

REGISTRAR OF COMPANIES

Registration number: 02818677

DSD Construction Limited

Directors' Report and Financial Statements

31 December 2021

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 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 2021

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

Principal activity

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

Fair review of the business

Turnover and profitability have both increased in the year, partly due to a downturn in trading results between March and May 2020 due the COVID-19 pandemic, and the directors are pleased with the improved results.

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

	Unit	2021	2020
Turnover	£	26,195,277	19,581,068
Turnover growth	%	34	(16)
Gross profit margin	%	20	17
Profit before tax	£	1,811,645	1,097,497

At the end of the year, the net assets totalled £4,206,422 (2020: £3,339,711).

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 14 September 2022 and signed on its behalf by:



S.D. Nugent
Director

DSD Construction Limited

Directors' Report for the Year Ended 31 December 2021

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

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

M Tweddle (appointed 18 March 2021)

Dividends

Interim ordinary dividends of £513,000 were paid during the year. The directors recommend that no final dividend be paid in respect of the year ended 31 December 2021.

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 2021 (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 14 September 2022 and signed on its behalf by:


S. O. Nugent
Director

DSD Construction Limited

Statement of Directors' Responsibilities

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

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

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

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

DSD Construction Limited

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

Opinion

We have audited the financial statements of DSD Construction Limited (the 'company') for the year ended 31 December 2021, 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 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 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.

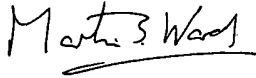
There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance 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.



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

FIFTEEN Rosehill
Montgomery Way
Rosehill Estate
CARLISLE
CA1 2RW

14 September 2022

DSD Construction Limited

**Profit and Loss Account and Statement of Retained Earnings for the Year
Ended 31 December 2021**

	Note	2021 £	2020 £
Turnover	3	26,195,277	19,581,068
Cost of sales		<u>(21,067,276)</u>	<u>(16,207,564)</u>
Gross profit		5,128,001	3,373,504
Administrative expenses		(3,273,513)	(2,632,745)
Other operating income		<u>43,026</u>	<u>432,623</u>
Operating profit	4	1,897,514	1,173,382
Other interest receivable and similar income	6	22,428	14,342
Interest payable and similar charges	7	<u>(108,297)</u>	<u>(90,227)</u>
Profit before tax		1,811,645	1,097,497
Taxation	11	<u>(431,934)</u>	<u>(211,814)</u>
Profit for the financial year		1,379,711	885,683
Retained earnings brought forward		3,334,705	2,919,022
Dividends paid	23	<u>(513,000)</u>	<u>(470,000)</u>
Retained earnings carried forward		<u><u>4,201,416</u></u>	<u><u>3,334,705</u></u>

The notes on pages 13 to 28 form an integral part of these financial statements.

DSD Construction Limited

(Registration number: 02818677)
Balance Sheet as at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	12	4,545,097	4,487,846
Current assets			
Stocks	13	7,500	7,500
Debtors	14	4,953,639	3,969,091
Cash at bank and in hand		<u>1,894,440</u>	<u>2,260,219</u>
		6,855,579	6,236,810
Creditors: Amounts falling due within one year	16	<u>(5,044,156)</u>	<u>(4,784,089)</u>
Net current assets		<u>1,811,423</u>	<u>1,452,721</u>
Total assets less current liabilities		6,356,520	5,940,567
Creditors: Amounts falling due after more than one year	16	(1,539,584)	(2,231,333)
Provisions for liabilities	17	<u>(610,514)</u>	<u>(369,523)</u>
Net assets		<u>4,206,422</u>	<u>3,339,711</u>
Capital and reserves			
Called up share capital	19	5,006	5,006
Profit and loss account	20	<u>4,201,416</u>	<u>3,334,705</u>
Total equity		<u>4,206,422</u>	<u>3,339,711</u>

Approved and authorised by the Board on 14 September 2022 and signed on its behalf by:


S.D. Nugent
Director

DSD Construction Limited

Statement of Cash Flows for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Profit for the year		1,379,711	885,683
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	518,089	481,510
Profit on disposal of tangible assets		(97,269)	(23,268)
Finance income	6	(22,428)	(14,342)
Finance costs	7	108,297	90,227
Tax expense	11	431,934	211,814
		<u>2,318,334</u>	<u>1,631,624</u>
Working capital adjustments			
Increase in debtors		(747,521)	(633,396)
(Decrease)/increase in creditors		<u>(390,816)</u>	<u>1,618,786</u>
Cash generated from operations		1,179,997	2,617,014
Corporation tax paid		<u>(1,209)</u>	<u>(320,400)</u>
Net cash flow from operating activities		<u>1,178,788</u>	<u>2,296,614</u>
Cash flows from investing activities			
Interest received	6	22,428	14,342
Acquisitions of tangible assets		(508,752)	(128,602)
Proceeds from sale of tangible assets		<u>702,400</u>	<u>160,059</u>
Net cash flows from investing activities		<u>216,076</u>	<u>45,799</u>
Cash flows from financing activities			
Interest paid		(32,075)	(36,336)
Proceeds from bank borrowing draw downs		-	500,000
Repayment of bank borrowing		(23,777)	(31,838)
Advances to directors and key management		(237,027)	(188,943)
Payments to finance lease creditors		(954,764)	(584,859)
Dividends paid	23	<u>(513,000)</u>	<u>(470,000)</u>
Net cash flows from financing activities		<u>(1,760,643)</u>	<u>(811,976)</u>
Net (decrease)/increase in cash and cash equivalents		(365,779)	1,530,437
Cash and cash equivalents at 1 January		<u>2,260,219</u>	<u>729,782</u>
Cash and cash equivalents at 31 December	15	<u>1,894,440</u>	<u>2,260,219</u>

The notes on pages 13 to 28 form an integral part of these financial statements.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

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

The address of its registered office is:

DSD House
Dukes Drive
Kingmoor Park North
CARLISLE
CA6 4SH

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

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

Basis of preparation

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

Judgements

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

Revenue recognition

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

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

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Contract revenue recognition

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

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

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

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

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

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

Government grants

Grants 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.

Tax

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

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

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

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

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

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Tangible assets

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

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

Depreciation

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

Asset class	Depreciation method and rate
Buildings	50 years straight line basis
Furniture, fittings and office equipment	15% or 25% reducing balance basis
Plant and equipment	15% or 25% reducing balance basis
Motor vehicles	25% reducing balance basis

Cash and cash equivalents

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

Trade debtors

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

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

Stocks

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

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

Trade creditors

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

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

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Borrowings

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

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

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

Share capital

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

Defined contribution pension obligation

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

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

Leases

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

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

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

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

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 Revenue

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

	2021 £	2020 £
Rendering of services	<u>26,195,277</u>	<u>19,581,068</u>
Turnover	26,195,277	19,581,068
Government grants	42,626	407,623
Miscellaneous other operating income	400	25,000
Bank interest receivable	643	1,639
Other interest receivable	<u>21,785</u>	<u>12,703</u>
	<u>26,260,731</u>	<u>20,028,033</u>

The amount of contract revenue recognised as revenue in the year was £26,195,277 (2020 - £19,581,068).

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

4 Operating profit

Arrived at after charging/(crediting)

	2021 £	2020 £
Depreciation expense	518,089	481,510
Profit on disposal of property, plant and equipment	<u>(97,269)</u>	<u>(23,268)</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 £24,953 (2020 - £387,205) relating to the Coronavirus Job Retention Scheme.

Also included in government grants receivable is £17,673 (2020 - £20,418) relating to training grants.

The total amount of grants recognised in the financial statements was £42,626 (2020 - £407,623).

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

6 Other interest receivable and similar income

	2021	2020
	£	£
Interest income on bank deposits	643	1,639
Other finance income	21,785	12,703
	<u>22,428</u>	<u>14,342</u>

7 Interest payable and similar charges

	2021	2020
	£	£
Interest on bank overdrafts and borrowings	33,539	27,514
Interest on obligations under finance leases and hire purchase contracts	74,722	53,891
Interest expense on other finance liabilities	36	8,822
	<u>108,297</u>	<u>90,227</u>

8 Staff costs

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

	2021	2020
	£	£
Wages and salaries	4,805,616	3,800,477
Social security costs	521,857	403,909
Pension costs, defined contribution scheme	111,220	91,901
	<u>5,438,693</u>	<u>4,296,287</u>

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

	2021	2020
	No.	No.
Production	84	75
Administration and support	25	22
	<u>109</u>	<u>97</u>

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £	2020 £
Remuneration	83,167	40,795
Contributions paid to money purchase schemes	5,600	4,500
	<u>88,767</u>	<u>45,295</u>

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

	2021 No.	2020 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>1</u>

10 Auditor's remuneration

	2021 £	2020 £
Audit of the financial statements	<u>10,000</u>	<u>10,000</u>
Other fees to auditors		
All other non-audit services	<u>15,400</u>	<u>17,500</u>

11 Taxation

Tax charged/(credited) in the income statement

	2021 £	2020 £
Current taxation		
UK corporation tax	190,893	130,092
UK corporation tax adjustment to prior periods	50	(193)
	<u>190,943</u>	<u>129,899</u>
Deferred taxation		
Arising from origination and reversal of timing differences	134,583	83,947
Arising from adjustment to prior periods		(2,032)
Arising from changes in tax rates and laws	<u>106,408</u>	<u>4</u>
Total deferred taxation	<u>240,991</u>	<u>81,915</u>
Tax expense in the income statement	<u>431,934</u>	<u>211,814</u>

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
Profit before tax	1,811,645	1,097,497
Corporation tax at standard rate	344,213	208,524
Effect of expense not deductible in determining taxable profit	1,521	326
Deferred tax expense relating to changes in tax rates or laws	106,408	-
Increase/(decrease) in UK tax from adjustment for prior periods	50	(2,225)
Tax (decrease)/increase from effect of capital allowances and depreciation	(20,258)	5,189
Total tax charge	431,934	211,814

Deferred tax

Deferred tax assets and liabilities

	Liability £
2021	
Accelerated tax depreciation	611,628
Short term timing difference	(1,114)
	610,514
2020	
Accelerated tax depreciation	370,620
Short term timing difference	(1,097)
	369,523

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 £84,322 (2020 - £58,400).

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 23.01%.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

12 Tangible assets

	Land and buildings £	Plant and equipment £	Motor vehicles £	Furniture, fittings and office equipment £	Total £
Cost or valuation					
At 1 January 2021	1,921,939	3,793,845	873,193	81,833	6,670,810
Additions	41,224	1,011,219	83,834	44,194	1,180,471
Disposals	(300,000)	(651,182)	(159,272)	-	(1,110,454)
At 31 December 2021	1,663,163	4,153,882	797,755	126,027	6,740,827
Depreciation					
At 1 January 2021	51,799	1,567,370	507,544	56,251	2,182,964
Charge for the year	27,464	386,978	93,418	10,229	518,089
Eliminated on disposal	-	(402,196)	(103,127)	-	(505,323)
At 31 December 2021	79,263	1,552,152	497,835	66,480	2,195,730
Carrying amount					
At 31 December 2021	1,583,900	2,601,730	299,920	59,547	4,545,097
At 31 December 2020	1,870,140	2,226,475	365,649	25,582	4,487,846

Included within the net book value of land and buildings above is £20,891 (2020 - £Nil) in respect of freehold land and buildings and £1,563,009 (2020 - £1,870,140) in respect of long leasehold land and buildings.

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (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:

	2021 £	2020 £
Plant and equipment	2,029,191	2,042,867
Motor vehicles	88,223	188,655
	<u>2,117,414</u>	<u>2,231,522</u>

Restriction on title and pledged as security

Land and buildings with a carrying amount of £1,583,900 (2020 - £1,870,140) has been pledged as security for bank borrowings.

Plant and equipment with a carrying amount of £2,029,191 (2020 - £2,042,867) has been pledged as security for finance lease liabilities.

Motor vehicles with a carrying amount of £88,223 (2020 - £188,655) has been pledged as security for finance lease liabilities.

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

13 Stocks

	2021 £	2020 £
Other inventories	<u>7,500</u>	<u>7,500</u>

14 Debtors

	2021 £	2020 £
Trade debtors	978,346	409,325
Other debtors	1,078,093	745,532
Prepayments	482,491	319,294
Gross amount due from customers for contract work	<u>2,414,709</u>	<u>2,494,940</u>
	<u>4,953,639</u>	<u>3,969,091</u>

15 Cash and cash equivalents

	2021 £	2020 £
Cash at bank	<u>1,894,440</u>	<u>2,260,219</u>

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

16 Creditors

	Note	2021 £	2020 £
Due within one year			
Loans and borrowings	21	1,130,627	670,978
Trade creditors		3,193,591	2,960,210
Social security and other taxes		158,165	681,054
Outstanding defined contribution pension costs		13,836	15,718
Other payables		66,468	164,232
Accrued expenses		79,308	97,962
Corporation tax liability	11	190,893	1,159
Gross amount due to customers for contract work		<u>211,268</u>	<u>192,776</u>
		<u>5,044,156</u>	<u>4,784,089</u>
Due after one year			
Loans and borrowings	21	<u>1,539,584</u>	<u>2,231,333</u>

17 Deferred tax and other provisions

	Deferred tax £	Total £
At 1 January 2021	369,523	369,523
Increase in existing provisions	<u>240,991</u>	<u>240,991</u>
At 31 December 2021	<u>610,514</u>	<u>610,514</u>

18 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 £111,220 (2020 - £91,901).

Contributions totalling £13,836 (2020 - £15,718) 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 2021 (continued)

19 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	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.

20 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 2021
(continued)**

21 Loans and borrowings

	2021 £	2020 £
Current loans and borrowings		
Bank borrowings	531,102	31,002
Finance lease liabilities	599,525	639,976
	<u>1,130,627</u>	<u>670,978</u>

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

	2021 £	2020 £
Bank borrowings	531,102	31,002
Finance lease liabilities	599,525	639,976
	<u>1,130,627</u>	<u>670,978</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.

	2021 £	2020 £
Non-current loans and borrowings		
Bank borrowings	506,310	1,030,187
Finance lease liabilities	1,033,274	1,201,146
	<u>1,539,584</u>	<u>2,231,333</u>

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

	2021 £	2020 £
Bank borrowings	506,310	1,030,187
Finance lease liabilities	1,033,274	1,201,146
	<u>1,539,584</u>	<u>2,231,333</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 2021 (continued)

22 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:

	2021	2020
	£	£
Not later than one year	658,378	705,319
Later than one year and not later than five years	<u>1,123,876</u>	<u>1,327,645</u>
	<u>1,782,254</u>	<u>2,032,964</u>

Operating leases

The total of future minimum lease payments is as follows:

	2021	2020
	£	£
Not later than one year	56,646	12,079
Later than one year and not later than five years	151,035	24,548
Later than five years	<u>160,243</u>	<u>24,343</u>
	<u>367,924</u>	<u>60,970</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 £59,049 (2020 - £41,841).

23 Dividends

	2021	2020
	£	£
Interim dividend	<u>513,000</u>	<u>470,000</u>

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

24 Analysis of changes in net debt

	At 1 January 2021 £	Financing cash flows £	New finance leases £	Other movements £	At 31 December 2021 £
Cash and cash equivalents					
Cash at bank and in hand	2,260,219	-	-	(365,779)	1,894,440
Borrowings					
Bank borrowings	(1,061,189)	23,777	-	-	(1,037,412)
Finance lease liabilities	(1,841,122)	880,042	(671,719)	-	(1,632,799)
	<u>(2,902,311)</u>	<u>903,819</u>	<u>(671,719)</u>	<u>-</u>	<u>(2,670,211)</u>
	<u>(642,092)</u>	<u>903,819</u>	<u>(671,719)</u>	<u>(365,779)</u>	<u>(775,771)</u>

25 Parent and ultimate parent undertaking

The ultimate controlling party is the directors.

26 Related party transactions

Key management personnel

The directors and senior management

Key management compensation

	2021 £	2020 £
Salaries and other short term employee benefits	94,807	52,715
Post-employment benefits	10,100	9,000
	<u>104,907</u>	<u>61,715</u>

Dividends paid to key management

	2021 £	2020 £
Ordinary dividends	<u>395,500</u>	<u>368,000</u>

DSD Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Transactions with directors

	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>
	At 1 January 2020 £	Advances £	Repayments £	Other payments £	Dividends credited £	Interest £	At 31 December 2020 £
2020							
S D Nugent							
Loan to director	<u>256,636</u>	<u>146,508</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>7,739</u>	<u>409,883</u>

Director advances are repayable on demand.

Interest has been charged at a rate of 2.5% on advances to the director up to 5 April 2020, 2.25% in the year ended 5 April 2021, and 2% from 6 April 2021.

Income and receivables from related parties

	Key management £
2021	
Amounts receivable from related party	<u>865,212</u>
	Key management £
2020	
Amounts receivable from related party	<u>628,185</u>

During the year the company disposed of the headquarters property footprint to the SIPPs of a director and member of key management personnel for £300,000. Subsequently the property footprint was leased back to the company at an annual rental of £32,000.