

REGISTRAR OF COMPANIES

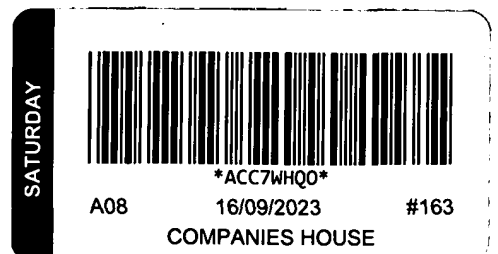
Registration number: 02818677

DSD Construction Limited

Directors' Report and Financial Statements

31 December 2022

dodd&co



DSD Construction Limited

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DSD Construction Limited

Company Information

Directors H M Nugent
S D Nugent
M Tweddle

Company secretary H M Nugent

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

Auditors Dodd & Co Audit 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 2022

The directors present their strategic report for the year ended 31 December 2022.

Principal activity

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

Fair review of the business

Underlying performance for the business remains strong with several new tenders won with major public sector bodies which will commence in 2023 and will help to deliver the business' growth targets for the next few years.

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

	Unit	2022	2021
Turnover	£	26,480,751	26,195,277
Turnover growth	%	1	34
Gross profit margin	%	15	20
Profit before tax	£	242,321	1,811,645


At the end of the year, the net assets totalled £3,903,440 (2021: £4,206,422).

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 and authorised by the Board on 2 May 2023 and signed on its behalf by:


S D Nugent
Director

DSD Construction Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors of the company

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

H M Nugent - Company secretary and director

S D Nugent

D J Nugent (appointed 21 December 2022 and resigned 16 March 2023)

M Tweddle

Dividends

Interim ordinary dividends of £445,125 were paid during the year. The directors recommend that no final dividend be paid in respect of the year ended 31 December 2022.

Important adjusting events after the financial period

In February 2023 one of the company's customers, Metnor Construction Limited, entered into administration. Towards the end of the 2022 financial year the company commenced subcontract works for Metnor Construction Limited, with unbilled revenue totalling £450,510 at 31 December 2022. Under the circumstances the directors do not consider the debt to be recoverable and thus the entire debt has been written off in the financial statements for the year ending 31 December 2022.

Financial instruments

Objectives and policies

The principal financial instruments of the company comprise bank balances, trade debtors, trade creditors, hire purchase agreements and loans from financial institutions. 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.

Loans comprise loans from financial institutions. The interest rate on loans from financial institutions is a fixed percentage over the bank base rate. The company manages the liquidity risk by ensuring that there are sufficient funds to meet the payments.

Future developments

The directors do not expect there to be any significant change to the way the company operates in the near future.

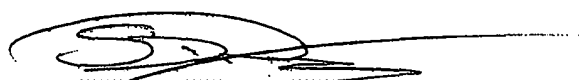
DSD Construction Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

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 2 May 2023 and signed on its behalf by:


S.D. 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 United Kingdom 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 2022, 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 2022 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 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 5, 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

DSD Construction Limited

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

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax and pensions regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud to be in relation to management override which, in common with all audits under ISAs (UK), we are required to perform specific procedures to respond to this risk.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. The key laws and regulations we considered in this context related to the Health and Safety Act and Employment Law.

As a result of performing the above, in response to the risks identified, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

DSD Construction Limited

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

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Use of our report

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

Dodd & Co Audit Limited

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Mike Kirsopp (Senior Statutory Auditor)
For and on behalf of Dodd & Co Audit Limited, Statutory Auditor

FIFTEEN Rosehill
Montgomery Way
Rosehill Estate
CARLISLE
CA1 2RW

2 May 2023

DSD Construction Limited

Profit and Loss Account and Statement of Retained Earnings for the Year Ended 31 December 2022

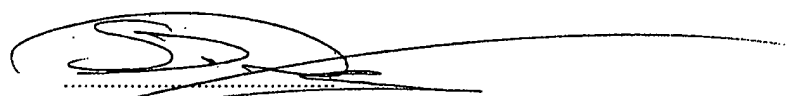
	Note	2022 £	2021 £
Turnover	3	26,480,751	26,195,277
Cost of sales		<u>(22,422,942)</u>	<u>(21,067,276)</u>
Gross profit		4,057,809	5,128,001
Administrative expenses		(3,748,256)	(3,273,513)
Other operating income		<u>25,338</u>	<u>43,026</u>
Operating profit	4	334,891	1,897,514
Other interest receivable and similar income	6	21,422	22,428
Interest payable and similar charges	7	<u>(113,992)</u>	<u>(108,297)</u>
Profit before tax		242,321	1,811,645
Taxation	11	<u>(100,178)</u>	<u>(431,934)</u>
Profit for the financial year		142,143	1,379,711
Retained earnings brought forward		4,201,416	3,334,705
Dividends paid	24	<u>(445,125)</u>	<u>(513,000)</u>
Retained earnings carried forward		<u><u>3,898,434</u></u>	<u><u>4,201,416</u></u>

The notes on pages 13 to 29 form an integral part of these financial statements.

DSD Construction Limited
(Registration number: 02818677)
Balance Sheet as at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	12	70,660	-
Tangible assets	13	<u>5,093,820</u>	<u>4,545,097</u>
		<u>5,164,480</u>	<u>4,545,097</u>
Current assets			
Stocks	14	7,500	7,500
Debtors	15	5,587,654	4,953,639
Cash at bank and in hand		<u>460,733</u>	<u>1,894,440</u>
		6,055,887	6,855,579
Creditors: Amounts falling due within one year	17	<u>(4,507,427)</u>	<u>(5,044,156)</u>
Net current assets		<u>1,548,460</u>	<u>1,811,423</u>
Total assets less current liabilities		6,712,940	6,356,520
Creditors: Amounts falling due after more than one year	17	(1,931,346)	(1,539,584)
Provisions for liabilities	18	<u>(878,154)</u>	<u>(610,514)</u>
Net assets		<u><u>3,903,440</u></u>	<u><u>4,206,422</u></u>
Capital and reserves			
Called up share capital	20	5,006	5,006
Profit and loss account	21	<u>3,898,434</u>	<u>4,201,416</u>
Total equity		<u><u>3,903,440</u></u>	<u><u>4,206,422</u></u>

Approved and authorised by the Board on 2 May 2023 and signed on its behalf by:


S D Nugent
Director

DSD Construction Limited

Statement of Cash Flows for the Year Ended 31 December 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Profit for the year		142,143	1,379,711
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	395,024	518,089
Profit on disposal of tangible assets		(69,079)	(97,269)
Finance income	6	(21,422)	(22,428)
Finance costs	7	113,992	108,297
Income tax expense	11	100,178	431,934
		<u>660,836</u>	<u>2,318,334</u>
Working capital adjustments			
Increase in trade debtors		(309,386)	(747,521)
Decrease in trade creditors		<u>(61,343)</u>	<u>(390,816)</u>
Cash generated from operations		290,107	1,179,997
Corporation tax paid		<u>(112,327)</u>	<u>(1,209)</u>
Net cash flow from operating activities		<u>177,780</u>	<u>1,178,788</u>
Cash flows from investing activities			
Interest received	6	21,422	22,428
Acquisitions of tangible assets		(229,922)	(508,752)
Proceeds from sale of tangible assets		275,442	702,400
Acquisition of intangible assets	12	<u>(70,660)</u>	<u>-</u>
Net cash flows from investing activities		<u>(3,718)</u>	<u>216,076</u>
Cash flows from financing activities			
Interest paid		(42,510)	(32,075)
Repayment of bank borrowing		(141,644)	(23,777)
Advances to directors and key management		(239,799)	(237,027)
Payments to finance lease creditors		(738,691)	(954,764)
Dividends paid	24	<u>(445,125)</u>	<u>(513,000)</u>
Net cash flows from financing activities		<u>(1,607,769)</u>	<u>(1,760,643)</u>
Net decrease in cash and cash equivalents		(1,433,707)	(365,779)
Cash and cash equivalents at 1 January		<u>1,894,440</u>	<u>2,260,219</u>
Cash and cash equivalents at 31 December		<u><u>460,733</u></u>	<u><u>1,894,440</u></u>

The notes on pages 13 to 29 form an integral part of these financial statements.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

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.

Adjusting events after the financial period

In February 2023 one of the company's customers, Metnor Construction Limited, entered into administration. Towards the end of the 2022 financial year the company commenced subcontract works for Metnor Construction Limited, with unbilled revenue totalling £450,510 at 31 December 2022. Under the circumstances the directors do not consider the debt to be recoverable and thus the entire debt has been written off in the financial statements for the year ending 31 December 2022.

Changes in accounting estimate

Depreciation rates

On 1 January 2022 the directors have revised the depreciation rates of certain items of plant and equipment and motor vehicles from 25% and 15% reducing balance basis to 10% reducing balance basis in order to more accurately reflect the future consumption of economic benefits associated with these assets.

The effect of the change on assets, liabilities, income and expense in the current year is as follows:

	£
Tangible assets	207,657
Administrative expenses	<u>(207,657)</u>

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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.

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 relating to revenue are recognised in the profit and loss account on a systematic basis over the periods in which the related costs are recognised for which the grant is intended to compensate.

Grants for the purpose of giving immediate financial support with no future related costs to be incurred are recognised in the profit and loss account when the grant proceeds become receivable.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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.

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
Buildings	50 years straight line basis
Furniture, fittings and office equipment	15% or 25% reducing balance basis
Plant and equipment	10%, 15% or 25% reducing balance basis
Motor vehicles	10% reducing balance basis

Intangible assets

Separately acquired trademarks, licences and software are shown at historical cost.

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Software	5 years straight line basis from being brought into use

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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.

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.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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.

3 Revenue

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

	2022	2021
	£	£
Rendering of services	<u>26,480,751</u>	<u>26,195,277</u>
Turnover	26,480,751	26,195,277
Government grants	25,338	42,626
Miscellaneous other operating income	-	400
Bank interest receivable	350	643
Other interest receivable	<u>21,072</u>	<u>21,785</u>
	<u>26,527,511</u>	<u>26,260,731</u>

The amount of contract revenue recognised as revenue in the year was £26,480,751 (2021 - £26,195,277).

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.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

4 Operating profit

Arrived at after charging/(crediting)

	2022 £	2021 £
Depreciation expense	395,024	518,089
Profit on disposal of property, plant and equipment	<u>(69,079)</u>	<u>(97,269)</u>

5 Government grants

Included in the profit and loss account are government grants receivable in respect of UK government initiatives to respond to the financial impact of the COVID-19 pandemic, namely £nil (2021 - £24,953) relating to the Coronavirus Job Retention Scheme. Also included in government grants receivable is £25,338 (2021 - £17,673) relating to training grants.

The total amount of grants recognised in the financial statements was £25,338 (2021 - £42,626).

6 Other interest receivable and similar income

	2022 £	2021 £
Interest income on bank deposits	350	643
Other finance income	<u>21,072</u>	<u>21,785</u>
	<u>21,422</u>	<u>22,428</u>

7 Interest payable and similar charges

	2022 £	2021 £
Interest on bank overdrafts and borrowings	43,237	33,539
Interest on obligations under finance leases and hire purchase contracts	66,689	74,722
Interest expense on other finance liabilities	<u>4,066</u>	<u>36</u>
	<u>113,992</u>	<u>108,297</u>

8 Staff costs

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

	2022 £	2021 £
Wages and salaries	5,536,336	4,805,616
Social security costs	634,599	521,857
Pension costs, defined contribution scheme	<u>119,182</u>	<u>111,220</u>
	<u>6,290,117</u>	<u>5,438,693</u>

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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

	2022 No.	2021 No.
Production	91	84
Administration and support	28	25
	<u>119</u>	<u>109</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £	2021 £
Remuneration	96,830	83,167
Contributions paid to money purchase schemes	5,821	5,600
	<u>102,651</u>	<u>88,767</u>

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

	2022 No.	2021 No.
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>2</u>

10 Auditor's remuneration

	2022 £	2021 £
Audit of the financial statements	<u>10,000</u>	<u>10,000</u>
Other fees to auditors		
All other non-audit services	<u>10,900</u>	<u>15,400</u>

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Taxation

Tax charged/(credited) in the income statement

	2022 £	2021 £
Current taxation		
UK corporation tax	(167,462)	190,893
UK corporation tax adjustment to prior periods	-	50
	<u>(167,462)</u>	<u>190,943</u>
Deferred taxation		
Arising from origination and reversal of timing differences	214,857	134,583
Arising from changes in tax rates and laws	52,783	106,408
	<u>267,640</u>	<u>240,991</u>
Total deferred taxation	<u>267,640</u>	<u>240,991</u>
Tax expense in the income statement	<u>100,178</u>	<u>431,934</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £	2021 £
Profit before tax	<u>242,321</u>	<u>1,811,645</u>
Corporation tax at standard rate	46,041	344,213
Effect of expense not deductible in determining taxable profit	10,537	1,521
Deferred tax expense relating to changes in tax rates or laws	109,288	106,408
Increase in UK tax from adjustment for prior periods	-	50
Tax decrease from effect of capital allowances and depreciation	<u>(65,688)</u>	<u>(20,258)</u>
Total tax charge	<u>100,178</u>	<u>431,934</u>

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £	Liability £
2022		
Accelerated tax depreciation	-	879,583
Short term timing difference	-	(1,429)
	<u>-</u>	<u>878,154</u>
2021		
Accelerated tax depreciation	-	611,628
Short term timing difference	-	(1,114)
	<u>-</u>	<u>610,514</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 £138,131 (2021 - £84,322).

An increase in the UK headline corporation tax rate from 19% to 25% from 1 April 2023 was substantively enacted on 24 May 2021. Deferred tax has been recognised at the rates in which the temporary differences are expected to reverse which equates to 25%.

12 Intangible assets

	Software £	Total £
Cost or valuation		
Additions	<u>70,660</u>	<u>70,660</u>
At 31 December 2022	<u>70,660</u>	<u>70,660</u>
Carrying amount		
At 31 December 2022	<u>70,660</u>	<u>70,660</u>

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

13 Tangible assets

	Land and buildings £	Plant and equipment £	Motor vehicles £	Furniture, fittings and office equipment £	Total £
Cost or valuation					
At 1 January 2022	1,663,163	4,153,882	797,755	126,027	6,740,827
Additions	20,000	972,877	130,273	26,960	1,150,110
Disposals	-	(420,745)	(356,835)	(32,544)	(810,124)
At 31 December 2022	<u>1,683,163</u>	<u>4,706,014</u>	<u>571,193</u>	<u>120,443</u>	<u>7,080,813</u>
Depreciation					
At 1 January 2022	79,263	1,552,152	497,835	66,480	2,195,730
Charge for the year	28,339	313,613	34,245	18,827	395,024
Eliminated on disposal	-	(266,170)	(307,145)	(30,446)	(603,761)
At 31 December 2022	<u>107,602</u>	<u>1,599,595</u>	<u>224,935</u>	<u>54,861</u>	<u>1,986,993</u>
Carrying amount					
At 31 December 2022	<u>1,575,561</u>	<u>3,106,419</u>	<u>346,258</u>	<u>65,582</u>	<u>5,093,820</u>
At 31 December 2021	<u>1,583,900</u>	<u>2,601,730</u>	<u>299,920</u>	<u>59,547</u>	<u>4,545,097</u>

Included within the net book value of land and buildings above is £20,467 (2021 - £20,891) in respect of freehold land and buildings and £1,555,094 (2021 - £1,563,009) in respect of long leasehold land and buildings.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (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:

	2022 £	2021 £
Plant and equipment	2,452,164	2,029,191
Motor vehicles	<u>182,526</u>	<u>88,223</u>
	<u>2,634,690</u>	<u>2,117,414</u>

Restriction on title and pledged as security

Land and buildings with a carrying amount of £1,575,561 (2021 - £1,583,900) has been pledged as security for bank borrowings.

Plant and equipment with a carrying amount of £2,452,164 (2021 - £2,029,191) has been pledged as security for finance lease liabilities.

Motor vehicles with a carrying amount of £182,526 (2021 - £88,223) has been pledged as security for finance lease liabilities.

All company assets have also been pledged as security for bank borrowings.

14 Stocks

	2022 £	2021 £
Other inventories	<u>7,500</u>	<u>7,500</u>

15 Debtors

	2022 £	2021 £
Trade debtors	1,084,781	978,346
Other debtors	1,403,305	1,078,093
Prepayments	353,580	482,491
Gross amount due from customers for contract work	2,738,192	2,414,709
Corporation tax asset	<u>7,796</u>	<u>-</u>
	<u>5,587,654</u>	<u>4,953,639</u>

16 Cash and cash equivalents

	2022 £	2021 £
Cash at bank	<u>460,733</u>	<u>1,894,440</u>

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

17 Creditors

	Note	2022 £	2021 £
Due within one year			
Loans and borrowings	22	845,407	1,130,627
Trade creditors		2,672,932	3,193,591
Social security and other taxes		234,312	158,165
Outstanding defined contribution pension costs		15,922	13,836
Other payables		220,539	66,468
Accrued expenses		314,678	79,308
Corporation tax liability		-	190,893
Gross amount due to customers for contract work		<u>203,637</u>	<u>211,268</u>
		<u>4,507,427</u>	<u>5,044,156</u>
Due after one year			
Loans and borrowings	22	<u>1,931,346</u>	<u>1,539,584</u>

18 Deferred tax and other provisions

	Deferred tax £	Total £
At 1 January 2022	610,514	610,514
Increase in existing provisions	<u>267,640</u>	<u>267,640</u>
At 31 December 2022	<u>878,154</u>	<u>878,154</u>

19 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 £119,182 (2021 - £111,220).

Contributions totalling £15,922 (2021 - £13,836) 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 2022 (continued)

20 Share capital

Allotted, called up and fully paid shares

	2022		2021	
	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.

21 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 2022 (continued)

22 Loans and borrowings

	2022	2021
	£	£
Current loans and borrowings		
Bank borrowings	139,439	531,102
Finance lease liabilities	<u>705,968</u>	<u>599,525</u>
	<u>845,407</u>	<u>1,130,627</u>

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

	2022	2021
	£	£
Bank borrowings	139,439	531,102
Finance lease liabilities	<u>705,968</u>	<u>599,525</u>
	<u>845,407</u>	<u>1,130,627</u>

Bank borrowings are secured by fixed and floating charges over the company's assets.

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

	2022	2021
	£	£
Non-current loans and borrowings		
Bank borrowings	756,329	506,310
Finance lease liabilities	<u>1,175,017</u>	<u>1,033,274</u>
	<u>1,931,346</u>	<u>1,539,584</u>

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

	2022	2021
	£	£
Bank borrowings	756,329	506,310
Finance lease liabilities	<u>1,175,017</u>	<u>1,033,274</u>
	<u>1,931,346</u>	<u>1,539,584</u>

Bank borrowings are secured by fixed and floating charges over the company's assets.

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 2022 (continued)

23 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:

	2022	2021
	£	£
Not later than one year	779,115	658,378
Later than one year and not later than five years	<u>1,390,596</u>	<u>1,123,876</u>
	<u><u>2,169,711</u></u>	<u><u>1,782,254</u></u>

Operating leases

The total of future minimum lease payments is as follows:

	2022	2021
	£	£
Not later than one year	46,636	56,646
Later than one year and not later than five years	136,951	151,035
Later than five years	<u>128,143</u>	<u>160,243</u>
	<u><u>311,730</u></u>	<u><u>367,924</u></u>

Future minimum lease payments include obligations under a property lease agreement expiring in 2031.

The amount of non-cancellable operating lease payments recognised as an expense during the year was £92,789 (2021 - £59,049).

24 Dividends

	2022	2021
	£	£
Interim dividend	<u>445,125</u>	<u>513,000</u>

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

25 Analysis of changes in net debt

	At 1 January 2022 £	Financing cash flows £	New finance leases £	Other movements £	At 31 December 2022 £
Cash and cash equivalents					
Cash at bank and in hand	1,894,440	-	-	(1,433,707)	460,733
Borrowings					
Bank borrowings	(1,037,412)	141,644	-	-	(895,768)
Finance lease liabilities	<u>(1,632,799)</u>	<u>672,002</u>	<u>(920,188)</u>	<u>-</u>	<u>(1,880,985)</u>
	<u>(2,670,211)</u>	<u>813,646</u>	<u>(920,188)</u>	<u>-</u>	<u>(2,776,753)</u>
	<u>(775,771)</u>	<u>813,646</u>	<u>(920,188)</u>	<u>(1,433,707)</u>	<u>(2,316,020)</u>

26 Parent and ultimate parent undertaking

The ultimate controlling party is the directors.

27 Related party transactions

Key management personnel

The directors and senior management

Key management compensation

	2022 £	2021 £
Salaries and other short term employee benefits	108,772	94,807
Post-employment benefits	<u>10,321</u>	<u>10,100</u>
	<u>119,093</u>	<u>104,907</u>

Dividends paid to key management

	2022 £	2021 £
Ordinary dividends	<u>341,125</u>	<u>395,500</u>

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

Transactions with directors

	At 1 January 2022 £	Advances £	Repayments £	Other payments £	Dividends credited £	Interest £	At 31 December 2022 £
2022							
S D Nugent							
Loan to director	<u>571,070</u>	<u>106,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,203</u>	<u>690,460</u>
D J Nugent							
Loan to director	<u>-</u>	<u>403,873</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,678</u>	<u>411,551</u>
	At 1 January 2021 £	Advances £	Repayments £	Other payments £	Dividends credited £	Interest £	At 31 December 2021 £
2021							
S D Nugent							
Loan to director	<u>409,883</u>	<u>429,708</u>	<u>(280,000)</u>	<u>-</u>	<u>-</u>	<u>11,479</u>	<u>571,070</u>

Director advances are repayable on demand.

Interest has been charged at a rate of 2% on advances to the directors.

Income and receivables from related parties

2022	Key management £
Amounts receivable from related party	<u>1,102,011</u>
2021	Key management £
Amounts receivable from related party	<u>865,212</u>