by three strategic goals which are designed to ensure that achievement of sustainable financial performance is appropriately balanced with maintaining the Group's culture and longer-term sustainability. These strategic goals are captured under three headings: Great Place to Work, Operational Excellence and Partner of Choice. A range of measurable targets are in place for each strategic goal and these will be monitored regularly by the Board of Directors. These strategic goals are underpinned by a principle of Financial Strength.

The Carey Group are an Equal Opportunities Employer and we adopt strong processes to comply with the Equalities Act 2010. However, the Board of Directors recognises that, in common with most of UK business, we need to make sure that our whole business is an environment which is openly inclusive and where everyone feels able to bring their authentic selves to work. Therefore, we will be rolling out an Inclusion and Diversity programme through 2021, which will be led by our CEO and overseen by the Board of Directors. We are determined that people of all genders, ethnicities, sexual orientation and age feel at home. This has historically been an area of challenge for our sector.

# Governance

## Board composition

The Board of Directors Chair for the reporting period was John Carey. On 30 April 2021 John Carey resigned as a Director of Carey Group Limited (formerly Carey Group PLC) and ceased holding the position of Chair. A process has commenced to find a replacement for this position. John Carey Jr who has been in the role of Deputy Chairman for the past two years, will move to lead the investment business that has been set up to support the Shareholders' long-term property investment strategy. Company Secretary for the reporting period was Fiona O'Donnell.

After a thorough selection process, Jason Carey was formally appointed as permanent CEO in May 2020. The Board of Directors will continue to keep the roles of Chair and CEO separate to provide appropriate leadership checks and balances.

In addition to the appointment of a new permanent CEO, the Board of Directors appointed a new COO and CFO and also appointed its first independent Non-Executive Director in the period. Beneath Board level, the Group has made important new appointments on the Senior Leadership team for Heads of Sustainability, Finance, IT, and Legal.

All Board members have formal role descriptions setting out the areas for which they are accountable and the Board of Directors will commence its first formal Board Effectiveness review in 2021. This review will consider diversity within the Board of Directors in line with the Group's Inclusivity and Diversity programme.

A calendar of Board meetings is issued annually in advance, each meeting has a clear agenda and papers are issued well in advance. The Chair and Company Secretary ensure that all Board members have the opportunity to contribute to each agenda topic and all key decisions and actions are carefully recorded in the minutes.

The Nominations Committee under guidance from the Chair has significantly enhanced the Board of Directors capability since the 2019 Annual Report. The Board of Directors now enjoys a balance between family members totalling over a 100 years of service at the Carey Group, and members who bring a range of specialist skills and experiences and an external perspective. There are three family members, four non-family members and a family Company Secretary.

The Company Secretary takes responsibility for ensuring that all key decisions are informed by an understanding of the views of the Founding Shareholders. During this period, the Company Secretary has established regular family meetings at which key decisions and plans are shared with the Founding Shareholders so that their views and wishes can be taken into account by the Board of Directors. The Founding Shareholders have the opportunity to meet with the external auditors annually before their audit report is signed.

# Governance
## Directors' responsibility

The Board of Directors is responsible for establishing strategy and policies, monitoring the progress of the Group and ensuring that the Carey Group's values are upheld. There is a Schedule of Matters reserved for the Board of Directors' decision.

Much of the day-to-day operation of the Group is delegated to the Executive Committee which is chaired by the CEO and meets monthly.

The Group has a Delegation of Authorities schedule, which has been updated to take account of the new strategy. Formal papers are presented at each Board of Directors and Executive Committee meeting and the key reporting metrics are refreshed to align with the new strategic goals and principle.

The Board of Directors approved and communicated new policies during the period for anti-bribery and corruption, money laundering and hospitality and a new whistle-blowing process, which is administered by an external agency, was established and communicated throughout the Group. No material issues were identified during the period relating to human rights, including modern slavery and human trafficking, or anti-bribery and anti-corruption. A new policy on donations is under review by the Founding Shareholders.

Since the year end, the Group created a new legal entity for its investment properties which is separate to the construction group. The Founding Shareholders are committed to both activities for the long-term and believe that this separation will further improve accountability and performance.

The Board of Directors has three standing Committees, the Risk and Audit Committee (which meets at least quarterly), the Remuneration Committee and the Nominations Committee (which meet as required).

The Risk and Audit Committee is chaired by the Independent Non-Executive Director and has implemented a series of measures to strengthen the Group's internal control framework, including the introduction of an internal audit function to ensure that the Board of Directors has on-going assurance regarding the suitability and effective operation of its key internal controls.

The Group has a strong health and safety culture and track record and the Board of Directors sees maintaining and building on this culture as one of its key objectives. Health and safety is monitored at every Board meeting, with specific issues being delegated to the Risk and Audit Committee as appropriate. The Board of Directors has consulted with the British Safety Council to ensure that the Group's health and safety practices are fully aligned with UK best practice and will continue to seek new ways to collaborate with clients and other key stakeholders on health and safety initiatives.

The Board of Directors is committed to embedding a strong culture of responsibility towards the environment and wider communities. Since the period end the Board of Directors has therefore approved the establishment of a new Sustainability and Social Responsibility Committee and has made an external appointment to lead this function.

During the reporting period, the key performance metrics used by the Board of Directors related to financial return, health and safety and key contract outcomes. From Q1 2021, a new suite of metrics is being used by the Board of Directors and Executive Committee, to reflect the new strategy, in the areas of being a Great Place to Work, Operational Excellence, Partner of Choice and Financial Strength.

# Governance
## Opportunity and risk

### Opportunity

The new strategy launched in March 2021 is based upon a thorough review of "what the Carey Group is known for" and has led to the Group initiating a managed winding down of a number of smaller divisions to focus its resources and investments on our major areas of strength.

Defining a clear and simple service offering for the Group means we now focus our energies on creating a great place to work, delivering operational excellence and becoming a partner of choice confident that our services are reflective of the consistently high performing areas of our business, suited to our core skill set and offers opportunities for sustainable growth.

The new strategy encompasses the output of detailed research on the civil engineering and construction sector over a five-year horizon and the feedback from our major clients, our people and the Founding Shareholders. The Group has so far weathered the storm of Covid-19 and emerged with a stronger and more focussed business and healthy cash position. The new strategy allows the Board of Directors to balance achievement of financial targets with progress on other measures to secure the longer-term success of the Group and provide returns for our shareholders.

### Risk

The independent Non-Executive Director was appointed Chair of the Risk and Audit Committee in February 2020. The Committee meets quarterly with ad hoc meetings as necessary, has formal Terms of Reference and the Chair reports on its activities to each Board of Directors meeting. The main areas of responsibility include risk identification and mitigation, oversight of the external auditors and assessment of their findings, and direction of the internal auditor and evaluation of their findings.

Key achievements in the period were establishing a new risk register with clear responsibilities, implementation of an enhanced control framework, particularly in areas of governance, financial operation, and commercial activity, together with the recommendation of three new key policies to the Board of Directors and a refresh of the Group's Delegated Authorities. Areas of focus in 2021 will include the development of a three-year internal assurance plan to be led by the new Head of Internal Audit, evaluating the effectiveness of the new internal control framework, developing enhanced controls in less urgent areas and addressing specific tasks delegated by the Board of Directors with regard to health and safety.

### Responsibilities

The new Group risk register was developed after extensive consultation with leaders at key levels within all business areas. The risk register identified those existing controls that were considered to be operating effectively plus control gaps, which were divided into urgent and non-urgent areas for attention. Clear accountability was identified for each risk owner and all urgent gaps in the existing control framework have been addressed, with action progressing on non-urgent gaps through 2021.

The Group risk register is discussed at all quarterly meetings of the Risk and Audit Committee and risk owners are accountable for the assurance obtained and further development of new controls and risk mitigation in their areas. The Chair of the Risk and Audit Committee reports on activities to each Board of Directors meeting.

# Governance
## Remuneration

The Remuneration Committee is chaired by the CEO and membership includes two non-family members of the Board of Directors, being the Chief People Officer (who is a qualified and experienced Head of People) and the independent Non-Executive Director, who has remuneration committee experience at another large organisation.

Board remuneration is determined to bring the Directors in line with median reward for comparable roles within the FTSE 250, based upon a bench-marking report prepared by an independent agency. Salaries are discounted to take account of the additional regulatory responsibilities of a listed company Director. The Carey Group does not currently have a Long-Term Incentive Scheme ("LTIP").

From 2021 the Remuneration Committee will routinely monitor the comparison of CEO total remuneration to the median average of the workforce to ensure that differentials are appropriate and not out of keeping with industry norms.

The Committee will also review the proportion of the workforce on national minimum or national living wage to assess whether our people who are on lower income levels receive the development and training support they need.

In the wake of the first Covid-19 lockdown, in common with most companies in the sector, the Remuneration Committee and the Board of Directors initiated a salary reduction scheme across all tiers of the workforce up to and including Board Directors. Our people who earned under £50,000 per annum were exempt from the scheme and there was a tiered approach which saw a higher reduction to the remuneration of higher earners. The Board of Directors would like to thank everyone impacted by the salary reduction scheme for their understanding and continued commitment to the Group. In December 2020 the Board of Directors announced that all salary reductions would be repaid to our people in full in two tranches, the first of which was paid in December 2020 and the second of which was paid in March 2021.

The Remuneration Committee has established clear remuneration policies and mechanisms that are reviewed annually. Board of Directors remuneration is discussed transparently with the Founding Shareholders.

During 2021 the Remuneration Committee will take further action to evaluate the outputs from the Group's gender pay gap as well as a broader assessment of diversity and equality within the Group as part of the exercise being led by the CEO.

Other remuneration decisions below Board of Directors level are delegated to the Executive Committee and monitored by the Board of Directors.

### Summary

The Carey Group has made significant progress in the period in applying the Wates Principles. In particular: The Board of Directors and Senior Leadership Team have been considerably strengthened; a new strategy which is being communicated out across the Group; and a significantly enhanced control and reporting framework.

The Board of Directors believes the next important steps in the journey to applying the best corporate governance standards include: measuring progress of the three strategic goals; carrying out a Board effectiveness review; continuing to build the confidence of our workforce through engagement and a programme to increase diversity and inclusion and to bring further benefits from the new teams who are addressing sustainability, risk and health and safety.

The Carey Group is built upon the values of the Founding Shareholders and the Board of Directors is committed to becoming the partner of choice for all our stakeholders in the construction sector.

# Governance
## Directors' report

### For the Period Ended 30 September 2020
The Directors present their report with the audited financial statements of the Company and the Group for the period ended 30 September 2020. Due to the impact of the restructuring, cost reduction programme and Covid-19 on underlying performance, a decision was made to extend the accounting period to 30 September 2020 in order to ringfence the exceptional nature of these impacts in order that the Group could return to reporting underlying performance as quickly as possible.

### Re-registration
On 7 October 2020, Carey Group PLC re-registered as Carey Group Limited.

### Dividends
No interim dividend was paid during the period (year ended 31 March 2019: £3,000k) and the Directors do not recommend that a final dividend is paid.

### Directors
The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

John Carey - Resigned 30 April 2021
Thomas Carey - Resigned 30 April 2021
Patrick Carey - Resigned 30 April 2021
Jason Carey – Appointed 11 February 2020
John Anthony Carey
Thomas Noel Carey – Appointed 11 February 2020
Denis Deacy - Resigned on 29th July 2019
Paul Johnson
Stephen Maslin – Appointed 11 February 2020
Alan McCarthy – Resigned 22 April 2020
Warren Underwood – Appointed 31 May 2020
Julie Welch – Appointed 16 January 2020

### Company Secretary
Fiona O'Donnell

### Political and charitable contributions
The Group is proud to support a number of charities in their vital work. Contributions totalling £453k were made during the period (year ended 31 March 2019: £331k). No political donations were made during the period (year ended 31 March 2019: £nil).

### Covid-19
At the date of signing these financial statements, the Directors have considered the effects of Covid-19 on the Company with the information available to it, and do not believe it will affect the Company's ability to continue to trade for the foreseeable future. See note 3 to the financial statements for details.

### Information incorporated by reference
Financial risk management is reported in the Principal risks and uncertainties section on page 24.

### Directors' insurance and indemnities
The Company maintains Directors' and Officers' liability insurance for the benefit of the Directors and the Company's officers. These arrangements remain in force as at the date of this Annual Report.

# Governance
## Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

- So far as the Director is aware, there is no relevant audit information of which the Group and Company's Auditors are unaware; and
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's Auditors are aware of that information.

### Independent auditors

In accordance with Section 491 of the Companies Act 2006, the term of office of the auditors, PricewaterhouseCoopers LLP, will cease at the Annual General Meeting and new auditors will be appointed at that time.

**On behalf of the Board of Directors:**

Jason Carey
Group Chief Executive Officer

Date: 28 May 2021

# Financial Statements
## Independent Auditors' report

### Independent auditors' report to the members of Carey Group Limited (formerly known as Carey Group Plc)

### Report on the audit of the financial statements

### Opinion
In our opinion, Carey Group Limited (formerly known as Carey Group PLC)'s Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2020 and of the Group's profit and cash flows for the 18 months period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts, which comprise: the Consolidated Income Statement and Statement of Comprehensive Income for the 18 month period ended 30 September 2020; Consolidated and Company Balance Sheet as at 30 September 2020; Consolidated and Company Statement of changes in equity; Consolidated Statement of Cash Flows for the 18 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which 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 and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

### Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

# Financial Statements

Independent Auditors' report continued

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities. With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 30 September 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also 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.

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

### Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# Financial Statements

Independent Auditors' report continued

## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

**Andrew Latham (Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford

28 May 2021

# Financial Statements

## Consolidated Income Statement

| | | 18 months to 30 September 2020 | | | | 12 months to 31 March 2019 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Continuing operations before exceptional items | Exceptional items | Discontinued operations | Total | Continuing operations before exceptional items | Exceptional items | Discontinued operations | Total |
| | Notes | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Revenue** | 4,5 | **728,174** | **19,179** | **1,499** | **748,852** | 538,130 | 35,035 | 2,163 | 575,328 |
| Cost of sales | | **(618,989)** | **(24,196)** | **(1,432)** | **(644,617)** | (470,878) | (47,273) | (1,598) | (519,749) |
| **Gross profit** | | **109,185** | **(5,017)** | **67** | **104,235** | 67,252 | (12,238) | 565 | 55,579 |
| Administrative expenses | | **(107,535)** | **(4,182)** | **(1,218)** | **(112,935)** | (61,560) | - | (636) | (62,196) |
| Other operating income | 6 | **25,014** | **-** | **274** | **25,288** | 9,106 | - | - | 9,106 |
| **Operating profit / (loss)** | 8 | **26,664** | **(9,199)** | **(877)** | **16,588** | 14,798 | (12,238) | (71) | 2,489 |
| Income from participating interests | | **194** | **-** | **-** | **194** | 80 | - | - | 80 |
| Interest receivable and similar income | | **12** | **-** | **-** | **12** | 35 | - | - | 35 |
| Interest payable and similar expenses | 9 | **(1,516)** | **-** | **-** | **(1,516)** | (1,031) | - | - | (1,031) |
| Profit /(loss) before taxation | | **25,354** | **(9,199)** | **(877)** | **15,278** | 13,882 | (12,238) | (71) | 1,573 |
| Tax on profit / (loss) | 10 | **(4,905)** | **-** | **-** | **(4,905)** | (3,215) | - | - | (3,215) |
| **Profit / (loss) for the financial period** | | **20,449** | **(9,199)** | **(877)** | **10,373** | 10,667 | (12,238) | (71) | (1,643) |
| Profit/(loss) attributable to: Owners of the parent | | **20,449** | **(9,199)** | **(877)** | **10,373** | 10,667 | (12,238) | (71) | (1,643) |

# Financial Statements

## Statement of Comprehensive Income

| | | 18 months to 30 September 2020 | | | | 12 months to 31 March 2019 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **Continuing operations before exceptional items** | **Exceptional items** | **Discontinued operations** | **Total** | Continuing operations before exceptional items | Exceptional items | Discontinued operations | Total |
| | Notes | **£'000** | **£'000** | **£'000** | **£'000** | £'000 | £'000 | £'000 | £'000 |
| **Profit / (loss) for the financial period** | | **20,449** | **(9,199)** | **(877)** | **10,373** | 10,667 | (12,238) | (71) | (1,643) |
| Actuarial loss | | **(2,177)** | **-** | **-** | **(2,177)** | (1,402) | - | - | (1,402) |
| Retranslation of foreign subsidiaries | | **391** | **-** | **-** | **391** | (1,072) | - | - | (1,072) |
| Revaluation of land and buildings | | **(1,699)** | **-** | **-** | **(1,699)** | 8,910 | - | - | 8,910 |
| Total tax on components of other (expense) / income | | **1,399** | **-** | **-** | **1,399** | (1,292) | - | - | (1,292) |
| **Other comprehensive (expense) / income for the period, net of income tax** | | **(2,086)** | **-** | **-** | **(2,086)** | 5,144 | - | - | 5,144 |
| **Total comprehensive income / (expense) for the period** | | **18,363** | **(9,199)** | **(877)** | **8,287** | 15,811 | (12,238) | (71) | 3,502 |
| Total comprehensive income / (expense) attributable to: Owners of the parent | | **18,363** | **(9,199)** | **(877)** | **8,287** | 15,811 | (12,238) | (71) | 3,502 |

# Financial Statements

## Consolidated Balance Sheet

### As at 30 September 2020

| | Notes | 30 Sept 2020 £'000 | 31 March 2019 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible Assets | 12 | **1,951** | 2,080 |
| Tangible assets | 13 | **45,404** | 73,300 |
| Investments | 14 | **274** | 79 |
| Investment property | 15 | **56,300** | 26,150 |
| | | **103,929** | 101,609 |
| **Current assets** | | | |
| Stocks | 16 | **21,334** | 57,176 |
| Debtors | 17 | **95,941** | 101,064 |
| Investments | 18 | **28** | 63 |
| Deferred Tax | 10 | **3,007** | 1,981 |
| Cash at bank and in hand | | **18,531** | 5,617 |
| | | **138,841** | 165,901 |
| **Creditors:** Amounts falling within one year | 19 | **(111,070)** | (146,976) |
| **Net current assets** | | **27,771** | 18,925 |
| **Total assets less current liabilities** | | **131,700** | 120,534 |
| **Creditors**: Amounts falling due after more than one year | 20 | **(8,741)** | (11,418) |
| **Deferred tax** | 10 | **(7,161)** | (5,913) |
| **Pension liability** | 23 | **(6,749)** | (5,441) |
| **Provision for liabilities** | 24 | **(3,000)** | - |
| **Net assets** | | **106,049** | 97,762 |
| **Capital and reserves** | | | |
| Called up share capital | 25 | **250** | 250 |
| Revaluation reserve | | **14,399** | 16,511 |
| Other reserves | | **2,954** | 2,954 |
| Retained earnings | | **88,446** | 78,047 |
| **Total shareholders' funds** | | **106,049** | 97,762 |

The financial statements on pages 39 to 71 were approved by the Board of Directors on 28 May 2021 and were signed on its behalf by:

Jason Carey
Group Chief Executive Officer
28 May 2021

Warren Underwood
Group Chief Financial Officer
28 May 2021

# Financial Statements

## Company Balance Sheet

### As at 30 September 2020

| | Notes | 30 Sept 2020 £'000 | 31 March 2019 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 14 | **2,001** | 2,001 |
| | | **2,001** | 2,001 |
| **Current assets** | | | |
| Debtors | 17 | **75,706** | 79,676 |
| Deferred tax | | **1,300** | 928 |
| Investments | 18 | **5** | 5 |
| Cash at bank and in hand | | **126** | 114 |
| | | **77,137** | 80,723 |
| **Creditors:** Amounts falling due within one year | 19 | **(4,664)** | (1,780) |
| **Net current assets** | | **72,473** | 78,943 |
| **Total assets less current liabilities** | | **74,474** | 80,944 |
| **Creditors**: Amounts falling due after more than one year | 20 | **(64,628)** | (71,494) |
| **Pension liability** | 23 | **(6,749)** | (5,441) |
| **Provision for liabilities** | 24 | **(3,000)** | – |
| **Net assets** | | **97** | 4,009 |
| **Capital and reserves** | | | |
| Called up share capital | 25 | **250** | 250 |
| Retained earnings | | **(153)** | 3,759 |
| **Total shareholders' funds** | | **97** | 4,009 |
| Company's (loss) / profit for the financial period | | **(2,283)** | 4,848 |

# Financial Statements

## Consolidated Statement of Changes in Equity

### for the Period Ended 30 September 2020

| | Called up share capital £'000 | Retained earnings £'000 | Revaluation reserve £'000 | Other reserves £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| **Balance at 1 April 2018** | 250 | 86,162 | 7,895 | 2,954 | 97,261 |
| **Changes in equity** | | | | | |
| Loss for the year | – | (1,643) | – | – | (1,643) |
| Other comprehensive income | – | (2,822) | 7,966 | – | 5,144 |
| Reserves transfer | – | (650) | 650 | – | – |
| Dividends paid | – | (3,000) | – | – | (3,000) |
| **Balance at 31 March 2019** | 250 | 78,047 | 16,511 | 2,954 | 97,762 |
| **Changes in equity** | | | | | |
| Profit for the period | – | 10,373 | – | – | 10,373 |
| Other comprehensive income | – | 26 | (2,112) | – | (2,086) |
| **Balance at 30 September 2020** | 250 | 88,446 | 14,399 | 2,954 | 106,049 |

## Company Statement of Changes in Equity

### for the Period Ended 30 September 2020

| | Called up share capital £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|
| **Balance at 1 April 2018** | 250 | 3,075 | 3,325 |
| **Changes in equity** | | | |
| Profit for the financial year | – | 4,848 | 4,848 |
| Other comprehensive loss | – | (1,164) | (1,164) |
| Dividends paid | – | (3,000) | (3,000) |
| **Balance at 31 March 2019** | 250 | 3,759 | 4,009 |
| **Changes in equity** | | | |
| Loss for the financial period | – | (2,283) | (2,283) |
| Other comprehensive loss | – | (1,629) | (1,629) |
| Dividends paid | – | – | – |
| **Balance at 30 September 2020** | 250 | (153) | 97 |

# Financial Statements

## Consolidated Statement of Cash Flows

### for the Period Ended 30 September 2020

| | Notes | 18 months to 30 Sept 2020 £'000 | Year ended 31 March 2019 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 1 | **34,582** | 13,246 |
| Tax paid | | **(1,413)** | (2,660) |
| Net cash from operating activities | | **33,169** | 10,586 |
| **Cash flows from investing activities** | | | |
| Purchase of tangible fixed assets | | **(6,598)** | (4,640) |
| Purchase of intangible fixed assets | | **(80)** | (958) |
| Sale of tangible fixed assets | | **1,664** | 686 |
| Purchase of investment property | | **(1,207)** | (917) |
| Interest received | | **12** | 35 |
| Net cash used in investing activities | | **(6,209)** | (5,794) |
| **Cash flows from financing activities** | | | |
| Finance lease repayments | | **(2,720)** | (4,018) |
| Proceeds from issue of bank loan | | **15,576** | - |
| Repayment of bank borrowing | | **(25,420)** | (6,212) |
| Interest paid | | **(1,166)** | (779) |
| Interest element of hire purchase and finance lease rentals paid | | **(350)** | (253) |
| Equity dividends paid | | **-** | (3,000) |
| Net cash used in financing activities | | **(14,080)** | (14,262) |
| **Increase/ (decrease) in cash and cash equivalents** | | **12,880** | (9,470) |
| **Cash and cash equivalents at beginning of the period** | | **5,617** | 15,106 |
| **Exchange gain / (losses) on cash and cash equivalents** | | **34** | (19) |
| **Cash and cash equivalents at the end of the period** | | **18,531** | 5,617 |

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 1. Reconciliation of profit/(loss) for the financial period to cash generated from operations

| | 18 months to 30 Sept 2020 £'000 | Year ended 31 March 2019 £'000 |
|---|---|---|
| **Profit / (loss) for the financial period** | **10,373** | (1,643) |
| Tax on profit / (loss) | **4,905** | 3,215 |
| Net interest expense | **1,504** | 996 |
| Income from other participating interests | **(194)** | (80) |
| **Operating Profit** | **16,588** | 2,488 |
| Depreciation charges | **12,172** | 8,182 |
| Amortisation charges | **209** | 19 |
| Research and development expenditure credit | **(3,322)** | - |
| Profit on disposal of fixed assets | **(395)** | (128) |
| Revaluation of investment properties | **(9,591)** | (7,451) |
| Revaluation of investments | **35** | (9) |
| Foreign exchange difference | **(14)** | - |
| Defined benefit pensions charge | **211** | 572 |
| **Operating cashflows before movements in working capital** | **15,893** | 3,674 |
| **Working capital movements** | | |
| Employer contribution paid to the pension fund | **(1,080)** | (720) |
| Decrease in stocks | **35,842** | 1,789 |
| Movement in trade and other debtors | **5,123** | (18,780) |
| Movement in trade and other creditors | **(24,196)** | 27,283 |
| Increase in provisions | **3,000** | - |
| **Cash generated from operating activities** | **34,582** | 13,246 |

**Analysis of net debt**

| | At 1 April 2019 £'000 | Cash flows £'000 | At 30 Sept 2020 £'000 |
|---|---|---|---|
| Cash at bank and in hand | 5,617 | 12,914 | **18,531** |
| Debt due after 1 year | (4,649) | 548 | **(4,101)** |
| Debt due within 1 year | (12,383) | 9,297 | **(3,086)** |
| Finance leases | (10,660) | 2,720 | **(7,940)** |
| | (22,075) | 25,479 | **3,404** |

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 2. Statutory information

Carey Group Limited (formerly known as Carey Group PLC) is a leading family-owned engineering, construction and resource recovery business operating across the UK and Ireland.

The Company is a private company limited by shares and is incorporated in the United Kingdom. The address of the registered office is Carey House, Great Central Way, Wembley, Middlesex, HA9 0HR.

### 3. Accounting policies

**Statement of compliance**

The individual and consolidated financial statements of Carey Group Limited (formerly known as Carey Group PLC) have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

**Basis of preparing the financial statements**

The financial statements are prepared on the going concern basis, under the historical cost convention as modified by the revaluation of land and buildings, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the period, are set out below.

The Group changed its accounting reference date from 31 March to 30 September, resulting in an 18 month reporting period. See Directors' Report on page 34 for further details.

**Basis of consolidation**

The Company consolidate the financial statements of Carey Group Limited (formerly known as Carey Group PLC) and all of its subsidiary undertakings ('subsidiaries'). Balances existing between group companies and transactions between group companies during the period have been eliminated on consolidation. Accounting policies of subsidiaries have been adapted, where necessary, to ensure consistency with the policies adopted by the Group.

**Going concern**

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

**Revenue and profit recognition**

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts. It also includes the Group's proportion of work carried out under jointly controlled operations. Where revenue that has been recognised is subsequently determined not to be recoverable due to a dispute with the customer, these amounts are accounted for as a reduction in revenue. Where non-recovery is as a result of inability of a customer to meet its obligations, these amounts are charged to administrative expenses as a credit loss. Amounts received from customers but not yet recognised within revenue in the income statement are recognised as deferred income in the balance sheet.

The general principles for revenue and profit recognition across the Group are as follows:

- Provision is made for any unavoidable future net losses arising from contract obligations, as soon as they become apparent;

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 3. Accounting policies – continued

- Additional consideration for contract modifications (variations) is only included in revenue (or the forecast contract out-turn) if the scope of the modification has been approved by the customer. If the scope of the modification has been approved but the parties have not yet determined the corresponding change in the contract price, an estimate of the change to the transaction price is made and included in calculating revenue to the extent that any increase in price is highly probable not to reverse;
- Variable consideration amounts (gain-share amounts, KPI bonuses, milestone bonuses, compensation event claims, etc.) are included in revenue (or forecasts to completion) only to the extent that it is highly probable that a significant reversal of the amount in cumulative revenue recognised will not occur;
- Refund liabilities (liquidated damages, pain-share amounts, KPI penalties, etc.) are accounted for as a reduction in revenue (or in forecasting contract out-turns) as soon as it is expected that the Company will be required to refund some or all of the consideration it has received from the customer;
- Claims against third-parties (such as insurance recoveries and claims for cost reimbursements) outside of normal supplier price adjustments are recognised only when the realisation of income is virtually certain. The associated income is accounted for as reduction in costs rather than revenue; and
- Contract mobilisation is not considered to be a separate performance obligation in most situations, as the customer receives little or no benefit from mobilisation activities. Any consideration received from the customer in relation to the mobilisation phase of a contract is deferred and recognised as additional revenue relating to the performance obligations in the contract that benefit the customer.
- A provision of 20% of the value of the retention of profitable contracts is made in recognition of the risk around recoverability.

**Construction contracts**

Revenue is recognised on construction services over time as the benefit is transferred to the customer. The Company uses an input method to measure progress. The percentage of completion is measured using the internal value to date as a proportion of the total expected contract revenue to determine the revenue to be recognised to date.

The assessment of the. final outcome of each contract is determined by regular review of the revenues and costs to complete that contract. Consistent contract review procedures are in place in respect of contract forecasting.

Waste management
Revenue is recognised at the date the waste is delivered to the recycling site

House sales
Revenue is recognised at the date of Legal Completion on the house, apartment and ground rent sales.

Design
Revenue for services is recognised at the date the service is provided

**Change in accounting estimate**

The appropriateness of the Group's Revenue Recognition policy has been reviewed and amended to better reflect the earned value from our contract portfolio. This has resulted in a move away from the existing recognition of revenue associated retentions where retention monies are received and to better reflect the recovery of these monies in line with the performance and progress for each contract. This is more in line with the approach adopted by the majority of companies operating within the construction sector. The impact of this change was an increase in revenue in the period of £24,746k.

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 3. Accounting policies – continued

**Other operating income**

Other operating income includes revenue from all other operating activities which are not related to the principal activities of the Group. Key components were government support in the form of the coronavirus job retention scheme (furlough); research and development expenditure credit; rental income and revaluation of investment property.

**Intangible assets and amortisation**

The Group recognises an intangible asset as an asset if, and only if:
(a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
(b) the cost or value of the asset can be measured reliably.

Amortisation is charged to administrative expenses in the income statement. Costs associated with maintaining computer software are recognised as an expense as incurred.

Intangible assets are tested for impairment either annually if they have an indefinite useful life or on the basis of any internal or external indicators of impairment as we amortise all intangible assets over their useful lives.

The Group evaluates whether an intangible asset needs to be written down by checking for any internal or external indicators of impairment. If an impairment is found to exist, the Intangible assets are written down to their recoverable amount. Any difference between the recoverable amount and the carrying amount is charged to the income statement.

**Tangible assets and depreciation**

Tangible assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold Property – straight line depreciation over 50 years
Land – none
Fixtures and fittings, plant and machinery – 10 – 25% per annum reducing balance/straight line

Historically Carey Group depreciated their plant and machinery assets using a 25% reducing balance method. In 2015 it was decided that all future plant and machinery acquisitions would be depreciated on a straight-line basis over 4 or 5 years.

At the same time, it was also decided that the existing plant & machinery assets would remain on the reducing balance method as there were a large number of separate assets involved and we considered it did not warrant the administration challenge of changing their individual depreciation charge set up and any change would not significantly impact the depreciation charge recorded. The net book value of such assets amounted to £1,416k as at 30 September 2020 (31 March 2019: £2,600k). The impact of using the straight-line depreciation method instead of the reducing balance depreciation method was an increased depreciation expense of £547k (2019: £1,560k).

Any unrealised surpluses or deficits arising on revaluation are taken directly to the revaluation reserve except that any permanent deficit in excess of the revaluation reserve is charged to the income statement.

In addition to systematic depreciation the book value of the tangible assets will be written down to estimated recoverable amount should any impairment in the respective carrying values be identified.

The asset residual values, carry values and useful lives are reviewed on an annual basis and adjusted if appropriate at each balance sheet date.

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

## 3. Accounting policies – continued

### Investments

Investments in subsidiaries are valued at cost less provision for impairment. Other investments, held as fixed assets, are shown at cost less provision for impairment.

### Investment Properties

Freehold properties are included in the financial statements based on valuations undertaken every year. Unrealised surpluses or deficit arising in the year are charged to the income statement. In accordance with FRS 102, no depreciation is provided on freehold properties. The Directors consider this accounting policy is necessary for the financial statements to show a true and fair review.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

### Investments – Joint Ventures and joint operations

The Company applies section 15 of FRS102 to all joint arrangements. Investments in joint arrangements are classified as either joint ventures or joint operations, depending on the contractual rights and obligations of each investor.

A joint venture is a contractual agreement whereby the Company undertakes an economic activity that is subject to joint control with third parties and these parties have rights to the net assets of the arrangement. The Company's interests in joint ventures is accounted for using the equity method. Under this method the Company's share of profits less losses after taxation of joint ventures is included in the income statement and its interest in their net assets is included in investments in the balance sheet. Where the shares of losses exceeds the Company's interest in the entity and there is no obligation to fund these losses, the carrying amount is reduced to nil and recognition of further losses is discontinued. Future profits are not recognised until unrecognised losses are extinguished. Where joint ventures do not adopt accounting periods that are coterminous with the Company, results and net assets are based upon unaudited financial statements drawn up to the Company account reference date.

### Inventories and work in progress

Inventories and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost is calculated as follows:

Raw materials, consumables and goods for resale are valued at purchase cost on a first in, first out basis. Work in progress on development sites are valued at cost of direct materials and labour plus attributable overheads.

Work in progress on development properties includes undeveloped land and land under development. Net realisable value represents the estimated selling prices less all estimated costs of completion.

The Group continues to monitor the performance of its development sites and, where appropriate, obtain independent professional valuations. Any excess of carrying amount over the selling price less cost to sell is charged immediately in the income statement as an impairment loss.

### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and where it is probable that an outflow will be required to settle the obligation and the amount can be reliably estimated.

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 3. Accounting policies – continued

**Foreign Currency**

Functional and presentation currency
The Group and Company's financial statements are presented in pounds sterling.

Transactions and balances
Foreign currency transactions are ranslated into the functional currency using average exchange rates for the period, as this reasonably approximates the exchange rates at the actual dates of the transactions. At each period end, foreign currency monetary items are translated using the closing rate.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, within Administrative Expense.

Translation
The trading results of Group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings are translated at exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other Comprehensive Income'.

**Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 3. Accounting policies - continued

**Employee benefits**

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, and defined benefit (closed to new members) and defined contribution pension plans. Short term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which service is received.

**Pensions**

The Company participates in two defined contribution pension schemes for certain Directors and employees respectively which are funded by the payment of contributions to a separately administered fund. The assets of the scheme are held separately from those of the Company in an independently administered fund. Contributions are charged to the profit and loss account in the year in which they become payable.

The Company also participates in the Carey Group Limited (formerly known as Carey Group PLC) Pension Scheme, a multi-employer defined benefit pension scheme which requires contributions to be made to a separately administered fund. The scheme ceased future pension accrual for active members from 31 March 2006 and became paid up. The assets of the defined benefit pension scheme are held separately from those of the Company in an independently managed fund. The scheme is accounted for by the Company as if it were a defined contribution scheme as outlined in note 23 to the financial statements.

**Leasing and hire purchase**

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 the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged in the statement of other comprehensive income on a straight line basis over the lease term.

**Operating leases**

Rentals income under operating leases are recognised in the income statement on a straight line basis over the lease term.

**Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities.

**Share capital**

Ordinary shares are classified as equity.

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 3. Accounting policies – continued

**Exceptional Items**

The Group presents, on the face of the consolidated income statement, those items of income and expense which because of the nature and/or magnitude of the events giving rise to them, merit separate presentation to allow readers to better understand financial performance in the period.

**Distributions to equity holders**

Dividends and other distributions to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

**Related party transactions**

There are transactions within the Group, which are eliminated on consolidation. These transactions are reported in the individual Company financial statements and are on terms negotiated between the two entities.

**Borrowing costs**

All borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

**Interest income**

Interest income is recognised in the profit and loss account in the period in which it is received.

**Financial instruments**

The Company has chosen to adopt the Sections 11 and 12 of FRS102 in respect of financial instruments.
Basic financial liabilities, including amounts owed to Group undertakings, are initially recognised at transaction price. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

**Critical accounting judgements and estimation uncertainty**

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

Material estimates and assumptions are made in particular with regards to establishing the following policies:

(i) Revenue and profit recognition.

The estimation techniques used for revenue and profit recognition in respect of construction contracts require forecasts to be made of the outcome of long-term contracts which require assessments and judgements to be made on the recovery of pre-contract costs, changes in the scope of work, contract programmes, maintenance and defects liabilities and changes in costs.

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 3. Accounting policies – continued

(ii) Estimation of costs to complete and contract provisions.

In order to determine the profits and loss that the Group is able to recognises on its developments and construction contracts in a specific period, the Group has to allocate total costs of the developments and construction contracts between the proportion completing in the period and the proportion to complete in a future period. The assessment of the total costs to be incurred and final contract value requires a degree of estimation, as does the assessment of a development's valuation.
However, Group management has established internal controls to review and ensure the appropriateness of estimates made on an individual contract basis, including any necessary contract provisions. Amounts recoverable on construction contracts are disclosed in note 17.

The estimation of final contract value includes assessment of recovery of variations which have yet to be greed with the client, compensation events and claims, where these meet the criteria set out in the Group's accounting policies.

(iii) Retirement benefit obligation valuations

In determining the valuation of defined benefits schemes' assets and liabilities, a number of key assumptions have been made. The key assumptions, which have given below, are largely dependent on factors outside the control of the Group:

- Inflation rate;
- Life expectancy;
- Discount rate; and
- Salary and pension growth rates.

The Group is exposed to risks through its defined benefit schemes if actual experiences differs from the assumptions used and through volatility the plan assets. Details of the assumptions used, and associated sensitivities, are included in note 23.

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 4. Revenue

| | 18 months to 30 Sept 2020 £'000 | Year ended 31 March 2019 £'000 |
|---|---|---|
| **Analysis of revenue by Geography** | | |
| United Kingdom | **724,770** | 542,143 |
| Ireland paid | **24,082** | 33,185 |
| Total | **748,852** | 575,328 |

| | 18 months to 30 Sept 2020 £'000 | Year ended 31 March 2019 £'000 |
|---|---|---|
| **Analysis of revenue by Category** | | |
| Contracting | **664,683** | 527,077 |
| Property Development | **47,085** | 25,124 |
| Waste Recycling | **37,084** | 23,127 |
| Total | **748,852** | 575,328 |

### 5. Discontinued operations

Discontinued operations represent the subsidiary Company ION Environmental Solutions Limited which was discontinued during the period ended 30 September 2020.

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 6. Other operating income

| | 18 months to 30 Sept 2020 £'000 | Year ended 31 March 2019 £'000 |
|---|---|---|
| Revaluation of Investment Property | **9,591** | 7,548 |
| Government support – Coronavirus Job Retention Scheme | **9,113** | – |
| Research and development expenditure credit | **3,322** | – |
| Rental Income | **2,477** | 1,270 |
| Profit on sale of fixed assets | **395** | 129 |
| Sundry Income | **390** | 159 |
| | **25,288** | 9,106 |

**Rental Income**

The future minimum lease payments under non-cancellable operating leases is:

| | 30 Sept 2020 £'000 | 31 March 2019 £'000 |
|---|---|---|
| **Basis** | | |
| Less than 1 year | **1,354** | 1,394 |
| Between 1 and 5 years | **2,084** | 3,772 |
| Greater than 5 years | **980** | 1,670 |

No contingent rents were recognised as income during the year. The leasing arrangements included a 3-month rent free period if 10-year break is not exercised. The leasing arrangements are reviewed after every 5 years and a mutual break option at the end of the 10 year. The leasing arrangements contain the mutual break option at the end of the 10 years provided that a 12-month notice has been given.

### 7. Employees and Directors

The average monthly number of employees during the period was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 18 months to 30 Sept 2020 Number | Year ended 31 March 2019 Number | 18 months to 30 Sept 2020 Number | Year ended 31 March 2019 Number |
| Administration | **245** | 250 | **7** | 17 |
| Managerial | **498** | 516 | **12** | 11 |
| Technical | **328** | 346 | **-** | - |
| Operations | **391** | 394 | **-** | - |
| | **1,462** | 1,506 | **19** | 18 |

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 7. Employees and Directors – continued

| | Group | | Company | |
|---|---|---|---|---|
| | **18 months to 30 Sept 2020 £'000** | Year ended 31 March 2019 £'000 | **18 months to 30 Sept 2020 £'000** | Year ended 31 March 2019 £'000 |
| Wages and salaries | **128,617** | 81,361 | **4,737** | 2,673 |
| Social security costs | **13,654** | 13,955 | **611** | 350 |
| Other pension costs | **3,790** | 3,197 | **189** | 117 |
| | **146,061** | 98,513 | **5,537** | 3,140 |

| | **18 months to 30 Sept 2020 £'000** | Year ended 31 March 2019 £'000 |
|---|---|---|
| Directors' remuneration | **6,748** | 4 ,574 |
| Pensions contributions to Directors' money purchase schemes | **316** | 2,702 |
| Compensation paid to Directors for loss of office | **30** | - |
| The number of Directors to whom retirement benefits were accruing was as follows: | | |
| Money purchase schemes | **3** | 4 ,574 |

The remuneration of the highest paid Director for the 18 months to 30 September 2020 was £650k (12 months to 31 March 2019: £403k). Pension contributions to highest paid Director's money purchase scheme for the period was £37k (2019: £19k)

### 8. Operating profit / (loss)

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

| | **18 months to 30 Sept 2020 £'000** | Year ended 31 March 2019 £'000 |
|---|---|---|
| Depreciation | **12,172** | 8,182 |
| Amortisation | **209** | 19 |
| Profit on disposal of fixed assets | **(395)** | (128) |
| Fees payable to the auditors: | | |
| - In respect of Group's annual financial statement | **198** | 170 |
| - Taxation compliance services | **68** | 43 |
| Foreign exchange differences | **35** | 257 |

### 9. Interest payable and similar expenses

| | **18 months to 30 Sept 2020 £'000** | Year ended 31 March 2019 £'000 |
|---|---|---|
| On bank loans, overdraft and other loans wholly repayable within 5 years | **1,166** | 779 |
| On finance leases and hire purchase contracts | **350** | 252 |
| | **1,516** | 1,031 |

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 10. Tax on profit / (loss)

| | 18 months to 30 Sept 2020 £'000 | Year ended 31 March 2019 £'000 |
|---|---|---|
| **Analysis of tax charge in the year** | | |
| Current tax | | |
| UK corporation tax charge on profit for the period | **3,109** | 2,221 |
| Foreign tax suffered | **-** | 4 |
| Adjustments in respect of prior periods | **379** | (22) |
| Total current tax | **3,488** | 2,203 |
| Deferred tax | | |
| Origination and reversal of timing differences | **1,486** | 1,086 |
| Effect of changes in tax rates | **140** | (114) |
| Adjustment in respect of prior years | **(209)** | 40 |
| Total deferred tax | **1,417** | 1,012 |
| Tax on profit on ordinary activities | **4,905** | 3,215 |

| | 18 months to 30 Sept 2020 £'000 | Year ended 31 March 2019 £'000 |
|---|---|---|
| **Analysis of tax change in the year included in other comprehensive income** | | |
| Current tax | **(165)** | - |
| Deferred tax – current period | **(1,272)** | 1,275 |
| Deferred tax – prior year | **77** | 17 |
| Current tax - equity | **(39)** | - |
| Origination and timing differences | **(1,399)** | 1,292 |

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 10. Taxation – continued

**Factors affecting tax charge for the period**

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

| | **18 months to 30 Sept 2020 £'000** | Year ended 31 March 2019 £'000 |
|---|---|---|
| Profit before taxation | **15,278** | 1,573 |
| Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%) | **2,903** | 299 |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairments | **931** | 191 |
| Income not taxable | **(144)** | - |
| Effect of overseas tax rate | **-** | 968 |
| Adjustments to tax charge in respect of prior periods | **170** | 18 |
| Deferred tax not provided | **905** | 1,853 |
| Difference in tax rates | **140** | (114) |
| Total current tax charge for the year | **4,905** | 3,215 |

The effective tax rate is calculated at 32.1%. In relation to the current tax movements, the major reconciling differences relate to the losses in the Irish subsidiaries, on which deferred tax is not recognised and no UK group relief can be claimed. The remaining differences relate to expenses not deductible for tax purposes and tax rate changes on deferred tax balances.

The deferred tax liability in relation to fixed asset timing differences has increased from £4,911k to £5,457k in the period, a movement of £546k. This is mainly driven by revaluations of both investment property and freehold land and buildings booked in the period.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 10. Taxation – continued

| | **30 Sept 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| The deferred taxation asset / (liability) recognised in the financial statements is as follows: | | |
| Short term timing differences | **21** | 52 |
| Non-trading timing differences | **1,282** | 927 |
| Accelerated capital allowances | **(5,457)** | (4,911) |
| | **(4,154)** | (3,932) |
| Current asset | **3,007** | 1,981 |
| Non-current liability | **(7,161)** | (5,913) |
| | **(4,154)** | (3,932) |

| | **30 Sept 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| The deferred taxation liability not recognised in the financial statements is as follows: | | |
| Fixed Assets | **(5)** | (1) |
| Losses carried forward | **(3,542)** | (2,808) |
| | **(3,547)** | (2,809) |

| | **30 Sept 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| Deferred tax recognised in the balance sheet: | | |
| Opening balance | **(3,932)** | (1,627) |
| Adjustment in respect of prior years in income statement | **209** | (41) |
| Adjustment in respect of prior years in OCI | **(77)** | (17) |
| Deferred tax charge to income statement for the period | **(1,626)** | (972) |
| Deferred tax charge for OCI for the period | **1,272** | (1,275) |
| | **(4,154)** | (3,932) |

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 11. Individual statement of profit and loss and other comprehensive income

As permitted by Section 408 of the Companies Act 2006, the statement of profit and loss and other comprehensive income of the parent Company is not presented as part of these financial statements

### 12. Intangible assets

| | Group | | |
|---|---|---|---|
| | Development costs £'000 | Computer software £'000 | Total £'000 |
| **Cost** | | | |
| At 1 April 2019 | 2,098 | 21 | 2,119 |
| Additions | 80 | - | 80 |
| At 30 Sept | 2,178 | 21 | 2,199 |
| **Accumulated amortisation** | | | |
| At 1 April 2019 | 18 | 21 | 39 |
| Amortisation for year | 209 | - | 209 |
| At 30 September 2020 | 227 | 21 | 248 |
| **Net book value** | | | |
| At 30 September 2020 | 1,951 | - | 1,951 |
| At 31 March 2019 | 2,080 | - | 2,080 |

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 13. Tangible assets

| | Group | | | |
|---|---|---|---|---|
| | Freehold property £'000 | Land £'000 | Fixture, fittings and plant and machinery £'000 | Totals £'000 |
| **Cost or valuation** | | | | |
| At 1 April 2019 | **29,590** | **25,150** | **52,049** | **106,789** |
| Additions | **995** | **-** | **5,603** | **6,598** |
| Disposals | **-** | **-** | **(4,541)** | **(4,541)** |
| Revaluations | **(2,373)** | **674** | **-** | **(1,699)** |
| Reclassification/transfer | **(11,190)** | **(8,900)** | **-** | **(20,090)** |
| At 30 September 2020 | **17,022** | **16,924** | **53,111** | **87,057** |
| **Accumulated depreciation** | | | | |
| At 1 April 2019 | **490** | **-** | **32,999** | **33,489** |
| Charge for the period | **935** | **-** | **11,237** | **12,172** |
| Eliminated on disposal | **-** | **-** | **(3,270)** | **(3,270)** |
| Reclassification/transfer | **(738)** | **-** | **-** | **(738)** |
| At 30 September 2020 | **687** | **-** | **40,966** | **41,653** |
| **Net book value** | | | | |
| At 30 September 2020 | **16,335** | **16,924** | **12,145** | **45,404** |
| At 31 March 2019 | 29,100 | 25,150 | 19,050 | 73,300 |

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

| | 30 Sept 2020 £'000 | 31 March 2019 £'000 |
|---|---|---|
| Plant and machinery | **7,058** | 10,280 |

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

| | 30 Sept 2020 £'000 | 31 March 2019 £'000 |
|---|---|---|
| Land and buildings at cost | **29,835** | 38,841 |

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 13. Tangible assets – continued

**Valuation of freehold properties**

The Groups freehold and leasehold properties were valued on 30 September 2020, by an external valuer, Andrew Barton MRICS, Registered Valuer of Gibbs Gillespie Surveyors Limited. The valuations are in accordance with requirements of the RICS Valuation Standards (2017 edition) and any other regulatory requirements.

The valuation of each property was on the following basis and assumptions:

1. For owner occupied property: valued to existing use value (EUV) assuming that the property would be sold as part of the continuing business.

2. For Investment property valued to market value, assuming that the property would be sold subject to any existing leases.

3. For surplus property and property held for development valued to market value, assuming that the property would be sold with vacant possession in its existing condition.

The valuer's opinion of market value and existing use value was primarily derived using:

a) Comparable recent market transactions on arm's length terms.
b) Using an estimate of the future potential net income generated by the use of the property.
c) Using a residual method of valuation for development sites, reflecting the potential re-sale value of the property and the costs associated with completing the development.

The valuation report has been prepared in accordance with current RICS Valuation Standards – Red Book 2017.

A number of properties are used as security against the Group's borrowings and as such are subject to periodic external reviews and valuations.

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a global pandemic on 11 March 2020, has impacted global financial markets.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case.

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 14. Investments

| | Group<br>Joint Venture<br>£'000 |
|---|---|
| **Profit** | |
| At 1 April 2019 | **79** |
| Share of profit | **195** |
| At 30 September 2020 | **274** |
| **Provisions** | |
| At 1 April 2019 and 30 September 2020 | **-** |
| **Net book value** | |
| At 30 September 2020 | **274** |
| At 31 March 2019 | 79 |

| | Company<br>Shares in group undertakings<br>£'000 |
|---|---|
| **Cost** | |
| At 1 April 2019 | **2,001** |
| Share of profit | **-** |
| At 30 September 2020 | **2,001** |
| **Net book values** | |
| At 30 September 2020 | **2,001** |
| At 31 March 2019 | 2,001 |

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 15. Investment property

| | Group Total £'000 |
|---|---|
| **Fair value** | |
| At 1 April 2019 | 26,150 |
| Additions | 1,207 |
| Revaluations | 9,591 |
| Reclassification/transfer | 19,352 |
| 30 September 2020 | **56,300** |
| **Net book value** | |
| At 30 September 2020 | **56,300** |
| At 31 March 2019 | 26,150 |

| | Group Total £'000 |
|---|---|
| Fair value at 30 September 2020 is represented by: | |
| Historic costs | 25,558 |
| Prior revaluations | 21,151 |
| Revaluation in the period | 9,591 |
| | **56,300** |

### 16. Stocks

| | Group | |
|---|---|---|
| | 30 Sept 2020 £'000 | 31 March 2019 £'000 |
| Raw materials | **4,904** | **2,035** |
| Land and building not yet under development | **9,492** | **15,480** |
| Work-in-progress | **6,938** | **39,661** |
| | **21,334** | **57,176** |

There is no significant difference between the replacement cost of the inventory and its carrying amount.

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 17. Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | **30 Sept 2020 £'000** | 31 March 2019 £'000 | **30 Sept 2020 £'000** | 31 March 2019 £'000 |
| Trade debtors | **47,077** | 32,957 | **-** | 9 |
| Amounts owed by group undertakings | **-** | – | **73,781** | 76,699 |
| Amounts recoverable on contracts | **41,740** | 57,896 | **-** | – |
| Other debtors | **2,083** | 1,118 | **41** | – |
| VAT recoverable | **2,135** | 3,705 | **157** | 111 |
| Prepayments and accrued income | **2,906** | 5,388 | **1,727** | 2,857 |
| | **95,941** | 101,064 | **75,706** | 79,676 |

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### 18. Current asset investments

| | Group | | Company | |
|---|---|---|---|---|
| | **30 Sept 2020 £'000** | 31 March 2019 £'000 | **30 Sept 2020 £'000** | 31 March 2019 £'000 |
| Listed investments | **28** | 63 | **5** | 5 |

The market value of listed investments at 30 September 2020 held by the Group was – £28k (31 March 2019: £63k). and by the Company £5k (31 March 2019: £5k).

### 19. Creditors: amounts falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | **30 Sept 2020 £'000** | 31 March 2019 £'000 | **30 Sept 2020 £'000** | 31 March 2019 £'000 |
| Bank loans and overdrafts (see note 21) | **3,048** | 12,345 | **-** | – |
| Other loans (see note 21) | **38** | 38 | **-** | **-** |
| Finance leases (see note 22) | **3,300** | 3,892 | **-** | – |
| Trade creditors | **27,112** | 51,083 | **348** | 445 |
| Tax | **143** | 1,593 | **155** | – |
| Other taxation and social security | **2,299** | 2,970 | **232** | 98 |
| VAT | **10,742** | 4,198 | **-** | – |
| Other creditors | **15,969** | 17,693 | **333** | 246 |
| Accruals | **36,565** | 42,010 | **3,594** | 991 |
| Deferred income | **11,854** | 11,154 | **-** | – |
| | **111,070** | 146,976 | **4,664** | 1,780 |

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 20. Creditors: amounts falling due after more than one year

| | Group | | Company | |
|---|---|---|---|---|
| | **30 Sept 2020 £'000** | 31 March 2019 £'000 | **30 Sept 2020 £'000** | 31 March 2019 £'000 |
| Bank loans (see note 21) | **4,101** | 4,649 | **-** | – |
| Finance leases (see note 22) | **4,640** | 6,769 | **-** | – |
| Amounts owed to group undertakings | **-** | – | **62,176** | 71,197 |
| Accruals and deferred income | **-** | – | **2,452** | 297 |
| | **8,741** | 11,418 | **64,628** | 71,494 |

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### 21. Loans

| | Group | |
|---|---|---|
| | **30 Sept 2020 £'000** | 31 March 2019 £'000 |
| Bank loans and overdrafts | **7,149** | 16,994 |
| Loan from related party | **38** | 38 |
| Finance leases | **7,940** | 10,661 |
| | **15,127** | 27,693 |

**Bank loans and overdrafts**

The bank loans and overdrafts are secured by way of first legal mortgage over investment properties held by subsidiaries with a carrying value of £40,935k at 30 September 2020 (31 March 2019: 16,300k) acquired in connection with the loans. The bank loans are also secured by first mortgage debenture over the Group's total net assets and unlimited cross company guarantees. Interest on bank loans were charged at LIBOR plus 3% p.a. and paid quarterly.

On 31 December 2020 the legal mortgage over the investment properties was released following the transfer of these properties to Araglin Holdings Limited. See note 28 for further details.

### 22. Finance leases

The future minimum finance lease payments are as follows:

| | **30 Sept 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| No later than one year | **3,544** | 4,275 |
| Later than one year but not later than five years | **4,640** | 6,769 |
| | **8,184** | 11,044 |
| Less: finance charges | **(244)** | (384) |
| | **7,940** | 10,660 |

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 23. Employee benefit obligations

a) The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £2,710k in the period (31 March 2019: £2,246k). Contributions totalling £211k were payable to the fund at 30 September 2020 (31 March 2019: £368k) and are included within creditors.

b) The Company operates a Defined benefit pension scheme.

Certain Group companies, including P.J. Carey (Contractors) Limited, T.E. Scudder Limited and P.J. Carey Plant Hire (Oval) Limited participate in the Carey Group PLC Pension Scheme, a multi employer defined benefit pension scheme which requires contributions to be made to a separately administered fund. The scheme ceased future pension accrual for active members from 31 March 2006 and became paid up.

The Directors of each Group Company have taken professional actuarial advice and concluded that it is not possible to identify their share of the assets and liabilities within the Carey Group PLC pension scheme on a consistent and reasonable basis. This decision was taken due to the fact that all contributions and assets are invested together, and are not assigned to one employer, and therefore each employer's share of the assets cannot be identified on a consistent basis from year to year. Further, contribution rates paid by each employer bear no relation to the age profile of the members, leading to cross subsidisation between employers, with some employers paying more than actually required to fund the cost of accruals of benefits for each participating employer.

The contributions paid by the subsidiaries, therefore are accounted as if the scheme were a defined contribution scheme, as the subsidiaries are unable to identify their share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis.

Under FRS 102 the valuation of the scheme shows a deficit at 30 September 2020 of £6,749k (31 March 2019: £5,441k). It is assumed that this deficit will be eliminated by improved investment returns but all companies in the Carey Group PLC Pension Scheme will have some liability to meet any future deficit to the scheme, in order for it to meet its liabilities. However, the Directors consider that the overall deficit has no adverse effect on the long-term future of the Company and Group.

The total contributions to the defined benefit pension plan in the next year are expected to be £720k (18 months from 1 April 2019 to 30 September 2020: £1,080k).

The most recent full actuarial valuation of the scheme was carried out as at 6 April 2019, and has been updated to 30 September 2020 by a qualified independent actuary. The expected rate of return on the plan assets is derived based on the long-term expectations of each asset class.

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 23. Employee benefit obligations – continued

| | 30 Sept 2020 £'000 | 31 March 2019 £'000 |
|---|---|---|
| Present value of funded obligations | **(23,971)** | (21,219) |
| Fair value of scheme assets | **17,222** | 15,778 |
| Deficit in scheme | **(6,749)** | (5,441) |
| Related deferred tax assets | **1,311** | 928 |
| Total | **(5,438)** | (4,513) |
| The amounts recognised in profit or loss are as follows: | | |
| Past service cost | **-** | (472) |
| Interest on obligation | **(785)** | (507) |
| Expected return on scheme assets | **574** | 407 |
| Total | **(211)** | (572) |
| Changes in the present value of the defined benefit obligation are as follows: | | |
| Opening defined benefit obligation | **21,219** | 19,617 |
| Past service cost | **-** | 472 |
| Interest cost | **785** | 507 |
| Remeasurement arising from changes in assumptions | **2,486** | 1,014 |
| Remeasurement arising from experience | **14** | (6) |
| Benefits paid | **(533)** | (385) |
| Total | **23,971** | 21,219 |
| Changes in the fair value of the scheme assets are as follows: | | |
| Opening fair value of scheme assets | **15,778** | 15,430 |
| Interest income | **574** | 407 |
| Actual return on plan assets, excluding interest income | **323** | (394) |
| Contributions by employer | **1,080** | 720 |
| Benefits paid | **(533)** | (385) |
| Total | **17,222** | 15,778 |

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 23. Employee benefit obligations – continued

Principal actuarial assumption at the balance sheet date expressed as weighted averages:

| | | **30 Sept 2020 %** | 31 March 2019 % |
|---|---|---|---|
| Discount rate | | **1.70** | 2.50 |
| Expected return on scheme assets | | **2.20** | 2.60 |
| Inflation assumptions | | **3.10** | 3.50 |
| Mortality assumptions: | | | |
| Members aged 65 | –male | **21.0 years** | 21.8 years |
| | –female | **23.3 years** | 23.7 years |
| Members aged 65, 20 years on | –male | **22.3 years** | 22.9 years |
| | –female | **24.7 years** | 25.0 years |

The expected rate of return on plan assets is based on the long term expectation of each asset class.
Amounts for the current and previous four periods are as follows:
Defined benefit pension schemes

| | **30 Sept 2020 £'000** | 31 March 2019 £'000 | 31 March 2018 £'000 | 31 March 2017 £'000 | 31 March 2016 £'000 |
|---|---|---|---|---|---|
| Defined benefit obligation | **(23,971)** | (21,219) | (19,617) | (20,451) | (16,776) |
| Scheme assets | **17,222** | 15,778 | 15,430 | 14,797 | 13,389 |
| | **(6,749)** | (5,441) | (4,187) | (5,654) | (3,387) |
| Experience adjustments on scheme liabilities gain/(loss) | **(14)** | 6 | (88) | 896 | 384 |
| Experience adjustments on scheme assets gain/(loss) | **323** | (394) | (163) | 489 | (936) |

Other reserves relate to discount arising on acquisition of subsidiaries.

### 24. Provision for other liabilities

The Group's operations involve numerous contractual matters where it is not uncommon for claims and counterclaims to arise as a function of its business. To the extent that the Group establishes provisions against such matters these are typically reflected as a reduction in amounts recoverable on contracts in accordance with the Group's accounting policies.

During the course of the year management determined that certain contract related matters warranted specific provisions being established against them to reflect the Directors' current best estimate of the potential cost of resolving the matters in question which lead to the establishment of a provision of £3,000k (31 March 2019: £nil). In respect of these items there were no amounts recoverable on contracts where it was deemed appropriate to set the provisions against and hence they have been established as a separate provision.

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 25. Called up share capital

| Alloted, issued and fully paid: Number: Class: | Class: | Nominal Value: | **30 Sept 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|---|---|
| 250,000 (2019: 250,000) | Ordinary Shares | £1 | **250** | 250 |

### 26. Claims and retentions receivable

As explained in the accounting policies note on claims and retentions receivable, no account has been taken of claims submitted or to be submitted on completed contracts until entitlements and revenue in respect of the claims is received.

The value of claims as at 30 September 2020 is estimated at £16,177k by Directors (31 March 2019: £34,063k).

### 27. Financial Instruments

| | **30 Sept 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| **Financial assets measured at amortised cost** | | |
| Amounts recoverable on contracts | **41,740** | 57,896 |
| Trade debtors | **47,077** | 32,957 |
| Other debtors | **2,083** | 1,118 |
| **Financial liabilities measured at amortised cost** | | |
| Bank loans and overdrafts | **(7,149)** | (16,994) |
| Other loans | **(38)** | (38) |
| Trade creditors | **(27,112)** | (51,083) |
| Other creditors | **(15,969)** | (17,693) |
| **Total** | **40,632** | 6,163 |

### 28. Post Balance Sheet Events

At 30 September 2020, a property with a fair value and book value of £40,935k was included as security on the Group's overdraft facility and bank loan. With the transfer of this property to Araglin Holdings Limited this property was released from this security package.

On 7 October 2020, Carey Group PLC re-registered as Carey Group Limited and on 3 February 2021 subsidiary The BDL Group Public Limited Company re-registered as BDL Group Limited. The decision to re-register reflects the position and that these companies were not publicly listed and there is no intention to list in the future. The change in registration removes the administrative burden associated with being registered as a plc given that the benefits off being registered as a Plc are not being utilised.

On 22 October 2020 ownership of Carey Group Limited (formerly Carey Group PLC) was transferred to Araglin Holdings Limited. Araglin Holdings limited became the parent Company of Carey Group Limited (formerly Carey Group PLC).

# Financial Statements

## Notes to the Consolidated Financial Statements for the Period Ended 30 September 2020

### 29. Subsidiaries

The Company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the Group.

Transactions between Group entities which have been eliminated on consolidation are not disclosed within the financial statements.

| Company name | Registration Number | Holding | Proportion held (%) | Nature of business |
|---|---|---|---|---|
| P.J. Carey (Contractors) Limited | 01460224 | Ordinary shares | 100 | Building and civil engineering |
| P.J. Carey Plant Hire (Oval)* Limited | 00941354 | Ordinary shares | 100 | Plant hire |
| Careys New Homes Limited* | 01236465 | Ordinary shares | 100 | Property development and builders |
| T.E. Scudder Limited* | 00605142 | Ordinary shares | 100 | Demolition contractors |
| Seneca Environmental Solutions Limited | 06773750 | Ordinary shares | 100 | Waste recycling |
| ION Environmental Solutions Limited* | 07671242 | Ordinary shares | 100 | Asbestos Removal |
| Careys Environmental Services Limited, incorporated in Ireland | 303075 | Ordinary shares | 100 | Property development company |
| Careys Estates Doon, incorporated in Ireland | 320454 | Ordinary shares and preference shares | 100 | Property development company |
| Careys Shared Equity Limited* | 02911260 | Ordinary shares | 100 | Mortgage providers |
| P J Carey (Contractors) Limited, incorporated in Ireland | 446603 | Ordinary shares | 100 | Building and civil engineering |
| BDL Group Limited (formerly The BDL Group Public Limited Company) | 01337733 | Ordinary shares | 100 | Dry lining contractors |
| Careys Design Team Limited* | 09694978 | Ordinary shares | 100 | Specialist construction design services |
| Careys 35 Baird St Limited* | 09692941 | Ordinary shares | 100 | Property management services |
| Careys 1 Hand Axe Yard Limited* | 09693028 | Ordinary shares | 100 | Property management services |
| Elfield Park Limited (formerly Careys Elfield Park)* | 09692922 | Ordinary shares | 100 | Residents property management |

* denotes subsidiaries which have taken advantage of the parent company guarantee exemption to produce unaudited accounts in accordance with s479A of the Companies Act 2006.

All companies in the Group are incorporated in England and Wales, unless specified otherwise in the table above.

All subsidiaries hold their registered office at Carey House, Great Central Way, Wembley, HA9 0HR, UK with the exception of the three Irish companies. The Irish registered companies hold their registered office at Carey House, Dardistown, Cloghran, Co. Dublin, Ireland.

### 30. Ultimate controlling party

At 30 September 2020 the Company was owned by J Carey, P Carey and T Carey who were all Directors of Carey Group Limited (formerly Carey Group PLC) until 30 April 2021.

On 22 October 2020 ownership of Carey Group Limited (formerly Careys Group PLC) was transferred to Araglin Holdings Limited. Araglin Holdings is owned by J Carey, P Carey and T Carey who were all Directors of Carey Group Limited (formerly Carey Group PLC) until 30 April 2021.

# Other Information
## Company information

**Directors:**
Jason Carey
John Anthony Carey
Thomas Noel Carey
Paul Johnson
Stephen Maslin
Warren Underwood
Julie Welch

**Secretary:**
Fiona O'Donnell

**Registered office:**
Carey House
Great Central Way
Wembley Middlesex
HA9 0HR

**Registered number:**
02644192 (England and Wales)

**Independent auditors:**
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
40 Clarendon Road
Watford
Hertfordshire
WD17 1JJ

**Bankers:**
Allied Irish Bank (GB)
202 Finchley Road
London
NW3 6BX

Santander Business Banking
Bridle Road
Bootle
Merseyside
L30 4GB

**Solicitors:**
Ashford LLP
Tower Wharf
Cheese Lane
Bristol
BS2 0JJ