

REGISTRAR OF COMPANIES

Registration number: 02818677

DSD Construction Limited

Directors' Report and Financial Statements

31 December 2018



dodd&co

DSD Construction Limited

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DSD Construction Limited

Company Information

Directors H M Nugent
S Nugent

Company secretary H M Nugent

Registered office DSD House
Dukes Drive
Kingmoor Park North
CARLISLE
CA6 4SH

Auditors Dodd & Co Limited
Chartered Accountants & Registered Auditors
FIFTEEN Rosehill
Montgomery Way
Rosehill Estate
CARLISLE
CA1 2RW

DSD Construction Limited

Strategic Report for the Year Ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

Principal activity

The principal activity of the company is construction and civil engineering.

Fair review of the business

The directors are pleased with the results for the financial year, particularly the further significant growth in turnover and profitability.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2018	2017
Turnover	£	21,572,325	17,815,019
Turnover growth	%	21	74
Gross profit margin	%	21	17
Profit before tax	£	1,661,004	543,967

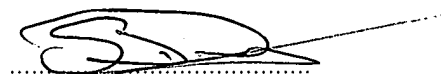
At the end of the year, the net assets totalled £3,203,788 (2017: £2,185,861).

Given the straight forward nature of the business, the company's directors are of the opinion that any further analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The directors of the company are involved in the day to day running of the business and continually monitor and control risks that may affect the company. The principal risks to the company arise from competition within the trade sector and the potential effect of price fluctuations in both sales and the cost of goods and services provided by suppliers.

Approved by the Board on 17 September 2019 and signed on its behalf by:



S Nugent
Director

DSD Construction Limited

Directors' Report for the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors of the company

The directors who held office during the year were as follows:

H M Nugent - Company secretary and director

S Nugent

Dividends

Interim ordinary dividends of £328,000 were paid during the year. The directors recommend that no final dividend be paid in respect of the year ended 31 December 2018.

Financial instruments

Objectives and policies

The principal financial instruments of the company comprise bank balances, trade debtors, trade creditors and hire purchase agreements. The main purpose of these instruments is to finance the operations of the company.

Price risk, credit risk, liquidity risk and cash flow risk

In respect of bank balances, the liquidity risk is managed by maintaining a continuity of funding.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. The amounts presented in the balance sheet are stated net of allowances for either doubtful or bad debts.

Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

The company is a lessee in respect of hire purchase assets. The liquidity risk in respect of these is managed by ensuring that there are sufficient funds to meet the payments.

Future developments

To support the growth of the business, the company has relocated to new purpose built premises during 2019.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 17 September 2019 and signed on its behalf by:



S Nugent
Director

DSD Construction Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

DSD Construction Limited

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

Opinion

We have audited the financial statements of DSD Construction Limited (the 'company') for the year ended 31 December 2018, which comprise the Profit and Loss Account and Statement of Retained Earnings, Balance Sheet, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

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

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

We have nothing to report in this regard.

DSD Construction Limited

Independent Auditor's Report to the Members of DSD Construction Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

DSD Construction Limited

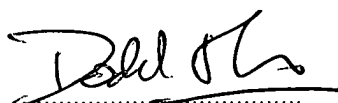
Independent Auditor's Report to the Members of DSD Construction Limited (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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



Martin S Ward (Senior Statutory Auditor)
For and on behalf of Dodd & Co Limited, Statutory Auditor

FIFTEEN Rosehill
Montgomery Way
Rosehill Estate
CARLISLE
CA1 2RW

17 September 2019

DSD Construction Limited

Profit and Loss Account and Statement of Retained Earnings for the Year Ended 31 December 2018

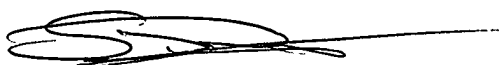
	Note	2018 £	2017 £
Turnover	3	21,572,325	17,815,019
Cost of sales		<u>(17,116,547)</u>	<u>(14,801,796)</u>
Gross profit		4,455,778	3,013,223
Administrative expenses		(2,755,242)	(2,426,126)
Other operating income		<u>8,061</u>	<u>8,866</u>
Operating profit	4	1,708,597	595,963
Other interest receivable and similar income	5	11,344	3,417
Interest payable and similar charges	6	<u>(58,937)</u>	<u>(55,413)</u>
Profit before tax		1,661,004	543,967
Taxation	10	<u>(315,077)</u>	<u>(79,947)</u>
Profit for the financial year		1,345,927	464,020
Retained earnings brought forward		2,180,855	2,030,335
Dividends paid	22	<u>(328,000)</u>	<u>(313,500)</u>
Retained earnings carried forward		<u><u>3,198,782</u></u>	<u><u>2,180,855</u></u>

The notes on pages 11 to 26 form an integral part of these financial statements.

DSD Construction Limited
(Registration number: 02818677)
Balance Sheet as at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	11	3,032,960	1,784,289
Current assets			
Stocks	12	7,500	6,575
Debtors	13	4,620,962	3,765,849
Cash and cash equivalents		<u>1,306,923</u>	<u>470,392</u>
		5,935,385	4,242,816
Creditors: Amounts falling due within one year	15	<u>(4,657,945)</u>	<u>(2,962,148)</u>
Net current assets		<u>1,277,440</u>	<u>1,280,668</u>
Total assets less current liabilities		4,310,400	3,064,957
Creditors: Amounts falling due after more than one year	15	(977,336)	(744,497)
Provisions for liabilities	16	<u>(129,276)</u>	<u>(134,599)</u>
Net assets		<u><u>3,203,788</u></u>	<u><u>2,185,861</u></u>
Capital and reserves			
Called up share capital	18	5,006	5,006
Profit and loss account	19	<u>3,198,782</u>	<u>2,180,855</u>
Total equity		<u><u>3,203,788</u></u>	<u><u>2,185,861</u></u>

Approved and authorised by the Board on 17 September 2019 and signed on its behalf by:



S Nugent
Director

DSD Construction Limited

Statement of Cash Flows for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Profit for the year		1,345,927	464,020
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	567,213	505,149
Profit on disposal of tangible assets		(37,328)	(115,717)
Finance income	5	(11,344)	(3,417)
Finance costs	6	58,937	55,413
Tax expense	10	315,077	79,947
		<u>2,238,482</u>	<u>985,395</u>
Working capital adjustments			
Increase in stocks	12	(925)	-
Increase in debtors		(716,601)	(808,755)
Increase in creditors		<u>1,403,230</u>	<u>729,949</u>
Cash generated from operations		2,924,186	906,589
Corporation tax paid		<u>(102,888)</u>	<u>(164,245)</u>
Net cash flow from operating activities		<u>2,821,298</u>	<u>742,344</u>
Cash flows from investing activities			
Interest received	5	11,344	3,417
Acquisitions of tangible assets		(941,709)	(112,193)
Proceeds from sale of tangible assets		<u>133,400</u>	<u>443,500</u>
Net cash flows from investing activities		<u>(796,965)</u>	<u>334,724</u>
Cash flows from financing activities			
Interest paid		-	(3,005)
Repayment of bank borrowing		-	(53,944)
Repayment of other borrowing		(138,512)	(158,793)
Payments to finance lease creditors		(721,290)	(689,817)
Dividends paid	22	<u>(328,000)</u>	<u>(313,500)</u>
Net cash flows from financing activities		<u>(1,187,802)</u>	<u>(1,219,059)</u>
Net increase/(decrease) in cash and cash equivalents		836,531	(141,991)
Cash and cash equivalents at 1 January		<u>470,392</u>	<u>612,383</u>
Cash and cash equivalents at 31 December	14	<u><u>1,306,923</u></u>	<u><u>470,392</u></u>

The notes on pages 11 to 26 form an integral part of these financial statements.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

DSD House
Dukes Drive
Kingmoor Park North
CARLISLE
CA6 4SH

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Judgements

Determining the valuation of construction contracts requires judgement regarding the stage of completion of jobs at the year end. The judgements are based on the proportion of costs incurred to date, surveys of work performed and confirmation of the physical proportion of contract works completed.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the company's activities.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

Contract revenue recognition

When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the degree of completion of each contract, as measured by the proportion of total costs at the balance sheet date to the estimated total cost of the contract.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable.

The principal estimation technique used by the company in attributing profit on contracts to a particular period is the preparation of forecasts on a contract by contract basis. These focus on revenues and costs to complete and enable an assessment to be made of the final out-turn of each contract. Consistent contract review procedures are in place in respect of contract forecasting.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately. Contract costs are recognised as expenses in the period in which they are incurred.

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is shown as due from customers for contract work within debtors. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is shown as due to customers on contracts within creditors.

Contract retentions are recognised in revenue in accordance with the degree of completion of contract works. Such amounts are withheld by customers and to be returned on successful completion of a contract, being included in gross amounts due from customers for contract work within debtors.

Government grants

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Tax

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are 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 the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and equipment	25% reducing balance basis
Motor vehicles	25% reducing balance basis
Furniture, fittings and office equipment	15% or 25% reducing balance basis

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for the sale of goods or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method where due after more than one year.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

3 Revenue

The analysis of the company's revenue (including turnover) by category is as follows:

	2018 £	2017 £
Rendering of services	<u>21,572,325</u>	<u>17,815,019</u>
Turnover	21,572,325	17,815,019
Government grants	8,061	8,866
Bank interest receivable	3,235	241
Other interest receivable	<u>8,109</u>	<u>3,176</u>
	<u><u>21,591,730</u></u>	<u><u>17,827,302</u></u>

The amount of contract revenue recognised as revenue in the year was £21,572,325 (2017 - £17,815,019).

Contract revenue is recognised based on the stage of completion of jobs at the year end. This is determined by the proportion of costs incurred to date, surveys of work performed and confirmation of the physical proportion of contract works completed.

4 Operating profit

Arrived at after charging/(crediting)

	2018 £	2017 £
Depreciation expense	567,213	505,149
Profit on disposal of property, plant and equipment	<u>(37,328)</u>	<u>(115,717)</u>

5 Other interest receivable and similar income

	2018 £	2017 £
Interest income on bank deposits	3,235	241
Other finance income	<u>8,109</u>	<u>3,176</u>
	<u><u>11,344</u></u>	<u><u>3,417</u></u>

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

6 Interest payable and similar charges

	2018 £	2017 £
Interest on bank overdrafts and borrowings	-	913
Interest on obligations under finance leases and hire purchase contracts	58,937	52,478
Interest expense on other finance liabilities	-	2,022
	<u>58,937</u>	<u>55,413</u>

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018 £	2017 £
Wages and salaries	5,361,173	4,387,533
Social security costs	590,077	469,758
Pension costs, defined contribution scheme	68,826	32,055
	<u>6,020,076</u>	<u>4,889,346</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2018 No.	2017 No.
Production	114	99
Administration and support	16	17
	<u>130</u>	<u>116</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2018 £	2017 £
Remuneration	<u>54,864</u>	<u>42,040</u>

During the year the number of directors who were receiving benefits was as follows:

	2018 No.	2017 No.
Accruing benefits under money purchase pension scheme	<u>1</u>	<u>1</u>

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

9 Auditor's remuneration

	2018 £	2017 £
Audit of the financial statements	5,000	5,000
Other fees to auditors		
All other non-audit services	28,520	11,315

10 Taxation

Tax charged/(credited) in the profit and loss account

	2018 £	2017 £
Current taxation		
UK corporation tax	320,400	102,888
Deferred taxation		
Arising from origination and reversal of timing differences	(5,323)	(19,212)
Arising from changes in tax rates and laws	-	(3,729)
Total deferred taxation	(5,323)	(22,941)
Tax expense in the profit and loss account	315,077	79,947

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19% (2017 - 19%).

The differences are reconciled below:

	2018 £	2017 £
Profit before tax	1,661,004	543,967
Corporation tax at standard rate	315,591	103,354
Increase from effect of different UK tax rates	-	1,318
Effect of expense not deductible in determining taxable profit	1,106	803
Deferred tax (credit) relating to changes in tax rates or laws	(1,588)	(3,729)
Tax increase from effect of depreciation on non qualifying assets	-	164
Tax increase (decrease) from other short-term timing differences	(32)	(3,697)
Tax increase (decrease) from effect of indexation allowance on capital gains	-	(18,266)
Total tax charge	315,077	79,947

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

Deferred tax

Deferred tax assets and liabilities

	Liability £
2018	
Accelerated tax depreciation	<u>129,276</u>
2017	
Accelerated tax depreciation	<u>134,599</u>

The amount of the net reversal of deferred tax assets and deferred tax liabilities expected to occur during the year beginning after the reporting period is £55,785 (2017 - £47,244).

A reduction in the UK corporation tax rate to 19% for the period 1 April 2017 to 31 March 2020 and 17% from that date was fully enacted in the UK on 16 September 2016. Deferred tax has been recognised at the rates in which the temporary differences are expected to reverse which equates to 18.02%.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

11 Tangible assets

	Land and buildings £	Properties under construction £	Plant and equipment £	Motor vehicles £	Furniture, fittings and office equipment £	Total £
Cost or valuation						
At 1 January 2018	-	-	2,027,054	1,037,221	93,096	3,157,371
Additions	265,100	574,292	1,001,753	64,333	6,478	1,911,956
Disposals	-	-	(209,750)	(10,495)	-	(220,245)
At 31 December 2018	265,100	574,292	2,819,057	1,091,059	99,574	4,849,082
Depreciation						
At 1 January 2018	-	-	864,061	448,444	60,577	1,373,082
Charge for the year	-	-	403,801	155,800	7,612	567,213
Eliminated on disposal	-	-	(119,042)	(5,131)	-	(124,173)
At 31 December 2018	-	-	1,148,820	599,113	68,189	1,816,122
Carrying amount						
At 31 December 2018	265,100	574,292	1,670,237	491,946	31,385	3,032,960
At 31 December 2017	-	-	1,162,993	588,777	32,519	1,784,289

Included within the net book value of land and buildings above is £265,100 (2017 - £Nil) in respect of long leasehold land and buildings.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2018 £	2017 £
Plant and equipment	1,560,256	1,091,668
Motor vehicles	327,554	425,895
	<u>1,887,810</u>	<u>1,517,563</u>

Restriction on title and pledged as security

Plant and equipment with a carrying amount of £1,560,256 (2017 - £1,091,668) has been pledged as security for finance lease liabilities.

Motor vehicles with a carrying amount of £327,554 (2017 - £425,895) has been pledged as security for finance lease liabilities.

12 Stocks

	2018 £	2017 £
Other inventories	<u>7,500</u>	<u>6,575</u>

The cost of stocks recognised as an expense in the year amounted to £7,097,299 (2017 - £7,155,113).

13 Debtors

	2018 £	2017 £
Trade debtors	2,884,939	1,943,063
Other debtors	432,260	236,675
Prepayments	74,366	51,546
Gross amount due from customers for contract work	<u>1,229,397</u>	<u>1,534,565</u>
	<u>4,620,962</u>	<u>3,765,849</u>

14 Cash and cash equivalents

	2018 £	2017 £
Cash on hand	-	301
Cash at bank	<u>1,306,923</u>	<u>470,091</u>
	<u>1,306,923</u>	<u>470,392</u>

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

15 Creditors

	Note	2018 £	2017 £
Due within one year			
Loans and borrowings	20	500,311	425,256
Trade creditors		2,437,732	1,916,112
Social security and other taxes		459,944	461,403
Outstanding defined contribution pension costs		10,070	3,847
Other payables		28,966	441
Accrued expenses		496,131	30,343
Corporation tax liability	10	320,400	102,888
Gross amount due to customers for contract work		<u>404,391</u>	<u>21,858</u>
		<u>4,657,945</u>	<u>2,962,148</u>
Due after one year			
Loans and borrowings	20	<u>977,336</u>	<u>744,497</u>

16 Deferred tax and other provisions

	Deferred tax £	Total £
At 1 January 2018	134,599	134,599
Increase (decrease) in existing provisions	<u>(5,323)</u>	<u>(5,323)</u>
At 31 December 2018	<u>129,276</u>	<u>129,276</u>

17 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £68,826 (2017 - £32,055).

Contributions totalling £10,070 (2017 - £3,847) were payable to the scheme at the end of the year and are included in creditors.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

18 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No.	£	No.	£
A Ordinary shares of £1 each	5,000	5,000	5,000	5,000
B Ordinary shares of £1 each	4	4	4	4
C Ordinary shares of £1 each	1	1	1	1
D Ordinary shares of £1 each	1	1	1	1
	<u>5,006</u>	<u>5,006</u>	<u>5,006</u>	<u>5,006</u>

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

Full voting rights.

Full rights to participate in any distribution with regard to dividends relating to this class of share.

19 Reserves

Profit and loss account

Includes all current and prior period retained profits and losses.

Called up share capital

Represents the nominal value of shares that have been issued.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

20 Loans and borrowings

	2018 £	2017 £
Current loans and borrowings		
Finance lease liabilities	<u>500,311</u>	<u>425,256</u>

Current loans and borrowings includes the following liabilities, on which security has been given by the company:

	2018 £	2017 £
Finance lease liabilities	<u>500,311</u>	<u>425,256</u>

Finance lease liabilities are secured on the assets to which they relate.

	2018 £	2017 £
Non-current loans and borrowings		
Finance lease liabilities	<u>977,336</u>	<u>744,497</u>

Non-current loans and borrowings includes the following liabilities, on which security has been given by the company:

	2018 £	2017 £
Finance lease liabilities	<u>977,336</u>	<u>744,497</u>

Finance lease liabilities are secured on the assets to which they relate.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

21 Obligations under leases and hire purchase contracts

Finance leases

Certain plant and equipment and motor vehicles are held under finance lease arrangements. Finance lease liabilities are secured by the assets held under finance leases. The lease agreements generally include fixed lease payments and a purchase option at the end of the lease term.

The total of future minimum lease payments is as follows:

	2018 £	2017 £
Not later than one year	557,367	472,865
Later than one year and not later than five years	1,090,163	824,086
	<u>1,647,530</u>	<u>1,296,951</u>

Operating leases

The total of future minimum lease payments is as follows:

	2018 £	2017 £
Not later than one year	26,979	23,121
Later than one year and not later than five years	20,306	8,384
Later than five years	24,500	-
	<u>71,785</u>	<u>31,505</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £77,461 (2017 - £47,374).

22 Dividends

	2018 £	2017 £
Interim dividend	<u>328,000</u>	<u>313,500</u>

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

23 Related party transactions

Key management personnel

The directors and senior management

Key management compensation

	2018 £	2017 £
Salaries and other short term employee benefits	<u>66,346</u>	<u>60,323</u>

Dividends paid to key management

	2018 £	2017 £
Ordinary dividends	<u>253,500</u>	<u>214,200</u>

Transactions with directors

	At 1 January 2018 £	Advances to director £	Repayments by director £	Interest charged £	At 31 December 2018 £
2018					
S Nugent					
Loan to director	<u>137,186</u>	<u>61,938</u>	<u>(7,820)</u>	<u>4,365</u>	<u>195,669</u>
	At 1 January 2017 £	Advances to directors £	Repayments by director £	Interest charged £	At 31 December 2017 £
2017					
S Nugent					
Loan to director	<u>66,415</u>	<u>127,212</u>	<u>(58,720)</u>	<u>2,279</u>	<u>137,186</u>

Director advances are repayable on demand.

Interest has been charged at a rate of 3% on advances to the director up to 5 April 2017 and 2.5% thereafter.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

Summary of transactions with other related parties

Rent payable to self invested personal pensions of key management personnel.

Income and receivables from related parties

	Key management £
2018	
Amounts receivable from related party	361,067
	<u>361,067</u>
2017	
Amounts receivable from related party	222,555
	<u>222,555</u>

Expenditure with and payables to related parties

	Other related parties £
2018	
Leases	32,000
	<u>32,000</u>
2017	
Leases	18,583
	<u>18,583</u>

24 Financial instruments

Categorisation of financial instruments

	2018 £	2017 £
Financial assets that are debt instruments measured at amortised cost	5,853,519	4,184,695
	<u>5,853,519</u>	<u>4,184,695</u>
Financial liabilities measured at amortised cost	4,815,901	3,138,066
	<u>4,815,901</u>	<u>3,138,066</u>

25 Parent and ultimate parent undertaking

The ultimate controlling party is the directors.