

Company Registration No. 07597648 (England and Wales)

DAWNUS SOUTHERN LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

DAWNUS SOUTHERN LIMITED

COMPANY INFORMATION

Directors	Mr R T Evans Mr H Smith Mr N C Down Mr T A Lowe
Secretary	Mr T A Lowe
Company number	07597648
Registered office	7 Dyffryn Court Riverside Business Park Swansea Vale SWANSEA UK SA7 0AP
Auditors	Broomfield & Alexander Limited Charter Court Phoenix Way Enterprise Park SWANSEA UK SA7 9FS

DAWNUS SOUTHERN LIMITED

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4 - 5
Independent auditor's report	6 - 7
Statement of total comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11 - 21

DAWNUS SOUTHERN LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

Review of business and future developments

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

The strategy of the business is to increase its share of the building contracting and civil engineering market by focussing on strong customer service.

The company enjoys a number of competitive advantages including a strong reputation for quality; a well established reputation for price competitiveness; a knowledgeable and enthusiastic workforce and a strong customer focus.

Despite a competitive and challenging economic environment, the directors were satisfied with the performance of the company during the year.

Turnover reduced in FY'17 by £7,639,000 (16.9%) to £37,506,000 driven by reduced contract activity.

The gross margin percentage earned on contracts undertaken in the year increased in the year to 5.7% in FY'17 reflecting an improved focus on contract profitability.

Administrative expenses decreased by £997,673 (82.9%) in FY'17 salary costs.

Whilst trading conditions are expected to remain competitive throughout FY'18 the board consider the company to be well positioned to manage and take on the challenge. The directors believe the company is well placed to take advantage of any opportunities that might arise.

Key Performance indicators

The company's key performance indicators (KPI's) are summarised below:

KPI's	2017	2016
Turnover	£37,506k	£45,145k
Gross Margin	£2,132k	£(1,533)k
Operating profit	£1,927k	£(2,736)k
Gross assets	£8,308k	£4,971k

DAWNUS SOUTHERN LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

Principal Risks and Uncertainties

The nature of the business environment in which the company operates is inherently risky. Whilst it is not possible to eliminate all such risks and uncertainties, the company has an established risk management and internal control system in place to manage them.

A risk management committee meets regularly and identifies the risks that it considers most likely to have an impact on the business and its strategic priorities. If emerging risks are identified in between these reviews, these are incorporated immediately into the risk management process.

The following sets out the principal risks faced by the group and how they are mitigated:

Contract delivery

- The company has a number of contracts in progress at any point in time. Dependent on the nature, location and duration of the work and the legal framework of the contract, there is a risk that ineffective contract management could result in reputational damage, financial impact or failure to deliver on contracts.
- Contracts in progress are controlled and managed through the companies operating structure and procedures. This includes regular monthly contract reviews of contract-to-date financial performance against budget as well as comparing end-life forecast against tender. Project risk registers are also reviewed.

People

- The company depends on a flexible, diverse and well-motivated workforce. If the company does not succeed in attracting, developing and retaining skilled people, as well as understanding and embracing the diversity of those people, it will not be able to grow the business as anticipated.
- The company monitors staff turnover closely. Pay and conditions are reviewed regularly against the prevailing market to ensure that we remain competitive. Succession planning and staff development are managed at all levels in the company. The company has a performance review process which is designed to assist in the career development of its staff and also to identify potential successors to roles within the company, including at board level.

Contract pricing

- The work for which the company tenders can often be complex with significant associated risks. Tender assumptions may be inaccurate or the risks associated with the tender may not be fully understood. If tenders are under-priced, contract losses and potential reputational damage will result. If tenders are over-priced, order books may suffer.
- Current mitigation includes the close involvement of the board in all complex tender negotiations which is designed to ensure a consistent approach with respect to the management of contract risks across the company.

Safety

- The company's activities are often complex and require the continuous monitoring and management of health, safety and environmental risks. Failure to manage these risks could result in injury to employees, sub-contractors or members of the public or damage to the environment. This could also expose the company to a significant potential liability and to reputational damage.
- Detailed policies and procedures exist to mitigate such risks and are subject to review and monitoring by the business and external specialists. Compliance is monitored in a number of ways including audit, leadership tours and inspections.

DAWNUS SOUTHERN LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

Reputation

- The company's ability to tender and win new business and its relationship with customers, supply chain partners, employees and other stakeholders depends in large part on the good reputation that it has established and how it is perceived by others. The company's growth targets may not be achieved if its reputation is adversely affected.
- The steps taken to maintain, protect and enhance the Company's reputation include effective leadership, community engagement and striving to operate a safe and sustainable business.

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 foreign exchange 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.

Foreign exchange rate risk

The company maintains adequate cash reserves and manages its trade creditor payments to try and ensure that foreign exchange rate fluctuations are managed effectively.

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 group 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.

On behalf of the board

Mr N C Down
Director
27 June 2018

DAWNUS SOUTHERN LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and financial statements for the year ended 31 December 2017.

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 N C Down

Mr T A Lowe

Results and dividends

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

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Future developments

The strategy and future developments of the business have been set out in the Strategic Report.

Auditor

MHA Broomfield Alexander 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.

Going concern

The company has received a letter of support in relation to the going concern basis from Dawnus Group Limited (Company number: 08670888), stating that it is their intention to provide any necessary support, to enable the company to meet its liabilities as and when they fall due for a period of no shorter than twelve months from the date of signing these financial statements.

DAWNUS SOUTHERN LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

Statement of disclosure to auditor

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

On behalf of the board

Mr N C Down
Director
27 June 2018

DAWNUS SOUTHERN LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DAWNUS SOUTHERN LIMITED

Opinion

We have audited the financial statements of Dawnus Southern Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

DAWNUS SOUTHERN LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF DAWNUS SOUTHERN LIMITED

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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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.

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

27 June 2018

Chartered Accountants
Statutory Auditor

Charter Court
Phoenix Way
Enterprise Park
SWANSEA
UK
SA7 9FS

DAWNUS SOUTHERN LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
	Notes	£'000	£'000
Turnover	3	37,506	45,145
Cost of sales		(35,374)	(46,678)
Gross profit/(loss)		<u>2,132</u>	<u>(1,533)</u>
Administrative expenses		(206)	(1,204)
Other operating income		1	-
Operating profit/(loss)	4	<u>1,927</u>	<u>(2,737)</u>
Interest receivable and similar income	7	-	1
Profit/(loss) before taxation		<u>1,927</u>	<u>(2,736)</u>
Tax on profit/(loss)	8	(361)	(32)
Profit/(loss) for the financial year		<u><u>1,566</u></u>	<u><u>(2,768)</u></u>

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

DAWNUS SOUTHERN LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2017

		2017		2016	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Investments	9		1,156		1,156
Current assets					
Debtors	11	7,152		2,482	
Cash at bank and in hand		-		1,333	
		<u>7,152</u>		<u>3,815</u>	
Creditors: amounts falling due within one year	12	<u>(11,076)</u>		<u>(9,305)</u>	
Net current liabilities			<u>(3,924)</u>		<u>(5,490)</u>
Total assets less current liabilities			<u>(2,768)</u>		<u>(4,334)</u>
Capital and reserves					
Profit and loss reserves			<u>(2,768)</u>		<u>(4,334)</u>

The financial statements were approved by the board of directors and authorised for issue on 27 June 2018 and are signed on its behalf by:

Mr N C Down
Director

Company Registration No. 07597648

DAWNUS SOUTHERN LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Profit and loss reserves
	£'000
Balance at 1 January 2016	(1,566)
Year ended 31 December 2016:	
Loss and total comprehensive income for the year	(2,768)
	<hr/>
Balance at 31 December 2016	(4,334)
Year ended 31 December 2017:	
Profit and total comprehensive income for the year	1,566
	<hr/>
Balance at 31 December 2017	(2,768)
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DAWNUS SOUTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

1.1 Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary 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'

Dawnus Southern Limited is a wholly owned subsidiary of Dawnus Group Limited and the results of Dawnus Southern Limited are included in the consolidated financial statements of Dawnus Group Limited which are available from the registered office - Unit 7, Dyffryn Court, Riverside Business Park, Swansea Vale, Swansea, SA7 0AP.

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.

The directors have reviewed the balance sheet, the likely future cash flows of the business and have considered the facilities that are in place at the date of signing the report. The directors have concluded, based on this review, that it is appropriate to prepare the financial statements on a going concern basis.

The company's ability to continue as a going concern is dependent on the continued support of the company's bankers and on its providers of working capital maintaining the existing level of funding on terms and conditions similar to those currently in place.

DAWNUS SOUTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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 statement of comprehensive income as contract activity progresses. Any expected losses on long term contract balances are recognised immediately and are written off to the statement of comprehensive income. 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 statement of comprehensive income 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.

The stage of completion is measured in relation to the length of each contract on a straight line basis.

1.4 Fixed asset investments

Interests in subsidiaries are initially measured at fair value. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.5 Construction contracts

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

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

Where the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable.

DAWNUS SOUTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (Continued)

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

Bank interest accruing on capital borrowed to fund the production of long term contracts is carried forward within long term contract balances.

1.6 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.

1.7 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.

Fair value measurement of financial instruments

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

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.

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.

DAWNUS SOUTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (Continued)

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 and loans from fellow group companies, 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.

Derecognition of financial liabilities

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

1.8 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.

DAWNUS SOUTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (Continued)

1.9 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.

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.

1.10 Employee benefits

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

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

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

1.11 Leases

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

1.12 Government grants

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

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

DAWNUS SOUTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (Continued)

1.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

2 Judgements and key sources of estimation uncertainty

In the application of the group'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.

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.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Deferred taxation

Tax losses within the UK are available to be utilised against future profits. The directors have taken the decision to recognise, in full, the deferred tax asset related to tax losses of the UK business.

Depreciation of fixed assets

The estimates and underlying assumptions applied to determine depreciation are 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

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

	2017 £'000	2016 £'000
Turnover analysed by class of business		
Revenue arising on construction contracts and support services	37,506	45,145
	<u> </u>	<u> </u>
	2017 £'000	2016 £'000
Other significant revenue		
Grants received	1	-
	<u> </u>	<u> </u>

DAWNUS SOUTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Turnover and other revenue (Continued)

	2017	2016
	£'000	£'000
Turnover analysed by geographical market		
UK	37,506	45,145

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.

4 Operating profit/(loss)

	2017	2016
	£'000	£'000
Operating profit/(loss) for the year is stated after charging/(crediting):		
Cost of stocks recognised as an expense	5,819	7,732
Operating lease charges	82	135

5 Auditor's remuneration

	2017	2016
	£'000	£'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	3	3

6 Employees

No persons other than the Directors were employed during the year or the prior year. The directors' did not receive any emoluments from this company in respect of qualifying services either in 2017 or 2016.

The emoluments of the directors' are paid by other companies within the group. Each of the directors are directors' of the parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, no emoluments in respect of the directors are disclosed within these financial statements.

Key management compensation

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.

7 Interest receivable and similar income

	2017	2016
	£'000	£'000
Interest income		
Interest on bank deposits	-	1

DAWNUS SOUTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

8 Taxation	2017 £'000	2016 £'000
Current tax		
Adjustments in respect of prior periods	(5)	-
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	366	-
Adjustment in respect of prior periods	-	32
	<u> </u>	<u> </u>
Total deferred tax	366	32
	<u> </u>	<u> </u>
Total tax charge	361	32
	<u> </u>	<u> </u>

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

	2017 £'000	2016 £'000
Profit/(loss) before taxation	1,927	(2,736)
	<u> </u>	<u> </u>
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	371	(547)
Adjustments in respect of prior years	(5)	32
Effect of change in corporation tax rate	(5)	-
Group relief	-	547
	<u> </u>	<u> </u>
Taxation charge for the year	361	32
	<u> </u>	<u> </u>

9 Fixed asset investments	Notes	2017 £'000	2016 £'000
Investments in subsidiaries	10	1,156	1,156
		<u> </u>	<u> </u>

DAWNUS SOUTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

9 Fixed asset investments (Continued)

Movements in fixed asset investments

	Shares in group undertakings
	£'000
Cost or valuation	
At 1 January 2017 & 31 December 2017	1,156
Carrying amount	
At 31 December 2017	1,156
	<u>1,156</u>
At 31 December 2016	<u>1,156</u>

10 Subsidiaries

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Ashridge Construction Limited	7 Dyffryn Court, Riverside Business Park, Swansea, SA7 0AP	Building and Civil Engineering	Ordinary		100.00

11 Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade debtors	2,121	199
Gross amounts due from contract customers	4,721	1,597
Corporation tax recoverable	-	5
Amounts owed by group undertakings	294	-
Other debtors	-	299
Prepayments and accrued income	16	16
	<u>7,152</u>	<u>2,116</u>
Deferred tax asset (note 13)	-	366
	<u>7,152</u>	<u>2,482</u>

DAWNUS SOUTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

12 Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Payments received on account	2,998	-
Trade creditors	7,891	6,891
Amounts due to group undertakings	-	264
Other taxation and social security	186	17
Other creditors	-	2
Accruals and deferred income	1	2,131
	<u>11,076</u>	<u>9,305</u>

13 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	Assets
	2017	2016
	£'000	£'000
Balances:		
Tax losses	-	366
	<u>-</u>	<u>366</u>
Movements in the year:		2017
		£'000
Liability/(Asset) at 1 January 2017		(366)
Charge to profit or loss		366
		<u>-</u>
Liability at 31 December 2017		<u>-</u>

The deferred tax asset is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits.

14 Share capital

	2017	2016
	£'000	£'000
Authorised		
180 A Ordinary Shares of £1 each	180	180
20 B Ordinary Shares of £1 each	20	20
	<u>200</u>	<u>200</u>

The A and B ordinary shares rank parri passu in all respects.

DAWNUS SOUTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

15 Financial commitments, guarantees and contingent liabilities

The company has guaranteed the bank overdraft of a fellow group company, the amount of the borrowing at 31 December 2017 totalled £5,518,000 (2016: £7,345,000).

16 Controlling party

The immediate parent company is Dawnus Construction Holdings Limited, which itself is a wholly owned subsidiary of Dawnus Group Limited.

The 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.

The directors do not consider there to be an ultimate controlling party of the group.

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.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.