Company Registration No. 04095156 (England and Wales)

DECONSTRUCT (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2021

DECONSTRUCT (UK) LIMITED

COMPANY INFORMATION

Directors	P J Ford	
	A R Griffiths	
	M E Smith	
	M Durie	
	R Kang	
	J E Russell	
	R G Pincham	
	G W Swain	
	R Corbishley	(Appointed 23 March 2021)
Secretary	M J Griffiths	
Company number	04095156	
Registered office	29/30 Fitzroy Square London W1T 6LQ	
Auditor	Goodman Jones LLP 29-30 Fitzroy Square London W1T 6LQ	

DECONSTRUCT (UK) LIMITED

CONTENTS

DECONSTRUCT (UK) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 OCTOBER 2021

The directors present the strategic report for the year ended 31 October 2021.

Fair review of the business
Deconstruct (UK) Limited is a specialist demolition and subterranean contractor operating in Central London as a Principal Contractor and Specialist Sub-Contractor. Our projects range in value from £50k to £50m. Our clients are generally blue chip developers, funds, tier one contractors and project managers. Turnover in 2020/21 was £71m, up 38% on the previous year.

Our forward order book is very healthy and we are looking forward to further increases in turnover for 2021/22 trading period.

Financial Instruments and risk

The company uses financial instruments compromising bank borrowings and various net working capital items, such as trade debtors and trade creditors, to finance its operations not funded by way of equity. The main risks identified with using these financial instruments are the management of cash flow and exposure to interest rate fluctuations. The company mitigates this risk by managing cash flow and negotiating credit facilities to assist with liquidity as required.

The company meets its day to day working capital requirements through bank facilities which are renewed regularly. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be able to operate within the level of its current facility. The directors are confident the facility will continue to be forthcoming on acceptable terms and, accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Going concern
In determining the appropriate basis of preparation of the Financial Statements, the directors are required to consider whether the company can continue in operational existence for the foreseeable future.

In the annual review of the Company’s going concern, the Directors have considered the continuing impact of the Covid-19 pandemic and are pleased to report that activities are returning to normal levels. The Directors used available Covid-19 government schemes such as the Coronavirus Job Retention Scheme and deferment of tax liabilities to manage cashflow during this continued period of uncertainty. The Directors are committed to carrying out regular reviews of the Company’s cashflows to monitor the ongoing situation and take further steps as required.

The Company’s forecast and projections, taking account of reasonable possible changes in trading performance, show that the Company will be able to operate within the level of its current facilities. Included within other debtors is a balance of £8,667,018 (2020: £4,534,978) relating to a trust account held with an asset based lending institution. The company is able to draw down upon this amount at any time without restriction.

Accordingly, at the time of approving the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Key performance indicators
2021 2020

Turnover £71,000k £51,426k

Gross Profit £6,565k £4,143k

Gross Profit % 9.2% 8.1%

EBITDA £3,041k £1,714k

EBITDA % 4.3% 3.3%

Profit before tax £2,785k £1,501k

Profit before tax % 3.9% 2.9%

Section 172(1) statement
The board considers that they have adhered to the requirements of section 172 of the Companies Act 2006 (the "Act") and have, in good faith, acted in a way that they consider could be most likely to promote the success of the company for the benefit of its shareholders and, in doing so, have had regard to and recognised the importance of considering all stakeholders and other matters (as set out in s.172(1)(a-f) of the Act) in its decision making.

The board acknowledges that the business can only grow and prosper over the long-term if it understands and respects the views and needs of the company's customers, employees, suppliers, lenders and other stakeholders to whom we are accountable, as well as the environment we operate within.

The directors ensure that the requirements or section 172 are always met and considered through a combination of the following:

Employees

The company has continued to maintain the commitment to employee involvement throughout the business. Employees are kept well informed of the performance and objectives of the company through personal briefings, regular meetings and e-mail. Formal instances of this, such as monthly meetings, have been increased because of the COVID-19 pandemic.

Customers

The company's customers are predominantly property and construction companies. The company has continued to work to ensure customers' needs are met properly with robust continuity plans. This includes regular meetings with quantity surveyors and project managers to ensure issues are known. The impact of decisions made by the board on customers are considered to ensure continued good relationships.

Suppliers

The directors have increased their consideration of the financial health of suppliers to ensure business continuity and support the long-term success of the business. This includes more robust analysis of financial statements to ensure risks of failure are limited.

DECONSTRUCT (UK) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2021

Principal decisions

For the year ending 31 October 2021, the board consider that the following examples of principal decisions that it made in the year.

The main decision on the emerging COVID-19 pandemic and its impact on the workforce. Constant discussion with staff, which is ongoing to ensure everyone is and continues to be and feel safe whilst working. The board has also considered the mental-health and other indirect impacts of the pandemic on its employees too.

The board has continued to maintain its social media and internet presence so it can communicate better with customers, suppliers and the wider community.

On behalf of the board

A R Griffiths
Director

28 March 2022

DECONSTRUCT (UK) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 2021

The directors present their annual report and financial statements for the year ended 31 October 2021.

Principal activities
The principal activity of the company in the year is that of specialist demolition and structural alteration while carrying out incorporated and individual specialist subterranean and structural concrete contracts.

Results and dividends
The results for the year are set out on page 10.

An interim ordinary dividend was paid amounting to £1,000,000 (2020: £1,000,000).

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

P J Ford	
A R Griffiths	
M E Smith	
M Durie	
R Kang	
J E Russell	
R G Pincham	
G W Swain	
R Corbishley	(Appointed 23 March 2021)

Qualifying third party indemnity provisions
The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Research and development
The company is one of the industry leaders specialising in demolition and structural alteration techniques. In certain projects, the company carries out research and development activities to seek scientific and technological advancements to be able to complete complex solutions that were previously unattainable.

Auditor
In accordance with the company's articles, a resolution proposing that Goodman Jones LLP be reappointed as auditor of the company will be put at a General Meeting.

Energy and carbon report

This report covers the consumption and emissions for Deconstruct (UK) Limited for the year ended 31 October 2021.

UK Energy Use and GHG Emissions

The tables below details the energy used by Deconstruct (UK) Limited in its business activities involving the combustion of gas and fuels, the purchase of electricity and business mileage in kWh, Litres and t COe. They also detail the total energy and emissions by scope and as a total.

Type of Activity	Energy Usage	Measurement Unit	GHG Emissions	Measurement Unit
Grid Electricity	688,392.00	kWh	153.72	t COe
Diesel	15,015.45	Litres	37.72	t COe
LPG	101.00	Litres	0.32	t COe
Unleaded	1,507.17	Litres	3.31	t COe
Gas Oil	10,202.00	Litres	28.14	t COe
Total	**715,217.62**		**223.21**	**t COe**
Scope	**Energy Usage**	**Measurement Unit**	**GHG Emissions**	**Measurement Unit**
Scope 1	26,825.62	Litres	64.49	t COe
Scope 2	688,392.00	kWh	153.72	t COe
Total	**715,217.62**		**223.21**	**t COe**

Intensity Ratio

In this instance, the intensity ratio used for Deconstruct (UK) Limited is 0.003 based on total tC02e emissions over turnover in the financial year.

Principal Energy Efficiency Actions

Deconstruct (UK) Limited continues to monitor and strive to reduce energy and carbon emissions arising from its activities through a detailed review of ongoing procedures and processes currently in place and setting objectives and targets.

Methodology

The figures quoted have been supplied directly from Deconstruct (UK) Limited and include consumption data for Electricity, Gas Oil, Diesel, LPG and Petrol. The company has followed the 2019 HM Government Environmental Reporting Guidelines. The company has also used the GHG Reporting Protocol - Corporate Standard and have used the 2021 UK Government's Conversion Factors for Company Reporting to calculate emissions for both Scope 1 and 2.

Scope 1: Direct	*Fuels Combustion*	*Owned Transport*	*Process Emissions*	*Fugitive Emissions*
Scope 2: Energy Indirect	*Consumption of purchased electricity, heat, steam and cooling*			

DECONSTRUCT (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2021

Statement of directors' responsibilities
The directors are responsible 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

Strategic report
The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial risks and instruments.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

A R Griffiths
Director

28 March 2022

DECONSTRUCT (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DECONSTRUCT (UK) LIMITED

Opinion

We have audited the financial statements of Deconstruct (UK) Limited (the 'company') for the year ended 31 October 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 October 2021 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

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 financial statements are 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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception
In the light of the 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 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 directors' responsibilities statement, 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to industry sector regulations and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK Tax Legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls). Appropriate audit procedures in response to these risks were carried out. These procedures included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading minutes of meetings of those charged with governance;
- Obtaining and reading correspondence from legal and regulatory bodies including HMRC;
- Identifying and testing journal entries;
- Challenging assumptions and judgements made by management in their significant accounting estimates.

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 the audit procedures described above. The further removed instances of non-compliance with laws and regulations are from the events and transactions reflected in the financial statements, the less likely we are to become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://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.

Matthew Cook (Senior Statutory Auditor)
For and on behalf of Goodman Jones LLP

28 March 2022

Chartered Accountants
Statutory Auditor

29-30 Fitzroy Square
London
W1T 6LQ

DECONSTRUCT (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 OCTOBER 2021

	Notes	2021 £	2020 £
Turnover	3	70,999,430	51,425,976
Cost of sales		(64,434,698)	(47,283,020)
Gross profit		6,564,732	4,142,956
Administrative expenses		(3,873,707)	(2,827,775)
Other operating income		94,248	188,362
Operating profit	4	2,785,273	1,503,543
Interest receivable and similar income	8	-	428
Interest payable and similar expenses	9	-	(2,954)
Profit before taxation		2,785,273	1,501,017
Tax on profit	10	(150,052)	(70,737)
Profit for the financial year		2,635,221	1,430,280

The profit and loss account has been prepared on the basis that all operations are continuing operations.

DECONSTRUCT (UK) LIMITED

BALANCE SHEET

AS AT 31 OCTOBER 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Tangible assets	**12**		1,456,245		1,633,992
Current assets					
Stocks	**14**	333,589		313,037	
Debtors	**15**	22,977,439		16,118,193	
Cash at bank and in hand		2,134,923		780,727	
		25,445,951		17,211,957	
Creditors: amounts falling due within one year	**16**	(18,412,611)		(12,059,072)	
Net current assets			7,033,340		5,152,885
Total assets less current liabilities			8,489,585		6,786,877
Creditors: amounts falling due after more than one year	**17**		(157,430)		(103,654)
Provisions for liabilities					
Deferred tax liability	**20**	188,503		174,792	
			(188,503)		(174,792)
Net assets			8,143,652		6,508,431
Capital and reserves					
Called up share capital	**22**		45,500		45,500
Capital redemption reserve			2,500		2,500
Profit and loss reserves			8,095,652		6,460,431
Total equity			8,143,652		6,508,431

The financial statements were approved by the board of directors and authorised for issue on 28 March 2022 and are signed on its behalf by:

P J Ford
Director

A R Griffiths
Director

Company Registration No. 04095156

DECONSTRUCT (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 OCTOBER 2021

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 November 2019		45,500	2,500	6,030,151	6,078,151
Year ended 31 October 2020:					
Profit and total comprehensive income for the year		-	-	1,430,280	1,430,280
Dividends	**11**	-	-	(1,000,000)	(1,000,000)
Balance at 31 October 2020		45,500	2,500	6,460,431	6,508,431
Year ended 31 October 2021:					
Profit and total comprehensive income for the year		-	-	2,635,221	2,635,221
Dividends	**11**	-	-	(1,000,000)	(1,000,000)
Balance at 31 October 2021		45,500	2,500	8,095,652	8,143,652

1 Accounting policies

Company information

Deconstruct (UK) Limited is a private company limited by shares incorporated in England and Wales. The registered office is 29/30 Fitzroy Square, London, W1T 6LQ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary a mounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption in FRS 102 from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

Deconstruct (UK) Limited is a wholly owned subsidiary of DEG II (Holding) Ltd and the results of Deconstruct (UK) Limited are included in the consolidated financial statements of DEG II (Holding) Ltd which are available from 29/30 Fitzroy Square, London, W1T 6LQ.

1.2 Going concern

In determining the appropriate basis of preparation of the Financial Statements, the directors are required to consider whether the company can continue in operational existence for the foreseeable future.

In the annual review of the Company's going concern, the Directors have considered the continuing impact of the Covid-19 pandemic and are pleased to report that activities are returning to normal levels. The Directors used available Covid-19 government schemes such as the Coronavirus Job Retention Scheme and deferment of tax liabilities to manage cashflow during this continued period of uncertainty. The Directors are committed to carrying out regular reviews of the Company's cashflows to monitor the ongoing situation and take further steps as required.

The Company's forecast and projections, taking account of reasonable possible changes in trading performance, show that the Company will be able to operate within the level of its current facilities. Included within other debtors is a balance of £8,677,018 (2020: £4,534,978) relating to a trust account held with an asset based lending institution. The company is able to draw down upon this amount at any time without restriction.

Accordingly, at the time of approving the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1 Accounting policies **(Continued)**

1.3 Turnover

Turnover is derived entirely from contracts within the construction industry and is measured at the fair value of the consideration receivable for all works carried out under construction contracts, stated net of discounts, VAT and other sales related taxes.

Turnover from these contracts is recognised as a percentage of the anticipated total revenue over the period of the contract depending on stage of completion, which is certified by appropriate professionals experienced in the recognition and measurement of such works carried out.

Turnover is recognised when it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be reliably measured.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	2% on straight line.
Plant and machinery	25% on reducing balance.
Fixtures, fittings & equipment	25% on reducing balance.
Computer equipment	25% on reducing balance.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1 Accounting policies **(Continued)**

1.6 Stocks

Stock is valued at the lower of cost and net realisable value.

1.7 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where 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 that they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs if the contract is obtained in a subsequent period.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to certified contract revenue at the reporting date as a percentage of the total anticipated revenue for each contract. Accordingly, cost of sales are adjusted through accruals and prepayments depending on their nature to align attributable profit for each contract with its percentage of completion.

Costs are based on agreed tender prices which are monitored and updated as the contract progresses. Provision is made on a contract by contract basis for additional costs or potential future losses as they arise.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

1 Accounting policies **(Continued)**

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1 Accounting policies **(Continued)**

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1 Accounting policies **(Continued)**

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

During the year, the company received £94,248 (2020: £188,362) under the government backed Coronavirus Job Retention Scheme (CJRS), following the outbreak of Covid-19 during the year. This amount has been recognised as other operating income.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Amounts recoverable on long term contracts

The company applies its policy on contract accounting when recognising revenue and profit on partially completed contracts. The application of this policy requires judgements to be made in respect of the total expected costs to complete for each site. The company has in place established internal control processes to ensure that the evaluation of costs and revenues is based upon appropriate estimates. Amounts recoverable on long term contracts recognised at the year end total £8,557,997 (2020: £5,083,584).

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2021	2020
	£	£
Turnover analysed by class of business		
Demolition and construction services	70,999,430	51,425,976

3 Turnover and other revenue (Continued)

	2021	2020
	£	£
Turnover analysed by geographical market		
United Kingdom	70,999,430	51,425,976

	2021	2020
	£	£
Other significant revenue		
Interest income	-	428
Grants received	94,248	188,362

4 Operating profit

	2021	2020
Operating profit for the year is stated after charging/(crediting):	£	£
Government grants	(94,248)	(188,362)
Depreciation of owned tangible fixed assets	142,955	156,983
Depreciation of tangible fixed assets held under finance leases	112,947	53,753
Operating lease charges	306,220	258,352

5 Auditor's remuneration

	2021	2020
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	30,000	30,000
For other services		
Other taxation services	4,250	4,250
All other non-audit services	37,928	34,369
	42,178	38,619

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021 Number	2020 Number
Administration	5	9
Operations	90	92
Total	95	101

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	4,148,071	4,119,732
Social security costs	484,231	473,243
Pension costs	116,909	131,458
	4,749,211	4,724,433

7 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	283,407	189,318

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2020 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	207,980	189,318

8 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Interest on bank deposits	-	428

9 Interest payable and similar expenses

	2021	2020
	£	£
Other interest	-	2,954

10 Taxation

	2021	2020
	£	£
Current tax		
UK corporation tax on profits for the current period	410,909	267,717
Adjustments in respect of prior periods	(274,568)	(250,386)
Total current tax	136,341	17,331
Deferred tax		
Origination and reversal of timing differences	13,711	53,406
Total tax charge	150,052	70,737

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021	2020
	£	£
Profit before taxation	2,785,273	1,501,017
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	529,202	285,193
Tax effect of expenses that are not deductible in determining taxable profit	58,739	35,930
Adjustments in respect of prior years	(274,568)	(250,386)
Utilisation of tax losses brought forward	(163,321)	-
Taxation for the year	150,052	70,737

11 Dividends

	2021	2020
	£	£
Final paid	1,000,000	1,000,000

12 Tangible fixed assets

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 November 2020	593,970	1,585,943	34,469	368,309	2,582,691
Additions	-	54,672	-	23,483	78,155
At 31 October 2021	593,970	1,640,615	34,469	391,792	2,660,846
Depreciation and impairment					
At 1 November 2020	-	693,207	19,999	235,493	948,699
Depreciation charged in the year	-	215,747	3,618	36,537	255,902
At 31 October 2021	-	908,954	23,617	272,030	1,204,601
Carrying amount					
At 31 October 2021	593,970	731,661	10,852	119,762	1,456,245
At 31 October 2020	593,970	892,736	14,470	132,816	1,633,992

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2021	2020
	£	£
Plant and machinery	251,781	153,916

13 Financial instruments

	2021	2020
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	13,868,652	10,840,983
Carrying amount of financial liabilities		
Measured at amortised cost	15,054,228	9,848,566

14 Stocks

	2021	2020
	£	£
Raw materials and consumables	333,589	313,037

15 Debtors

	2021	2020
Amounts falling due within one year:	**£**	**£**
Trade debtors	3,687,052	5,405,569
Amounts recoverable on long term contracts	8,557,997	5,083,584
Other debtors	9,707,225	4,534,974
Prepayments and accrued income	550,790	193,626
	22,503,064	15,217,753
Amounts falling due after more than one year:		
Trade debtors	474,375	900,440
Total debtors	22,977,439	16,118,193

Included within other debtors is a balance of £8,677,018 (2020: £4,534,978) relating to a trust account held with an asset based lending institution. The company is able to draw down upon this amount at any time without restriction.

16 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Bank loans and overdrafts	19	450,000	41,667
Obligations under finance leases	18	101,018	219,942
Trade creditors		6,876,748	5,969,424
Amounts due to group undertakings		2,936,601	2,085,717
Corporation tax		410,909	267,717
Other taxation and social security		3,104,904	2,046,443
Other creditors		66,746	507,406
Accruals and deferred income		4,465,685	920,756
		18,412,611	12,059,072

17 Creditors: amounts falling due after more than one year

	Notes	2021 £	2020 £
Bank loans and overdrafts	19	150,000	-
Obligations under finance leases	18	7,430	103,654
		157,430	103,654

18 Finance lease obligations

	2021	2020
Future minimum lease payments due under finance leases:	£	£
Within one year	101,018	219,942
In two to five years	11,696	120,785
	112,714	340,727
Less: future finance charges	(4,266)	(17,131)
	108,448	323,596

19 Loans and overdrafts

	2021	2020
	£	£
Bank loans	600,000	41,667
Payable within one year	450,000	41,667
Payable after one year	150,000	-

Included within bank loans and overdrafts is a bank loan advanced during the year of £600,000 (2020: £nil). This is secured over freehold property and an unlimited guarantee from DEG II (Holding) Limited and its subsidiaries, Deploy (UK) Holdings Limited and its subsidiaries, Derisk (UK) Holdings Limited and its subsidiaries and De Group Contracting (Holdings) Limited and its subsidiaries. Additionally, there are personal guarantees from some of the directors limited to £75,000 each.

20 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2021	Liabilities 2020
Balances:	£	£
Accelerated capital allowances	188,503	174,792

	2021
Movements in the year:	£
Liability at 1 November 2020	174,792
Charge to profit or loss	13,711
Liability at 31 October 2021	188,503

20 Deferred taxation **(Continued)**

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

21 Retirement benefit schemes

Defined contribution schemes	**2021 £**	**2020 £**
Charge to profit or loss in respect of defined contribution schemes	116,909	131,458

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

22 Share capital

Ordinary share capital	**2021 Number**	**2020 Number**	**2021 £**	**2020 £**
Issued and fully paid				
Ordinary shares of £1 each	45,500	45,500	45,500	45,500

23 Contingent liability

The company is part of a group cross guarantee arrangement in relation to parent company loan note debt of £15,687,984 (2020: £18,528,071) as at the reporting date.

24 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £	**2020 £**
Within one year	184,750	184,750
Between two and five years	400,292	585,042
	585,042	769,792

25 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sales		Purchases	
	2021	2020	2021	2020
	£	£	£	£
Company controlled by common directors and shareholders	2,155,991	3,851,486	13,956,366	17,133,095
Company controlled by a director of the company	-	-	1,343,085	3,714,701

Amounts due from/(to) related parties	2021 £	2020 £
Company controlled by a director of the company	855,394	(487,691)

The total remuneration for key management personnel for the year totaled £283,407 (2020: £189,319).

The company has taken advantage of the exemption available in accordance with FRS 102 'Related party disclosures' not to disclose transactions entered into between two or more members of a group, as the company is a wholly owned subsidiary undertaking of the group to which it is party to the transactions.

26 Ultimate controlling party

The intermediate parent company is The De Group (UK) Limited, a company registered in England and Wales. The ultimate holding company is DEG II (Holding) Ltd, a company registered in England and Wales. DEG II (Holding) Ltd has no ultimate controlling party.

The De Group (UK) Limited and DEG II (Holding) Ltd both prepare group financial statements and copies can be obtained from the Registrar of Companies, Crown Way, Cardiff.