

**DAWNUS CONSTRUCTION HOLDINGS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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# DAWNUS CONSTRUCTION HOLDINGS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr R T Evans Mr H Smith Mr R D H Williams Mr R Hughes Mr T A Lowe Mr B Dalling Mr R Jones Mr M J Morgan Mr N C Down (Appointed 15 April 2016)
<b>Secretary</b>	Mr T A Lowe
<b>Company number</b>	04230579
<b>Registered office</b>	7 Dyffryn Court Riverside Business Park Swansea Vale SWANSEA UK SA7 0AP
<b>Auditor</b>	Broomfield & Alexander Limited Charter Court Phoenix Way Enterprise Park SWANSEA UK SA7 9FS

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# DAWNUS CONSTRUCTION HOLDINGS LIMITED

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# DAWNUS CONSTRUCTION HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2016

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The directors present their strategic report for the year ended 31 December 2016.

#### **Fair review of the business**

The trading results for the year are set out in the annexed financial statements.

The directors were pleased with the performance of the business during the period given the challenging economic conditions prevailing throughout the UK.

Whilst trading conditions are expected to remain challenging throughout FY'17, the board consider the company to be well positioned to manage and take on this challenge.

The management of the business and the execution of the company's strategy are subject to a number of risks.

Overall demand for the company's services is dependent upon general economic conditions, perceived confidence in the future and financial interest rates. Each of the aforementioned factors is outside of the company's control. The directors seek to mitigate these general risks by constantly assessing the sectors in which the company operates, investing in a quality labour force and by striving to control quality. The company continues to develop business systems and new technology aimed at improving procedures and overall financial management.

#### **Principal risks and uncertainties**

##### **Treasury operations and financial instruments**

The company's operations expose it to a variety of financial risks that include the effects of price risk, credit risk, liquidity risk and interest rate cash flow risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

##### **Liquidity risk**

The company actively maintains a mixture of long term and short term debt finance that is designed to ensure that the company has sufficient funds for operations and planned expansions.

##### **Interest rate cash flow risk**

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only cash balances, which earn interest at floating rates. The company has a policy of maintaining debt at floating rates. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

##### **Credit risk**

The company's financial assets are cash and debtors. The company's credit risk is primarily attributable to its debtors which are presented in the balance sheet net of allowances for doubtful debts. The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

##### **Price risk**

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the cost of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

# DAWNUS CONSTRUCTION HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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### **Key performance indicators**

The trading results for the year are set out in the statement of comprehensive income.

The company's key performance indicators are financial turnover and operating profit.

On behalf of the board

A handwritten signature in black ink, appearing to be 'R Jones', written over a large, stylized circular flourish.

Mr R Jones

**Director**

20 September 2017

# **DAWNUS CONSTRUCTION HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

### ***FOR THE YEAR ENDED 31 DECEMBER 2016***

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The directors present their report with the audited financial statements of the company for the year ended 31 December 2016.

#### **Principal activities**

The principal activity of the company in the year under review was that of building and civil engineering.

#### **Directors**

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

Mr R T Evans  
Mr H Smith  
Mr R D H Williams  
Mr R Hughes  
Mr T A Lowe  
Mr B Dalling  
Mr R Jones  
Mr M J Morgan  
Mr N C Down

(Appointed 15 April 2016)

#### **Results and dividends**

The results for the year are set out on page 8.

# DAWNUS CONSTRUCTION HOLDINGS LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### Employee involvement

It is our policy to be an engineering led business, employing management and key trades on a regional basis rather than relying on subcontractors. This allows the company to control directly the quality of work undertaken and to train and develop its workforce, to ensure that we meet clients' needs and expectations and increasingly differentiate us from our competitors.

In accordance with the company's policy on equality of opportunity, all managers are charged with treating employees, irrespective of sex, race, colour, disability or marital status. This policy has been monitored through both the company's Quality Management system and the monitoring documentation which forms part of the recruitment and selection process. The company's engineering and training scheme continues to help the group to grow, whilst at the same time ensuring seamless succession to protect long term growth.

We are committed to communicating with and involving employees in matters affecting their work and to informing them of the performance of the business. The company has set out a Statement of Values, wherein we are committed to develop individual potential and to recognise individual contribution and reward performance. We would once again like to thank all company employees for their loyalty, hard work and dedication, which have contributed so much to continued successful growth of the group.

#### Auditor

Broomfield & Alexander Limited were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

#### 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), 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;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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.

# DAWNUS CONSTRUCTION HOLDINGS LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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### Statement of disclosure to auditor

So far as the directors are aware, there is no relevant information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

A handwritten signature in black ink, appearing to be 'R Jones', written over a large, stylized loop.

Mr R Jones

**Director**

20 September 2017



# **DAWNUS CONSTRUCTION HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF DAWNUS CONSTRUCTION HOLDINGS LIMITED**

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We have audited the financial statements of Dawnus Construction Holdings Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

#### **Respective responsibilities of directors and auditor**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

#### **Opinion 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.

# DAWNUS CONSTRUCTION HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF DAWNUS CONSTRUCTION HOLDINGS LIMITED

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#### 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Broomfield & Alexander Limited*

**James Edward Dobson BSc(Hons) FCA (Senior Statutory Auditor)**  
for and on behalf of Broomfield & Alexander Limited

20 September 2017

**Chartered Accountants**  
**Statutory Auditor**

Charter Court  
Phoenix Way  
Enterprise Park  
SWANSEA  
UK  
SA7 9FS

# DAWNUS CONSTRUCTION HOLDINGS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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	Notes	2016 £'000	2015 £'000
<b>Turnover</b>	<b>3</b>	143,751	148,787
Cost of sales		(135,502)	(138,840)
<b>Gross profit</b>		8,249	9,947
Administrative expenses		(3,734)	(4,516)
<b>Operating profit</b>	<b>4</b>	4,515	5,431
Interest receivable and similar income	<b>7</b>	16	29
Interest payable and similar expenses	<b>8</b>	(495)	(962)
<b>Profit before taxation</b>		4,036	4,498
Tax on profit	<b>9</b>	(214)	163
<b>Profit for the financial year</b>		3,822	4,661
Other comprehensive income		-	-
<b>Total comprehensive income from the year</b>		3,822	4,661

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The statement of comprehensive income has been prepared on the basis that all operations are continuing

# DAWNUS CONSTRUCTION HOLDINGS LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Tangible assets	11	31,933	28,452
<b>Current assets</b>			
Stocks	12	6,098	7,352
Debtors	13	44,525	49,600
Cash at bank and in hand		8,073	4,813
		58,696	61,765
<b>Creditors: amounts falling due within one year</b>	15	(52,778)	(50,674)
<b>Net current assets</b>		5,918	11,091
<b>Total assets less current liabilities</b>		37,851	39,543
<b>Creditors: amounts falling due after more than one year</b>	16	(5,094)	(10,208)
<b>Net assets</b>		32,757	29,335
<b>Capital and reserves</b>			
Profit and loss reserves		32,757	29,335

The financial statements were approved by the board of directors and authorised for issue on 20 September 2017 and are signed on its behalf by:



Mr R. Jones  
Director

Company Registration No. 04230579

# DAWNUS CONSTRUCTION HOLDINGS LIMITED

## STATEMENT OF CHANGES IN EQUITY

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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	Notes	Profit and loss reserves £'000
<b>Balance at 1 January 2015</b>		24,674
<b>Year ended 31 December 2015:</b>		
Profit and total comprehensive income for the year		4,661
<b>Balance at 31 December 2015</b>		29,335
<b>Year ended 31 December 2016:</b>		
Profit and total comprehensive income for the year		3,822
Dividends	10	(400)
<b>Balance at 31 December 2016</b>		<u>32,757</u>

# DAWNUS CONSTRUCTION HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 1 Accounting policies

##### Company information

The principal activity of the company is that of building and civil engineering operations.

Dawnus Construction Holdings Limited is a private company limited by shares and is incorporated in England and Wales. The registered office is 7 Dyffryn Court, Riverside Business Park, Swansea Vale, SWANSEA, UK, SA7 0AP.

##### 1.1 Accounting convention

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 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 amounts in these financial statements are rounded to the nearest £'000.

These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

A summary of the more important accounting policies of the company, which have been applied consistently, is set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 33 'Related Party Disclosures'

The financial statements of the company are consolidated in the financial statements of Dawnus Group Limited. These consolidated financial statements are available from its registered office - Unit 7, Dyffryn Court, Riverside Business Park, Swansea Vale, Swansea. SA7 0AP.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

##### 1.2 Going concern

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. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

**DAWNUS CONSTRUCTION HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**1 Accounting policies (Continued)**

**1.3 Turnover**

Turnover for a financial year includes the value of construction work done and plant hire income. Turnover excludes trade discounts and value added tax.

Long term contract balances are assessed on a contract by contract basis and are reflected in the profit and loss account as contract activity progresses. Any expected losses on long term contract balances are recognised immediately and are written off to the profit and loss account. Where it is considered that the outcome of a long term contract can be assessed with reasonable certainty before its conclusion, the prudently calculated attributable profit is recognised in the profit and loss account as the difference between reported turnover and related costs for that contract.

On short term contracts turnover and profits are recognised when invoices are raised for certified work undertaken.

The amount by which recorded turnover is in excess of payments on account is classified as "amounts recoverable on contracts" and separately disclosed within debtors. Where payments are in excess of recognised turnover, the excess is included as "payments on account".

**Long term contracts**

Amounts receivable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provisions for contingencies and anticipated future losses on contracts less amounts received as progress payments on accounts. Excess progress payments are included in creditors as payments received on account.

**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 Leasehold	Straight line over the lease period
Plant and machinery	at variable rates on reducing balance
Fixtures, fittings & equipment	at varying rates on cost
Motor vehicles	at variable rates on cost

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 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.

# DAWNUS CONSTRUCTION HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 1 Accounting policies (Continued)

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.

#### 1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

#### 1.7 Cash at bank and in hand

Cash at bank and in hand 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.

#### 1.8 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. Financial assets classified as receivable within one year are not amortised.



**DAWNUS CONSTRUCTION HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**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. Financial liabilities classified as payable within one year are not amortised.

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.

# DAWNUS CONSTRUCTION HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 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.

#### 1.9 Equity instruments

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

#### 1.10 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.

#### 1.11 Taxation

The tax expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

##### *Current tax*

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

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

# DAWNUS CONSTRUCTION HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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### **1 Accounting policies (Continued)**

#### ***Deferred tax***

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at that date.

A net deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sustainable taxable profits against which to recover carried forward tax losses and/or from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

#### **1.12 Employee benefits**

The Group provides a range of benefits to employees including paid holiday arrangements and defined contribution pension plans.

##### ***Short-term benefits***

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### ***Defined contribution pension plans***

The group operates defined contribution pension schemes for its employees. The assets of the schemes are kept independently of the group in separately administered funds. The pension costs charged in the financial statements represent the contributions payable by group companies during the year.

#### **1.13 Retirement benefits**

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

#### **1.14 Leases**

##### ***Finance leased assets***

Leasing agreements, which transfer to the company substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright and are classified as finance leases.

Finance leases are included in fixed assets and the capital element of the leasing commitment is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit.

Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

##### ***Operating leased assets***

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Costs in respect of operating leases are charged on a straight line basis over the lease term.

**DAWNUS CONSTRUCTION HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**1 Accounting policies (Continued)**

**1.15 Foreign exchange**

***Functional and presentation currency***

The financial statements are presented in pounds sterling and rounded to thousands. The company's functional and presentational currency is the pound sterling.

***Transactions and balances***

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates on monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

**2 Judgements and key sources of estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Key accounting estimates and assumptions**

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.

***Depreciation of fixed assets***

The estimates and underlying assumptions applied to determine depreciation and reviewed on an on-going basis. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

***Long term contract accounting***

The estimates and associated assumptions used to determine contract provisions are based on knowledge of individual contracts and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed continuously.

**3 Turnover and other revenue**

The total turnover of the company for the year has been derived from its principal activity which is considered to be a single business segment. All turnover arose in the United Kingdom.

**DAWNUS CONSTRUCTION HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**4 Operating profit**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditors for the audit of the company's financial statements	14	14
Depreciation of owned tangible fixed assets	4,404	2,454
Depreciation of tangible fixed assets held under finance leases	650	2,123

**5 Employees**

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

	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
Construction site staff	285	315

Their aggregate remuneration comprised:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	16,218	12,122
Social security costs	697	768
Pension costs	26	49
	<b>16,941</b>	<b>12,939</b>

**6 Directors' remuneration**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Remuneration for qualifying services	1,540	1,408
Company pension contributions to defined contribution schemes	129	166
	<b>1,669</b>	<b>1,574</b>

The number of directors for whom retirement benefits are accruing under money purchase schemes amounted to 10 (2015 - 10).

**DAWNUS CONSTRUCTION HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**6 Directors' remuneration (Continued)**

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

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Remuneration for qualifying services	196	205
Company pension contributions to defined contribution schemes	<u>22</u>	<u>26</u>

**7 Interest receivable and similar income**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest income</b>		
Other interest income	<u>16</u>	<u>29</u>

**8 Interest payable and similar expenses**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Interest on bank overdrafts and loans	5	62
Interest on finance leases and hire purchase contracts	<u>490</u>	<u>900</u>
	<u>495</u>	<u>962</u>

**9 Taxation**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
UK corporation tax on profits for the current period	<u>(54)</u>	<u>406</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<u>268</u>	<u>(569)</u>
 Total tax charge/(credit)	 <u>214</u>	 <u>(163)</u>

# DAWNUS CONSTRUCTION HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 9 Taxation (Continued)

The actual charge/(credit) 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:

	2016 £'000	2015 £'000
Profit before taxation	4,036	4,498
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	807	911
Tax effect of expenses that are not deductible in determining taxable profit	15	30
Adjustments in respect of prior years	(54)	440
Effect of change in corporation tax rate	(14)	72
Group relief	(540)	(1,616)
Taxation charge/(credit) for the year	214	(163)

#### 10 Dividends

	2016 Per share £	2015 Per share £	2016 Total £'000	2015 Total £'000
<b>Ordinary shares</b>				
Final paid	3,305.79	-	400	-
<b>Total dividends</b>				
Final paid			400	-

**DAWNUS CONSTRUCTION HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**11 Tangible fixed assets**

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 January 2016	410	44,935	255	2,763	48,363
Additions	-	8,345	-	556	8,901
Disposals	-	(970)	-	(273)	(1,243)
At 31 December 2016	410	52,310	255	3,046	56,021
<b>Depreciation and impairment</b>					
At 1 January 2016	84	17,592	252	1,983	19,911
Depreciation charged in the year	32	4,746	-	276	5,054
Eliminated in respect of disposals	-	(604)	-	(273)	(877)
At 31 December 2016	116	21,734	252	1,986	24,088
<b>Carrying amount</b>					
At 31 December 2016	294	30,576	3	1,060	31,933
At 31 December 2015	326	27,344	2	780	28,452

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

	2016 £'000	2015 £'000
Plant and machinery	5,967	22,647
Motor vehicles	991	723
	<u>6,958</u>	<u>23,370</u>
Depreciation charge for the year in respect of leased assets	<u>650</u>	<u>2,123</u>

**12 Stocks**

	2016 £'000	2015 £'000
Raw materials and consumables	<u>6,098</u>	<u>7,352</u>



**DAWNUS CONSTRUCTION HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

<b>13 Debtors</b>		<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year:</b>			
Trade debtors		6,353	4,794
Gross amounts due from contract customers		14,861	14,126
Corporation tax recoverable		70	248
Amounts due from group undertakings		20,171	28,007
Other debtors		302	300
Prepayments and accrued income		1,833	921
		<u>43,590</u>	<u>48,396</u>
Deferred tax asset (note 18)		935	1,204
		<u>44,525</u>	<u>49,600</u>
<b>14 Leasing agreements</b>		<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
Finance lease and hire purchase obligations are repayable in instalments as follows:			
Within one year		4,247	9,274
In two to five years		2,594	5,208
		<u>6,841</u>	<u>14,482</u>
<p>The group use finance leases and hire purchase contracts to acquire plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the lessee.</p>			
<b>15 Creditors: amounts falling due within one year</b>		<b>2016</b>	<b>2015</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts		2,500	-
Obligations under finance leases	14	4,247	9,274
Payments received on account		5,046	2,172
Trade creditors		8,612	5,566
Amounts due to group undertakings		13,766	14,063
Other taxation and social security		918	1,173
Other creditors		10,666	7,949
Accruals and deferred income		7,023	10,477
		<u>52,778</u>	<u>50,674</u>

**DAWNUS CONSTRUCTION HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**16 Creditors: amounts falling due after more than one year**

	Notes	2016 £'000	2015 £'000
Bank loans and overdrafts		2,500	5,000
Obligations under finance leases	14	2,594	5,208
		<u>5,094</u>	<u>10,208</u>

**17 Share capital**

	2016 £	2015 £
<b>Authorised</b>		
121 Ordinary shares of £1 each	121	121
	<u>121</u>	<u>121</u>

**18 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:

	Assets 2016 £'000	Assets 2015 £'000
<b>Balances:</b>		
ACAs	<u>935</u>	<u>1,204</u>
<b>Movements in the year:</b>		<b>2016 £'000</b>
Liability/(Asset) at 1 January 2016		(1,204)
Charge to profit or loss		<u>269</u>
Liability/(Asset) at 31 December 2016		<u>(935)</u>

**19 Financial commitments, guarantees and contingent liabilities**

The company has guaranteed the bank borrowings of a fellow group company, the amount of the borrowing at 31 December 2016 totalled £7,344,908 (2015: £7,537,000).

# DAWNUS CONSTRUCTION HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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### **20 Related party transactions**

Key management personnel are those who have authority and responsibility for planning, directing and controlling the activities of the company. The board consider that only the directors of the company fulfil this definition.

### **21 Controlling party**

The ultimate parent company and controlling party is Dawnus Group Limited which is the parent company of the largest and smallest group to consolidate these financial statements. Copies of the Dawnus Group Limited consolidated financial statements can be obtained from the company's registered office - Unit 7, Dyffryn Court, Riverside Business Park, Swansea Vale, Swansea, SA7 0AP.

### **22 Subsidiaries**

The company has the following subsidiaries, which are held at a value of £Nil:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held	
			Direct	Indirect
Dawnus Southern Limited	Building and civil engineering	Ordinary shares	100.00	
Ashridge Construction Limited	Building and civil engineering	Ordinary shares		100.00

The directors believe that the carrying value of the investments is supported by their underlying net assets or their expected future performance.