HERCULES SITE SERVICES PLC

2022

ANOTHER YEAR OF GROWTH

Annual Report and Financial Statements

for the year ended 30 September 2022

IN THIS REPORT

ACCREDITATIONS

BUSINESS AT A GLANCE - REVENUE

LABOUR

2021 £22.9M

Labour Supply is our core business, supplying skilled and qualified labour to blue-chip construction companies to deliver key infrastructure, civil engineering, utilities, groundworks, highway and railway projects. It represented 67% of Hercules' revenue for the year ended 30 September 2022 (FY 2021: 70%).

2022 **£33.3m**

CIVILS

2021 £7.7M

Hercules' Civil Projects division partners with some of the UK's top contractors to provide end-to-end project delivery for civil engineering contracts. This division has had a strong year of growth, with an 18% increase in new clients brought on board. Civil Projects accounted for approximately 25% of revenue for the year ended 30 September 2022 (2021: 23%).

2022 **£12.4m**

SPECIALIST PLANT

2021 £2.2M

The growth of our suction excavator business has been impressive and we now have one of the largest fleets in the UK. During the period, this business unit accounted for 7% (2021: 6%) of total revenue.

2022 **£3.6m**

CHAIRMANS REPORT

Hercules has delivered a year of strong growth with turnover increasing significantly. With this in mind, it gives me great pleasure to present these results to our shareholders for a period which covers our first eight months as an AIM listed business.

I would like to start by thanking our investors for their support since the flotation of the Company on the AIM Market in February 2022, in conjunction with a £4m gross (£2.7m net of costs) fundraise. It has been a positive year which has seen Hercules achieve all the near-term milestones communicated at the time of our listing, and we look forward to continuing this theme in the months and years ahead.

Strong market dynamics

Despite the UK having to deal with energy and cost of living issues, the infrastructure sector is, as expected, forging ahead. The UK government has recently made strong commitments to deliver significant investment in our rail infrastructure, with Network Rail expected to spend around £44 billion over the period April 2024 to March 2029, while recent banking reforms announced by the Chancellor of the Exchequer in December are being hailed as potentially unlocking billions of pounds of funding for UK infrastructure.

Growth across all areas of the Hercules business

Hercules is well positioned to benefit from the UK Government's commitment to infrastructure spending. Access to labour continues to be a core priority for our blue-chip client base, and we have built an excellent reputation as a top-tier provider due to our technological edge and experienced management team.

As well as our game-changing contract on HS2 phase 1, we have also been successful in securing agreements to supply labour for several National Highways Regional Development Projects including the A63, A57, A30, A2, and A12, as well as to motorway upgrades and digitisation plans such as on the M3 and M4.

Relationships built with blue chip clients have been the cornerstone of the Company's success. These clients have either won, or are bidding for projects such as the A66 Trans-Pennine route, A303 Stonehenge, New Tees Crossing and Lower Thames Crossing, all of which are very significant projects. This means that the outlook for our labour supply division remains very positive. While inflation is affecting the business, particularly pay levels, we have shown our ability to regularly renegotiate pay levels with our clients upwards and we are managing this situation well.

Our other business units, Specialist Plant Services and Civil Projects, enable us to cross sell effectively, thereby increasing the total value of each client, and I am pleased to report that both of these divisions achieved growth in FY 2022. The Civil Projects team has now expanded into other areas of the civil engineering sector such as fibre broadband. Brusk will outline developments in each of the business units in his CEO's Statement.

Dividend

The Board is pleased to propose a final dividend of 1.12 pence per share. Hercules Real Estate Limited, the Company's 71.7% shareholder, has again waived its entitlement to this payment. The dividend will be paid on 24 March 2023 to shareholders on the register at close of business on 24 February 2023. The shares will go ex-dividend on 23 February 2023.

Outlook

Looking ahead, the outlook for Hercules remains very positive. Turnover growth has been in the region of 50% per annum for two years now, and the Directors believe a third such year of similar growth lies ahead. We are excited at the prospects for Hercules over the next few years as we seek to grow the business both organically and via selective acquisitions.

In terms of organic growth, our pipeline for 2023 looks robust across all our business units and we have experienced positive trading across all areas for the first three months of our current financial year. Having made initial headway in the strategy to monetise our digital services, we look forward to building on this momentum over the next 12 months, as well as continuing progress on our training academy strategy, on which Brusk provides more detail in his statement.

In respect to potential acquisitions, we are progressing positively with discussions and look forward to updating the market at the appropriate time.

Once again, I would like to thank our shareholders and advisers for their support during this transformation year for the Company, and the Hercules team for successfully delivering a range of operational growth milestones in conjunction with the IPO.

Henry Pitman
Non-Executive Chairman

3rd January 2022


HERCULES
SITE SERVICES

CEO STATEMENT

I am delighted to report that the 12 months ended 30 September 2022 can be summarised as a year of growth, which has seen us increase revenue year on year by approximately 51% to £49.5m (2021: £32.7m). Adjusted EBITDA for the year, explained in detail in the Chief Financial Officer's Review below, was in line with market expectations at £2.3m (2021: £2.4m).

This set of results covers our first eight months as a listed company, as well as the four months in the lead up to our listing on the AIM market of the London Stock Exchange. To have delivered this significant growth during a period of intense preparation for our IPO is something I'm extremely proud of, and I would like to thank the entire Hercules team for their hard work and dedication both during our transition to a PLC and after.

Hercules offers a "one stop shop" service which enables us to cross-sell between our services and our experienced management team is adept at delivering projects efficiently for clients. We are pleased to report that we have created growth across all areas of our business, delivering on each initiative set out at IPO.

In our core Labour Supply business, our contract to supply labour to the HS2 project commenced at the start of the year; we have grown our Specialist Plant Services business, acquiring more suction excavators to meet the strong demand we are experiencing; and our Civil Projects division has increased its portfolio of clients and expanded into exciting new verticals.

In addition to this, we have started advancing new medium-term growth streams, delivering on our strategy to start monetising our digital tools and taking steps to open a new training academy which will play a role in fixing the labour deficit that the construction industry faces, provide an even larger pool of skills for Hercules to place on client construction sites and will give the Company a geographical base in the Midlands. Notably for investors, both these initiatives will provide us with recurring revenue.

While global markets are depressed, in contrast, the construction sector is experiencing continued strong momentum as the UK government seeks to modernise the country's infrastructure. With £650 billion of public and private spending planned on new infrastructure projects*, we provide a vital role in helping construction projects secure the people and skills required . Our competitive digital edge means that we have a strong reputation within the industry of matching projects with quality, local labour, quickly and efficiently. With labour deficits being experienced on the back of Brexit, labour supply is high on the agenda for the entire industry, meaning that our labour supply services are in high demand.

Labour Supply

Labour Supply is our core business, supplying skilled and qualified labour to blue-chip construction companies to deliver key infrastructure, civil engineering, utilities, groundworks, highway and railway projects. It represented 67% of Hercules' revenue for the year ended 30 September 2022 (FY 2021: 70%).

Hercules' dedicated operations and resource teams, personnel management system and innovative mobile recruitment and onboarding apps ensure that we supply the right person to the right location on time to fulfil client requirements. Our technology gives us a strong competitive edge, enabling us to quickly meet our clients' labour needs and to source local labour, which often is a stipulation in government-funded projects. Indeed, our 'Hercules Construction Jobs' recruitment app, launched in October 2019, at the time of writing has more than 8,100 downloads and more than 4,700 registered users.

More traditional suppliers of labour struggle to achieve local labour recruitment without a local presence and are also facing difficulties replenishing their labour pool following shifts in the labour force caused by the COVID-19 pandemic and Britain's exit from the European Union**. In contrast, Hercules has a low staff turnover due to our culture and focus on developing our people, many of whom have progressed through the business to senior management positions.

**https://www.gov.uk/government/news/plan-for-jobs-in-action-hundreds-of-thousands-of-jobs-supported-in-record-650-billion-infrastructure-investment*

***https://www.pierconsulting.co.uk/high-staff-turnover-why-is-it-damaging-the-construction-industry/*

"The growth of our suction excavator fleet has been phenomenal, and we have rapidly become one of the largest fleets in the UK"

During the year, we won our biggest ever contract with the Balfour Beatty Vinci JV, helping to deliver the HS2 Northern section. This is a massive achievement for Hercules and the Company is now playing a huge part in the delivery of one of modern history's greatest legacy projects and currently the largest infrastructure project in Europe. This is anticipated to step change our growth dramatically in the next four years, and with circa 280 operatives currently on site, we are pleased to see momentum building.

We have a strong, blue chip client base which continues to provide repeat business to Hercules. Clients include Costain, Kier and Thames Water and during the period we have continued to secure contracts across National Highways RDP. In the last 12 months, on average, the Company has been supplying between 480 and 800 personnel to projects each day.

We have also introduced two new income streams in the Labour Supply business. Firstly, the supply of security personnel which has started on the M42 and a white-collar recruitment business, placing permanent job roles (such as section engineers and site managers) which has secured its first business with our existing client Galliford Try. Experienced managers have been hired in both business areas which we see as great opportunities for the Company.

In addition to this, we are looking into other ways we can accelerate growth, not just by acquisition but also via partnerships. Consequently, we are discussing the potential for the creation of subsidiary businesses that are part owned by ambitious management teams that can establish Hercules operations in geographies or business areas where the Company doesn't traditionally operate.

I am pleased to report that we have a healthy pipeline which extends into the next few years, so we look forward to maintaining and boosting the growth we have experienced to date in our Labour Supply business.

Specialist Plant Services

The growth of our suction excavator business has been impressive and we now have one of the largest fleets in the UK. During the period, this business unit accounted for 7% (2021: 6%) of total revenue.

Suction excavators provide a more efficient and safer way of removing debris for digging teams. At IPO in February 2022, Hercules owned nine suction excavators and the funds raised were planned in part to contribute towards a further eleven. In April 2022, we took the decision to acquire an additional ten suction excavators, with the intention of expanding our fleet of suction excavators from 20 vehicles by August 2022 to 30 vehicles by March 2023. This includes our first Triple Fan Excavator which will provide extra capability to our clients.

We took this decision to expand our fleet on the back of the very high levels of demand we were experiencing, which saw us achieve a high average utilisation rate of 85%. This strong demand for our services can be partly attributed to the significant industry acclaim we have received for our involvement in implementing the newly developed 'Zero-Trim' piles method, which uses a vacuum excavator to suck out excess concrete from a concrete pile while still wet.

Traditionally, the concrete is overpoured and then site teams have to trim the excess concrete with jack hammers, which can cause health problems, including hand-arm vibration syndrome, hearing loss and silicosis. The 'Zero-Trim' method has been successfully rolled out onto the HS2 project and, in conjunction with our partners, has won three awards, including the award for health, safety and wellbeing initiative of the year at The British Construction Industry Awards 2021.

We pride ourselves on the standards of our operators, providing highly trained people to our clients with the best machines on the market. Recently we have had success recruiting new operators, particularly those from an ex-military background who seem to transition very well into the role. This also supports our commitment to the Armed Forces Covenant and MOD Employer Recognition Scheme Gold Award.

Hercules has utilised suction excavators as part of the ongoing work on HS2 South Phase 1 and Regional Development Programme sites with Balfour Beatty, and at the M4 Smart Motorway Scheme, alongside significant utilisation through Hercules' Civil Projects division.

Civils Projects

Hercules' Civil Projects division partners with some of the UK's top contractors to provide end-to-end project delivery for civil engineering contracts. This division has had a strong year of growth, with an 18% increase in new clients brought on board. Civil Projects accounted for approximately 25% of revenue for the year ended 30 September 2022 (2021: 23%).

We have a strong reputation in the water industry, built up over the past 13 years, and we generally use our own staff and self-employed contractors to complete these projects.

As well as increasing the portfolio of clients in the water industry's current Asset Management Programme (AMP7), we have also commenced working in Kent and the Midlands laying fibre broadband for two clients during the period.

Additional Growth Initiatives

Hercules provides a range of services for its clients, which increases the total value of the Company to the client and provides the business with a diversified range of revenue streams.

Hercules Digital

Our proprietary software has been critical in helping us to achieve some major labour supply projects and has provided us with a strong reputation as innovators in the industry. In addition, our digital tools have created efficiencies within our business. At IPO, we highlighted that we believe that our digital capabilities have strong potential to be monetised and I'm pleased to say that we made positive advances in achieving this during the period. Post year end, we were excited to announce the launch of our skills portal, the Skills, Employment and Education ("SEE") Everything Portal, which has been developed in conjunction with the Balfour Beatty Vinci Systra (BBVS) joint venture on the HS2 rail project.

The launch follows the completion of successful trials, triggering an initial payment of £44,000 to Hercules. We have now entered into a licence agreement regarding the SEE Everything Portal's full implementation and use at the Old Oak Common regeneration project in west London. This represents a significant milestone in Hercules' strategy to monetise and white label its digital tools for major projects. We are excited to expand this in 2023, and believe we are well positioned to progress a pipeline of licensing opportunities across the public and private sectors to secure additional recurring revenue.

see everything

Training Academy

In August 2022, we announced that we had entered into a lease agreement with Hercules Real Estate Limited (our largest shareholder) for an industrial site in Nuneaton in the West Midlands, circa 15 miles from the HS2 phase 1 (northern section) site.

This site is expected to house the first Hercules Training Academy, when constructed. In the short term, we will use the site to store plant, machinery and suction excavators.

The aim of the training academy will be to reduce our external training costs, to ensure high skill levels and quality across the Hercules workforce, and to provide specific training for clients across the infrastructure and construction industries (not just limited to HS2). This will generate further income streams and will also enable Hercules to provide training to upskill workers to fulfil additional roles on client construction sites.

Creating Positive Social Value

Apart from our core business, we continue to help deliver positive social value outcomes in and around our clients' projects often working collaboratively to achieve the best results. The culture at Hercules is one which is very much centred around teamwork and, we are all guided by our Core Values and Mission Statement, dedicated to delivering a world class service to our clients, workforce and now our investors.

Our team strives to encourage the next generation into our industry, so engagements in schools and further education colleges are vitally important. We also endeavour to source candidates from diverse channels such as ex-military, ex-offenders, BAME and other hard to reach communities. Our success with hiring from the ex-military community has been rewarded with the coveted ERS MOD Gold Award.

Additionally, we own a bespoke, fully equipped mobile health screening trailer, which can be deployed anywhere across the country and is staffed by SEQOHS-certified healthcare

professionals to assist on-site works in a variety of health and wellbeing areas.

The trailer has been deployed to provide a range of medical services, including vision and hearing tests, safety critical medicals, heart and blood pressure testing and lung function testing to on-site operatives. The medical screening facility also provides mental health awareness support, discreet monitoring of modern slavery related issues and a platform for raising awareness of health, safety and wellbeing issues to workers.

The health screening trailer provides a number of advantages to site workers, including faster turnaround for medical certificates, increased awareness of health and safety matters, reduction in downtime away from sites for General Practitioner visits and reduced carbon emissions.

Outlook

Hercules has been growing since 2008 when I first started the business in my spare bedroom. 14 years later, we have a diverse, professional, and talented team of people who are used to adapting to change, approaching work with a growth mindset, and able to overcome adversity.

Over the past 12 months, we have grown in numerous different ways, not least in our transition from a private limited company to a PLC. Our people have grown and developed immensely, a point which I am especially proud of; watching them adapt and flourish has been a pleasure; and of course, we have grown as a business significantly.

As we move through and beyond the next reporting period, we will maintain that growth mindset which has served us well over the past 14 years.

As well as driving our core business, we will advance some exciting new avenues, such as our Hercules Construction Academy. Targeted acquisitions are also on the agenda, as are other opportunities, to complement the organic growth we are achieving. Hercules has a great team, growing together, always ready for the exciting challenges ahead.

Brusk Korkmaz

Chief Executive Officer

14th December 2022

CHIEF FINANCIAL OFFICERS REVIEW

Introduction

The challenge of COVID-19 has receded, and the construction industry has recovered strongly across all sectors with infrastructure continuing to prove particularly resilient. However, the Company always has the issue under consideration, and will take action to minimise the effects of any further outbreaks if appropriate. Inflation has been an issue, and will no doubt be for some time to come, but procedures are in place to seek rate increases from our Labour Supply clients where applicable and we ensure that quotes for our Civil Projects work are only valid for a minimum period.

The Directors anticipate continued growth for the Company alongside significant investment in infrastructure as outlined by the UK Government. There has been no material impact as yet to the Company from the war in the Ukraine.

Financial Performance

In the year ended 30 September 2022, revenue increased to £49,549,487 (2021: £32,754,468) representing approximately a 51% increase year-on-year.

	Year ended 30 September	
	2022	**2021**
	£	**£**
Labour Supply	33,250,617	22,890,070
Civil Projects	12,370,937	7,696,102
Suction excavator services	3,645,934	2,168,296
Other	**281,999**	
	49,549,487	**32,754,468**

Administrative costs rose to £9,073,415 (2021: £6,118,558) - an increase of more than 48% compared to the prior year. Excluding depreciation, loss on sale of fixed assets, and R&D costs (see Note 8), administrative costs were £7,981,571 (2021: £5,364,912). This was again due to growth in all business areas as detailed below:

1) Suction excavator services expanded from 9 to 16 vehicles during the year requiring further management and administration provision. Depreciation, maintenance, insurance and operative training costs all rise in direct proportion to the number of vehicles in use.

2) Civil projects had a record year requiring more project managers and site supervision.

3) Labour supply has had to boost management structures (both in operational and commercial administration areas) in the last few years in readiness for what turned out to be very significant growth in 2021, 2022, and similar in FY 2023. Successful delivery of large projects is the key to future success, and this requires more senior experienced managers and administrators. The growth seen out on sites has also required more training.

The Company received £nil grants from the Construction Industry Training Board, (2021: £164,631), as well as £Nil in Coronavirus Job retention Scheme grants (2021: £52,565).

During the year the Company delivered:

Pre tax profit of £160,685 (2021: £515,517) Pre tax profit before exceptional non recurring items (see below) of £631,949 (2021: £1,413,505

Adjusted EBITDA (see below) £2,308,579 (2021: £2,437,739).

	Year ended 30 September 2022	Year ended 30 September 2021
	£	£
Profit from operations	705,698	786,106
Depreciation	1,034,071	724,843
Research & Development	36,555	17,505
Loss on sales of assets	21,218	11,297
Exceptional items (see below)	471,264	897,988
Share Based payment expense	39,774	-
Adjusted EBITDA	**2,308,579**	**2,437,739**

Exceptional items related to:		
Cost relating to AIM admission	443,264	297,058
Employment settlement	28,000	-
NMCN Bad Debt	-	600,930
Total	**471,264**	**897,988**

NMCN (North Midland Construction), a client of the Company, went into administration at the end of September 2021, and we have been unable to recover any of the debt. This was the first bad debt in the Company's 14 year history.

Statement of Financial Position

As at 30 September 2022, the Company's net assets were £6,838,092 (2021: £3,436,950) of which £1,211,554 (2021: £1,465,292) were cash and cash equivalents.

Non-current assets at 30 September 2022 were £14,642,396 (2021: £9.236.223). Current assets at 30 September 2022 were £19,253,174 (2021: £10,113,832).

Net current assets at 30 September 2022 were £3,362,064 (2021 net assets: £1,366,772).

The change in assets in 2022 over 2021 was due to significant increases in plant & equipment (financed mostly through asset financing), and trade debtors.

Company loans & borrowings were £6,528,750 as at 30 September 2022 (2021:£3,139,463). This is the balance on a working capital facility with Investec that was introduced in May 2021 – this is a £10m facility.

The financial position of the Company was strengthened by admission to the AIM market of the London Stock Exchange on 4 February 2022 with a net fundraise of circa £2.7m (after listing and issue costs).

Seven more suction excavators were added to the fleet during the year, all are financed with conventional asset funding from a number of different providers. Ten more suction excavators are due to be delivered in the year ending 30 September 2023, all to be similarly funded.

Paul Wheatcroft
Chief Financial Officer

14th December 2022

STRATEGIC REPORT

The Directors present their strategic report for the year ended 30 September 2022.

Fair review of the business

The fair review of the business is set out in the Chief Executive Officer's and Chief Financial Officer's reviews, which describe the financial results in detail.

The Board monitors progress on the overall Company strategy and the individual strategic elements by reference to monthly KPI reviews.

The KPI's are:

Turnover (billed to clients and accrued income)	increased from £32,754,468 (2021) to £49,549,487 (2022) (Budget £48,039,000)
Gross Profit	increased from £6,687,469 (2021) to £9,779,113 (2022) (Budget £9,910,000)
Adjusted EBITDA (see page 6)	reduced from £2,437,739 (2021) to £2,308,579 (2022) (budget £2,181,000)

The Directors do not consider it appropriate to provide analysis by reference to any non-financial KPI's.

These KPI's are compared to previous years and budgets. The Company also reviews job progress and the latest job pipeline status each month, as well as cash, debt and working capital levels.

Key Strengths

- The Company's service offering includes the supply of blue-collar labour, end-to-end project delivery and specialist plant services. The Directors believe that Hercules is in a strong position within the largely fragmented construction sector by offering a range of site services all under one roof.
- The Directors believe the Company's development of its digital business is a significant differentiator from its competitors and is helping to transform recruitment in the construction sector. The Company's digital applications for recruitment and onboarding improve the efficiency of the recruitment process versus traditional methods, enabling users to quickly complete their registration, upload their credentials and find appropriate work with Hercules.
- Hercules operates within the UK infrastructure sector which is experiencing favourable market conditions. The UK construction sector is set to benefit from nearly £650 billion of public and private spending on new infrastructure projects by the end of 2025, including HS2, improvement of strategic road connections on the A66, A303, the Lower Thames Crossing, the nationwide roll out of 5G mobile connections, and nuclear power station development. This government funding, alongside private investment in the infrastructure sector, is expected to see the UK construction industry grow by an average of 2.5 per cent per annum over the next ten years.
- The Directors believe the Company's focus on workforce consultation and inclusion sets it apart from other providers of labour in the sector. This approach means Hercules is recognised by workers as a forward-thinking employer in an industry with many traditional practices and the Directors believe this approach will help the Company attract and retain workers in a sector which is experiencing shortages of suitably qualified personnel.
- The Company has framework agreements in place with a number of the UK's largest infrastructure groups, including Balfour Beatty Highways, Kier, Costain, Dyer & Butler, Volker Fitzpatrick and Skanska which the Directors believe demonstrates the quality and reliability of the services it provides. Hercules' successful track record as a preferred partner to these blue-chip organisations allows the Company greater visibility of pipelines of work, and enables it to react quickly when opportunity arises.
- The Company's management team possesses extensive experience in the UK construction sector. The current management team has been instrumental in the Company's growth and diversification to increase the range of services that Hercules provides. The Directors believe that their ability to react to market trends has been fundamental in driving the Company's growth and profitability in recent years.
- Hercules has a strong CSR focus. The Company regularly undertakes charitable projects and community projects alongside the construction projects where its operatives are working. CSR is included within a number of the Company's strategic framework agreements, where Hercules is contractually required to have input in creating positive social value, however the Company has its own internal initiatives and programmes many of which are put in place by its working groups.
- Hercules is committed to minimising the impact of its activities on the environment. The development and implementation of this policy and our Environmental Management System demonstrate our commitment to continual improvement in energy use, minimising waste, promoting recycling, controlling emissions of pollutants and hazardous materials, considering the impact our activities have on local communities, and ensuring effective and expedient incident control, investigation and reporting.

PRINCIPAL RISKS AND UNCERTAINTIES

Managing risks and opportunities to deliver our strategic objective.

How we identify risk

Our risk management process identifies, evaluates, prioritises and mitigates significant risks in order to achieve Company strategy. Risks are identified both top-down from Company strategy and bottom-up from operational activities and major projects. These risks are then assessed against whether they threaten delivery of strategic priorities. Risks which are deemed principal to our business due to their potential severity and link to strategy, markets and operations have been identified by the Board.

Mitigation of risk

Through proactive rather than reactive action, we aim to control, as much as possible, future outcomes, reducing both the possibility of a risk occurring and its potential impact. Through our management procedures, internal controls and a lessons learned feedback loop, we can mitigate risk and ensure continual improvement.

Management of risk

Through prioritising and managing risks and opportunities, and continuous communication throughout all areas of the company, we can ensure consistency and appropriate decision making. We manage risks with regular and thorough reviews of our systems, policies, and relevant regulations. Principal risks are reviewed by the Board throughout the year, with a formal annual assessment.

Reviewing risk

The risk registers of each division, and the Company as a whole, are updated and reported to ensure that adequate information is available to the Board to allow the opportunity to challenge and review the risks identified and consider the various impacts of the risks and mitigations in place.

Principal Risks

The principal risks and uncertainties identified by management and how they are being managed is set out below. These risks are not intended to be an exhaustive analysis of all risks that may arise in the ordinary course of business.

Risk Description	Potential Impact	Mitigations
MARKET RISK		
1. Market downturn and cyclical nature of construction industry National and international economic downturns, including inflation, investor sentiment, availability and cost of credit, liquidity of global financial markets. Maintaining sustainable level of financial performance throughout construction industry market cycle. A significant portion of ours are derived from contracts indirectly funded by the UK government and its agencies.	A deterioration of economic and financial conditions, or global or deeper recession, could result in a significant fall in expenditure in the infrastructure and construction industry, which could potentially have a material adverse effect on our financial performance. Reductions in trading activity, asset impairments and lower profitability.	Diversification of markets, both in terms of sector and geography. Focus on longer-term partnerships and building on existing client relationships. Debt facility of up to £10m provides headroom to withstand a market downturn. Long-term contracts in place relating to government commitments which tend to be more stable over economic cycle. Contracts in place with a number of large water companies, which are unrelated to the public sector. More revenue can be generated from the energy sector where significant property assets continually need to be maintained and repaired.
STRATEGIC RISK		
2. Work winning Failure to continue to win and retain contracts on satisfactory terms and conditions in our existing and new target markets if competition increases, customer requirements change, or demand reduces due to general economic conditions. Maintaining and developing long-term relationships with key clients and customers in order to win repeat business from those clients and customers and to cross-sell our other products and services to those clients and customers.	Failure to achieve targets for revenue, profit and return on capital employed. No guarantee that existing customer relationships will continue to grow or that key customers will not scale back their use of the Company or cease to contract with us altogether. Any failure to replace this revenue could have an adverse effect on operations and prospects.	Continual review of our existing and target markets to ensure we understand the opportunities that they offer. Continually increasing cross-selling opportunities in order to be the 'one-stop-shop' for service offering. Collaborative working with key clients to develop joint initiatives and programmes. Growth in Business Development function.
3. Concentration of key clients Each of our customers is subject to market conditions and general commercial exposures in the same way as us. There can be no guarantee that these companies will continue to trade or conduct business with Hercules. Strong negotiating positions of key clients can result in contracts with less favourable and more onerous terms.	If any of our key customers cease trading with us, whether due to engaging other businesses or due to a change in their own strategic direction, there could be a significant negative impact on our ability to generate revenues and operate profitably. Contract terms can include significant warranty and indemnity provisions and may include favourable termination rights for the customer.	We have gained exposure to many client Joint Ventures through its prior work. With this wide client base, this provides access to numerous projects across the UK. Early engagement with long-term customers on new schemes, offering innovative solutions to ensure involvement. Delivery of services in different ways, offering additional services and cross-selling, not offered by our competitors.
OPERATIONAL RISK		
4. Health & Safety failure The Construction Industry sectors carry significant health and safety risks, including serious injury and fatalities. Causing a fatality or serious injury to an employee or member of the public through failure to maintain high standards or safety and quality.	Loss of employee, customer, supplier and other stakeholder confidence. Damage to brand reputation in an area that we regard as top priority. Negative impact on reputation could affect ability to win new business, affecting operating and financial performance. Potential investigations, prosecutions and/or civil or criminal litigation, each of which could be costly in terms of potential liabilities, settlements and management time. These liabilities may not be insurable or could exceed our insurance limits and therefore could have a material adverse effect on our operating results, business prospects and financial condition.	Board-led commitment to achieve zero accidents. Visible management commitment with safety tours, safety audits and safety action groups. Launch of Be Safe Work Safe behavioural based safety programme and Hercules Observations reporting both good practice and close calls across the whole business. Additional experienced H&S personnel recruited to join the H&S Team. Implementing management systems that conform to Occupational Health & Safety Systems (ISO 45001). Comprehensive employee training programmes.
5. Attraction and retention of key management and employees Inability to recruit, retain and motivate high-quality senior management and other personnel with relevant extensive experience and knowledge to create innovative, diverse and flexible workforce.	Failure to maintain satisfactory performance in contract execution. Failure to deliver strategic objectives and business targets for growth, in turn potentially resulting in an adverse effect on operations, financial conditions and prospects. A raise in general wage may be expected in industry, increase in costs of pensions, and health and other insurances, could adversely affect us due to increased mobility of the workforce and pressure to match or better the level of salaries and/or benefits expected in the market.	Introduction of the share option scheme and other bonus schemes to incentivise and retain key staff members. Promotion of internal candidates to provide job progression within the business. Employee engagement, personal development and leadership programmes developed and implemented to encourage and support employees to achieve their full potential.

Risk Description	Potential Impact	Mitigations
OPERATIONAL RISK (CONTINUED)		
6. Labour and skills shortages Dependence on ability to locate suitably skilled labour for clients.	Projects could become more drawn out or expensive, leading to failure to generate anticipated revenue in anticipated time-frames.	Development and construction of Hercules Construction Academy to attract and upskill the next generation into the construction industry. Upskilling existing employees through Hercules Apprenticeship Scheme and Personal Development Programmes. Attracting labour from overseas via Sponsor Licence.
7. Availability and pricing of materials Shortage of building materials. Price of materials affected by inflation to the UK economy.	Uncertainty around the price of materials affects our ability to submit tenders at an appropriate price level. Failure to win tenders could adversely affect revenue and financial performance. Increased materials costs has negative effect on margins for some contracts, resulting in reduced profitability. Delays to projects due to shortage of materials could affect cashflow. Without long-term agreements for the supply of materials and there can be no guarantee that we will not be adversely affected by shortages or increased cost of materials which could lead to increased costs, delays in completing projects and reduced profitability.	Spreading the risk by purchasing materials from a number of external suppliers allowing greater control of the availability and price. Working on long-term agreements for supply of materials?
8. Contract performance and dispute Failure to manage our contracts to ensure that they are delivered on time and to budget.	Failure to achieve project objectives could lead to contract losses, delays, reputational damage and reduced repeat work. Unbudgeted expenses and delays could impact margins, affect cashflow, and potentially result in disputes with customers.	Ensuring understanding of all risks through the bid appraisal process and applying rigorous policies and processes to manage and monitor contract performance. Ensuring we have high-quality people delivering projects. Ensure high standard delivery with the 'Right First Time, Every Time' approach. Promoting collaborative workshops with customers to discuss design development and programming and raise early warnings as a mechanism throughout contracts. Month-by-month engagement until final account is agreed, reducing risk of disputes. Agreed set of KPIs and ongoing reviews, support visits from operations managers, along with client liaison, to proactively engage on any issues.
REGULATORY RISK		
9. Regulatory risk management Violations of laws, rules or regulations, or from non-compliance with internal policies or procedures or with the organisation/s business standards, including as a result of new laws or changes in legislation.	Losing the trust of our clients, suppliers and other stakeholders resulting in adverse effects on our ability to deliver against our strategy and business objectives. Increased costs of running the business to achieve compliance. Substantial damage to our brand and/or potential fines for compliance failure. Reduce the attractiveness of investment	Regular and thorough review of our systems, policies and relevant regulations to ensure compliance with obligations, including bi-annual legislation reviews. Frequent external regulatory audits to confirm processes and procedures are compliant. Constant communication and lessons learned feedback loop to ensure continual improvement. Maintain training programmes to ensure our people fully understand requirements. Operating and encouraging the use of anti-bribery and corruption and whistleblowing policies.
FINANCIAL RISK		
10. Financial Risk Civils projects risk: Exposure to civils projects consists mainly of movements in contract value, where variations are requested, and material costs. Liquidity risk: Ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash asset safely and profitably. Credit risk: Principal financial assets are trade debtors and cash. Principal credit risk arises from trade debtors and accrued income.	Failure to continue in business or to meet liabilities.	Contract values are kept under review by Directors, with work certified at each stage. Prices agreed in advance with suppliers for materials and variations. Short-term flexibility achieved by significant working capital facility. Short term cash flow forecasting is 3 months ahead on weekly basis. Facility is capped at £10m currently allowing us to draw down 50-90% immediately on all invoices raised. Directors review customer payment history, third party credit references, and keep up a constant dialogue with all key customers.

SECTION 172 & STAKEHOLDERS

Section 172 statement

How we engage with our stakeholders.

By understanding our stakeholders and listening to their views and feedback, we can factor into Board discussions the potential impact of our decisions on each stakeholder group and consider their needs and concerns.

It is the Board's priority to ensure that the Directors have acted both individually and collectively in the way they consider, in good faith, would promote the success of the Company for the benefit of its members as a whole in regard to the stakeholders and matters set out in Section 172 (1) (a-f) of the Companies Act 2006 in the decisions that they have taken during the year ended 30 September 2022.

In making this statement, the Directors, having regard for longer-term considerations of shareholders and the environment, have taken into account the following:

- The likely consequences of any decisions in the long term
- The interests of the Company's employees
- The need to foster the Company's business relationships with suppliers, customers and others
- The impact of the Company's operations on the community and the environment
- The desirability of the Company maintaining a reputation for high standards of business conduct
- The need to act fairly as between members of the Company.

Shareholder engagement events

DATE	EVENT
January 2022	Announcement of Intention to Float on AIM
January 2022	Schedule One released
February 2022	Admission to Trading and First Day of Dealings
February 2022	Investor Presentation
March 2022	FY2021 Final Results announced
April 2022	Announcement of expansion of Suction Excavator Fleet
May 2022	Annual General Meeting
June 2022	FY2022 Interim Results
August 2022	Announcement of Nuneaton Lease Agreement

The Board’s key decisions in the year are noted below:

Investment into plant and training academy

In our core Labour Supply business, our contract to supply labour to the High Speed Two (HS2) project kicked in at the start of the year, we decided to bolster our structure to accommodate the increase in manpower requirements and now have over 300 operatives on-site; we have grown our Specialist Plant Services business, acquiring more suction excavators to meet the strong demand we are experiencing, this will grow from 20 to 30 by March 2023; and our Civil Projects division has increased its portfolio of clients and expanded into exciting new verticals.

These key decisions required careful consideration of not just the opportunities but the challenges to the company, i.e. impact on existing projects already contracted for, management and staffing levels, working capital, and of course, all stakeholders. Such discussions started well before these decisions were made so plans were ready to implement.

In addition to this, we have started advancing new medium-term growth streams, delivering on our strategy to start monetising our digital tools such as the SEE Everything Portal and taking the initial steps to open a new training academy which will play a role in fixing the labour deficit that the construction industry faces, providing an even larger pool of skills for Hercules to place on clients sites and give the company a geographical base in the Midlands. These investments are in line with our strategic direction in terms of improved business performance and foundations for growth.

The desirability of the company maintaining a reputation for high standards of business conduct

The Directors consider it crucial that the Company maintains its reputation for high standards of business conduct. The Board is responsible for setting, monitoring and upholding the culture, values, standards, ethics, brand and reputation of the Company. Management drives the embedding of the desired culture throughout the organisation and its values of service, honesty, innovation, relationships and efficiency are driven throughout the heart of the business in everything it does, reflected in our policies and practices and how we deal with others. These values and standards guide decision making, the assessment of the consequences of those decisions, and promote success in the long term.

SECTION 172 & STAKEHOLDERS

OUR People

Why we have engaged?

Health and Safety
Engagement
People Development
Diversity

How have we engaged?

Annual performance appraisals and reviews, which include personal development review, are undertaken for all staff during the year

Annual Employee Survey is used to collate employee views and drive change

Regular Senior Manager site visits are conducted to understand the experience of on-site operational staff

SHEQ Committee meets quarterly to capture views and ideas from all areas of the business

Quarterly newsletters and bi-monthly SHEQ E-Bulletins are issued to keep employees well informed

Mental Health & Wellbeing initiatives and support, including our Hercules Helpline, Employee Assistance Programme, and awareness training

Flexible Working Policy was put in place

OUR Clients

Why we have engaged?

Maintain strong relationships
Client engagement
Quality and level of service
Innovative contract delivery
Generate further opportunities

How have we engaged?

Regular meetings are held between senior management and key clients to maintain and develop long-term relationships

Managers undertake regular site visits to manage quality and service levels on ongoing contracts

Customer Satisfaction Questionnaires are analysed to drive continual improvement

Our team worked collaboratively with our clients to develop innovative solutions to achieve project strategic goals and CSR targets

Early project engagement to support planning

OUR Shareholders

Why we have engaged?

Company performance
Strategic objectives
Corporate governance
ESG performance

How have we engaged?

Presentation of interim and final results, as well as other significant events, are held via our website Investor Page as well as investor events and publications

Regular trading updates, including updates for significant events, are made throughout the year

The Annual General Meeting provides an opportunity for shareholders to meet with the Board and ask questions

OUR Suppliers

Why we have engaged?

Continuity of supply
Strong supplier relationships
Financial stability

How have we engaged?

Regular review meetings are held between senior management and key suppliers to discuss relevant topics, such as pricing, supply continuity and service levels

Hercules' funding structure and balance sheet strength are kept under constant review to ensure suppliers are paid in accordance with agreed terms and to ensure sufficient working capital management throughout the supply chain

OUR Communities

Why we have engaged?

Contribution to the community
Sustainability
Provide local employment opportunities

How have we engaged?

An apprenticeship scheme is embedded within the organisation with an aim to have 5% of our total staff employed as graduates, apprentices or trainees

Hercules aims to recruit locally, retain a skilled local workforce and build relationships with local community organisations

Support local charities each year through fundraising, physical legacy, and volunteering

Employees engage in various community events including tree planting, food bank volunteering and through our volunteering scheme

OUR Regulatory Bodies

Why we have engaged?

Compliance with laws and regulations
Appropriate corporate governance

How have we engaged?

Clear and effective policies are in place to help prevent wrongdoing, including whistle-blowing, bribery and corruption, ethical business practice, modern slavery, with training provided where appropriate

Hercules adopts the QCA Code and operates policies to ensure compliance with the code

Hercules is a member of several relevant sector associations, including the Supply Chain Sustainability School, RHA and CPA, which provide forums to understand changes in relevant legislation and standards

GOVERNANCE

CORPORATE GOVERNANCE POST LISTING

The Board recognises the importance of good corporate governance post IPO in order to protect and build upon the substantial investments made by our shareholder base. We have chosen to apply the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), which was developed by the QCA in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

Given the relatively small size of the company at present, and the extensive controls already in place, the company currently has no financial internal audit function, but the need for such a function will be reviewed each year by the audit committee. The external auditors would be expected to comment on any such controls it felt could be improved or instigated.

An explanation of how these principles have been applied is set out both below and in the Directors' remuneration and Audit Committee sections of this report.

Certain information required under the QCA code is included within the Strategic report and the Directors Remuneration Report.

Name	Date Appointed	Role	Committee
Henry Pitman	04/02/2022	Non-Executive Chairman	Nomination, Audit
Brusk Korkmaz	30/08/2008	CEO	-
Paul Wheatcroft	02/03/2020	CFO/Co sec	-
Robin Stevens	04/02/2022	Non-Executive Director	Remuneration, Audit
Richard Kilner	04/02/2022	Non-Executive Director	Remuneration, Audit
Ahmet Iplikci	04/02/2022	Non-Executive Director	Remuneration, Nomination
Paul Field	02/03/2020	Director, resigned 04/02/2022	-
Nicola Dowton	02/03/2020	Director, resigned 04/02/2022	-

BOARD OF DIRECTORS

Henry John Pitman, *Non-Executive Chairman*

Henry Pitman has 30 years' experience of building businesses in the UK and Africa. He is the current Executive Chairman of OPTIMISM Health Group and co-founder of African Century Group, an African investment group. Previously, he was founder and CEO at Tribal Group plc and a Non-Executive Director at Grainger plc. Mr Pitman took Tribal Group plc from a start-up to a business with over £200 million of revenues and 2,000 staff. During this time, Tribal Group plc made over 40 acquisitions. Henry currently chairs various company boards, and holds regular meetings with the Company's Nominated Adviser and an annual meeting with Auditors.

Brusk Kivilcim Korkmaz, *Chief Executive Officer*

Brusk Korkmaz has worked in the construction industry for 20 years. Prior to founding Hercules in 2008, he held positions with MJ Gleeson, Black and Veatch and Hochtief UK, gaining experience across a range of civil engineering projects and labour supply for various sectors, including highways, rail, water industry and utilities. He is a member of the Institute of Civil Engineers and holds a BEng Honours Degree from University College London. Brusk undertakes annual CPD updates and networks significantly in the sector.

Paul David Wheatcroft, *Chief Financial Officer*

Paul Wheatcroft has spent 25 years as a Finance Director working in a number of industry sectors including construction, building materials, energy, wholesale, manufacturing. He joined the Company in February 2020 and brings with him significant business experience in M&A, raising finance and financial management. Previously, Paul was Finance Director in three subsidiaries of Hanson PLC for over 13 years, and Group Finance Director of Ecotricity Group, a green energy company for eight years, responsible in all these roles for financial, legal, HR and IT matters. Paul is a Fellow of the Chartered Institute of Management Accountants, and undertakes CPD annually, including following how technology can make business more efficient.

Ahmet Iplikci, *Non-Executive Director*

Ahmet Iplikci is currently a strategic board member at Banco Finantia, a Portuguese bank, and a partner at Noctua Partners Europe Limited, a multi-family office with offices in Miami, New York and London. He also sits on the advisory boards of British Chamber of Commerce in Turkey, Fuel Ventures, an early-stage venture capital firm in the UK, and Privcorp Private Equity that invests in Emerging and Frontier markets. Ahmet was a Senior Adviser to the Turkish Prime Minister's Office Investment Agency from 2010 to 2014 and Senior Adviser to the Kazakh Invest National Company JSC from 2018 to 2020. To keep himself up to date with banking and relevant industry sectors Ahmet uses online resources like webinars, attends professional events, networks online, reads relevant white papers and case studies as well as following thought leaders on social media.

Richard Anthony Kilner, *Independent Non-Executive Director*

Richard Kilner is a chartered civil engineer and a member of the Institution of Civil Engineers. Educated in South Africa, he has a B.Sc. degree in civil engineering. He has held a number of senior positions in construction and private equity and also has specific experience of property development, business process outsourcing and healthcare. He was a partner at 3i Group plc where he was involved in significant investments in Asia, the USA and Europe. Richard also spent five years (including a year as acting Chairman) as a Non-Executive Director of University Hospitals of Leicester NHS Trust. Richard is currently Non- Executive Chairman of AIM-listed Nexus Infrastructure plc. Richard keeps up to date with regular reading together with twice yearly briefings from the Nomad and an annual discussion with Auditors.

Robin Stevens, *Independent Non-Executive Director*

Robin Stevens is a Chartered Accountant and is Head of Capital Markets at MHA MacIntyre Hudson LLP, the UK member firm of Baker Tilly International. He was formerly an audit and corporate finance partner, and Head of Capital Markets, of Crowe UK LLP, having held senior corporate finance and audit partner positions with Mazars LLP and MRI Moores Rowland LLP. Robin has had an extensive career in corporate finance including corporate advisory and reporting assignments, raising capital, management buyouts, capital reconstructions, and pre-flotation planning. He has also advised on acquisitions and disposals by public and private companies as well as many IPOs and secondary offerings in the UK and overseas. Robin is currently Non-Executive Chairman at AIM-listed Vector Capital plc ,Non-Executive Director of Standard Segment- listed Aura Renewable Acquisitions Plc and Non-Executive Director of Annica Holdings Limited, listed on the Catalist Market of the Singapore Stock Exchange. He also sits on the boards of a number of private companies and presents on capital markets and corporate finance issues to international audiences on a regular basis.

CORPORATE GOVERNANCE POST LISTING

Independence of Chairman and Chief Executive Officer

The roles of the Chairman, Henry Pitman, and the Chief Executive Officer, Brusk Korkmaz, have a formal division. The Chairman is responsible for overseeing the Board and ensuring no individual takes control of the Board's decision making and that all non-executive directors are fully briefed on matters and their responsibilities. The Chief Executive Officer has the responsibility of executing the strategy of the Board and running the day-to- day activities of the business.

Board Balance

A minimum of 50% of the Board will always consist of non-executive directors including the Chairman. All non- executive directors are independent of the management team and are not involved in any other business or relationship, both as an executive or non-executive, which may impair their independent nature and judgement.

Board meetings were held on:
25 March, 25 May, 19 July and 29 Sept, and were all fully attended.

Audit Committee meetings were held on:
23 March, 6 June, 29 Sept, and were all fully attended.

A Nomination Committee meeting was held on:
29 Sept and was fully attended.

Remuneration Committee meetings were held on:
19 July, 29 Sept, and were all fully attended.

Nomination Committee

The Company's nomination committee is responsible for reviewing and making proposals to the Board on the appointment of Directors and meets as necessary. The Company's nomination committee consists of Ahmet Iplikci as Chair, and Henry Pitman. Future meetings and succession planning has been discussed during the year.

Performance Evaluation and Re-election

The Board has continued to evaluate its effectiveness and performance during the year, taking into account the Financial Reporting Council's Guidance on Board Effectiveness. Director appraisals will be performed during 2022 to ensure that their performance is, and continues to be, effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role. The Directors will be evaluated internally based on their responsibilities to the Board. New Directors resign and stand for re-election at the Company's first AGM following their appointment. One-third of continuing Directors stand for re-election on an annual basis.

The Directors carry out continued professional development throughout the year where appropriate and each Director keeps up to date with market changes through the use of market articles and industry contacts.

Remuneration Committee

The Company's remuneration committee is responsible for the specific remuneration and incentive packages for each of the Company's executive directors, senior executives and managers. The Company's Remuneration Committee consists of Richard Kilner as Chair, Robin Stevens and Ahmet Iplikci. Further details of the Committee's remit are contained in the Directors' Remuneration Report on pages 19 to 20.

Relations with Shareholders

The Company encourages two-way communication with both its institutional and private investors and responds promptly to all queries received. The CEO and CFO communicate regularly with the Company's institutional shareholders and ensure that their views are communicated fully to the Board. The Board recognises the Company's AGM as an important opportunity to meet with the Company's private shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM. The Directors have also organised various events throughout the year (presentations, seminars, webinars) for existing and potential shareholders to gain a greater understanding of the Company's strategy.

Annual General Meeting

The Annual General Meeting of the Company provides shareholders with the opportunity to be updated on the Company's progress and to ask questions of the Board.

Financial Reporting and Internal Control

The Company has established policies covering the key areas of internal financial control and the appropriate procedures, controls, authority levels and reporting requirements which must be applied throughout the Company.

The key procedures that have been established in respect of internal financial control are:

- An annual budget set by the Board
- Monthly management accounts with comparisons to budget
- Two forecast updates per annum
- Quarterly cash flow forecasts
- Separation of creation and approval of online bank payments
- Monthly meetings of the Executive Directors and Senior Management to review priorities and issues
- Full Board meetings at least 6 times per year, but in the year ended 30 September 2022 there were only 4, as the AIM listing was obtained on 4 February 2022.

The above controls have been established to support the growth of the business and to protect against future risks.

Corporate Culture

It is the Board's view that the Company's corporate culture is consistent with its objectives, strategy and business model. The Board is aware that the culture set by the Board will greatly impact all aspects of the Company and the way that employees behave. The Board invites employees to provide feedback on their peers and management. Regular one-to-ones are held between managers to gather feedback and to review current performance against their objectives.

In terms of monitoring and promoting a healthy corporate culture we have a defined set of core values, place strong emphasis on employee wellness (mental and physical), and create clearly defined goals and KPIs in line with strategic company objectives. Our monthly employee recognition scheme rewards excellence at both office and site level. Hercules believes in the many benefits of a diverse workforce and our various working groups have broad representation where idea sharing is promoted. A golden thread which runs through the business is the FIR (Fairness, Inclusion, Respect) programme, ensuring that where possible we are Fair, Inclusive and treat others with Respect. Our policies on EDI (Equality, Diversity, Inclusion), FIR and Mental Health and Well-being are accessible via the Company website and are also presented to individuals joining the business during the on-boarding process.

Audit Committee

The Company's audit committee is responsible for ensuring the financial performance of the Company is properly monitored and reported on, and the effectiveness of accounting systems and financial reporting procedures. The Company's Audit Committee comprises Robin Stevens as Chair, Richard Kilner and Henry Pitman.

In relation to the annual report, the committee considers the company's accounting policy in respect of revenue recognition to be of key significance, as revenue is a material balance for the company and represents the largest balance in the Statement of Comprehensive income. Therefore revenue cut-off and accuracy of costs to complete (particularly for civil projects) are key audit matters for them to discuss and review.

The effectiveness of the external audit is assessed by the committee after discussions with all Directors and the Auditors either in Audit committee or other meetings.

The company currently has no policy on auditor rotation, the last tender from Mazars was for the year currently being reported. There are no plans currently to re-tender, but this could change should the circumstances require it to.

The Committee considers all proposals for non-audit services and ensures that these do not impact on the objectivity and independence of the auditor. The Audit Committee reviews, with the external auditor, the safeguards and procedures developed by the auditor to counter threats or perceived threats to their objectivity and independence. Non-audit services performed by the external auditor are assessed for threats to objectivity and independence on a case-by-case basis.

During the year both interim and full year results, as well as previous audit management points from the previous year audit were discussed with both the auditors and relevant Board members

On behalf of the Board

Henry Pitman
Chairman

12th January 2022

FINANCIAL

DIRECTORS' REMUNERATION REPORT

Remuneration Committee

The Remuneration Committee will review the performance of the Executive Directors, the chairman of the Board and the senior management of the Company and make recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. The Remuneration Committee will meet as and when necessary, but at least twice each year. In exercising this role, the Directors shall have regard to the recommendations put forward in the QCA Code and, where appropriate, the QCA Remuneration Committee Guide, shareholder views and associated guidance. The members of the Remuneration Committee shall include two Non-executive Directors. The Remuneration Committee comprises Richard Kilner as Chair, Robin Stevens and Ahmet Iplikci.

Remuneration of executive directors

Consistent with this policy, benefit packages awarded to executive directors comprise a mix of basic salary and performance-related remuneration that is designed as an incentive. The remuneration packages can comprise the following elements:

- Salary: the Remuneration Committee sets the base salaries to reflect responsibilities and the skills, knowledge and experience of the individual;
- Bonus scheme: the executive directors are eligible to receive a bonus dependent on both individual and Company performance as determined by the Remuneration Committee;
- Equity: share options; and
- Various other add on benefits such as company cars/car allowances, private medical insurance and life insurance.

The risk of losing key senior individuals is taken into account when setting and reviewing annually pay, bonus schemes and LTIP's.

The executive directors are engaged under separate contracts which require a notice period of six months given at any time by the individual. These Directors contracts were reviewed and changed in October 2021, before the AIM listing.

Remuneration of non-executive directors

The fees and equity awarded to non-executive directors are determined by the Board. The non-executive directors do not receive any other forms of benefit such as private medical insurance.

Year to 30 September 2022

Director	Salary and fees £	Bonus £	Pension £	Benefits £	Share based Payments £	Total £
B Korkmaz (Executive)	160,000	-	40,000	4861	-	204,861
P Wheatcroft (Executive)	135,000	27,000	13,500	6190	-	181,690
H Pitman (Non-executive)**	35,979	-	-	-	-	35,979
R Stevens (Non-executive)**	26,167	-	-	-	-	26,167
R Kilner (Non-executive)**	26,167	-	-	-	-	26,167
A Iplikci (Non-executive)**	26,167	-	-	-	-	26,167
N Dowton (Executive)*	36,667	-	13,333	-	-	50,000
P Field (Executive)*	36,667	7,333	3,667	3280	-	50,947
	483,312	34,333	70,500	14,331	-	602,477

The bonus payment made to Paul Wheatcroft was based on business performance, and Paul Fields bonus was based on a percentage of profit as his contractual terms pre admission to AIM. New contracts are now in place.

293,251 share options were issued to Paul Wheatcroft at the time of the IPO at placing price of 50.5p. The vesting date commences on 4 February 2027 and there is a two-year exercise period.

293,251 warrants were issued to Henry Pitman at the time of the IPO at the placing price of 50.5p, exercisable until 4 February 2025

Director	Salary and fees £	Bonus £	Pension £	Benefits £	Share based Payments £	Total £
B Korkmaz (Executive)	150,000	-	40,000	1,091	-	191,091
P Wheatcroft (Executive)	120,000	30,000	13,317	8,675	-	171,992
N Dowton (Executive)*	97,500	-	41,317	-	-	138,817
P Field (Executive)*	81,874	36,450	1,317	9,774	-	129,325
H Pitman (Non-executive)**	-	-	-	-	-	-
R Stevens (Non-executive)**	-	-	-	-	-	-
R Kilner (Non-executive)**	-	-	-	-	-	-
A Iplikci (Non-executive)**	-	-	-	-	-	-
	449,284	66,450	95,951	19.540	-	631,225

The bonus payment made to Paul Wheatcroft was based on specific objectives relating to fund raising, and Paul Fields bonus was based on a percentage of profit as his contractual terms pre admission to AIM. New contracts are now in place.

* Resigned 4 February 2022.

** Appointed 4 February 2022.

On behalf of the Board

Richard Kilner, Chairman of the Remuneration Committee

12th January 2022

DIRECTORS REPORT

The Directors are pleased to present the annual report and audited financial statements of Hercules Site Services PLC for the year ended 30 September 2022.

Dividends

The Directors recommend the payment of a final dividend of 1.12 pence per share for the year ended 30 September 2022, to be paid in March 2023. The Company's substantial shareholder, Hercules Real Estate Limited, has waived its right to receive this dividend. This follows the interim dividend of 0.6 pence per share paid in August 2022.

Research & Development

The company has invested in developing digital products for its own and for commercial use, as well as new technical approaches to piling utilising its suction excavators.

Substantial shareholdings

On 4 February 2022, Hercules Site Services PLC was admitted to the AIM market of the London Stock Exchange, Hercules Real Estate Ltd retaining circa 71.7% of shares in the Company.

Equality, Diversity & Inclusion Policy

It is the policy of Hercules Site Services to treat all employees, contractors, affected third parties and job applicants with fairness, inclusion and respect regardless of their gender, sexual orientation, marital status, race, colour, nationality, ethnicity or national origin, religion, age, disability or union membership status.

Full and fair consideration is given to the employment of disabled persons, having regard to their aptitudes and abilities and the responsibility and physical demands of the job. Disabled employees are provided with equal opportunities for training and career development.

We ensure that employees are recruited, developed, remunerated and promoted because of their skills and suitability for the work performed. Hercules Site Services is committed to creating a fully inclusive environment and, as Partners of the Supply Chain Sustainability School, we will actively promote the requirements associated with Fairness, Inclusion and Respect (FIR) and ensure we have significant numbers of FIR Ambassadors trained to monitor the requirements and support on-site teams and the wider industry.

Corporate Social Responsibilities

Our Corporate Social Responsibility (CSR) Team will regularly monitor and review this policy, relevant procedures and selection criteria to ensure that individuals are selected, promoted and otherwise treated according to their relevant individual abilities and merits. The CSR Team is responsible and accountable for the implementation of this policy and ensuring the policy is and continues to be fully effective.

Company processes shall be monitored and measured against KPIs to ensure EDI and FIR requirements and objectives are met. All employees have a duty to act in accordance with this policy, and therefore to treat colleagues with dignity at all times, and not to discriminate or harass other members of staff, whether junior or senior to them. This policy applies equally to the treatment of our visitors, clients, customers and suppliers, by our employees. In some situations, Hercules Site Services may be at risk of being held responsible for the acts of individual members of staff and will not therefore tolerate any discriminatory practices or behaviour.

Any act of discrimination by employees/contractors or any failure to comply with the terms of the policy will result in disciplinary action. The CSR and Quality Teams shall review this policy annually or following significant changes, prior to review and approval by the CEO.

Also, see S172 of the Strategic report.

Directors

The Directors, who held office during the year, were as follows:

B Korkmaz

P Wheatcroft

N Dowton (resigned 4 February 2022)

P Field (resigned 4 February 2022)

H Pitman (Non-executive) (appointed 4 February 2022)

R Stevens (Non-executive) (appointed 4 February 2022)

R Kilner (Non-executive). (appointed 4 February 2022)

A Iplikci (Non-executive) (appointed 4 February 2022)

The Company took out director and officers' liability insurance on admission to AIM on 4 February 2022.

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

Going concern

See notes to the accounts Page 58

Disclosure of information to auditor

Each of the persons who are directors at the time when this director's report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and if applicable to establish that the auditor is aware of it

Annual General Meeting

Notice of the forthcoming Annual General Meeting of the Company together with resolutions relating to the Company's ordinary business will be given to the members separately.

Reappointment of auditors

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Financial risk management objectives and policies

See Note 23.

Engagement with others

The Company prides itself on its strong values and culture and the creation of social, economic and environmental wellbeing is at our core, embedded in all of our processes and the way we work. We aim to generate benefits not only to the organisation, but also to society and the communities we work in. Our Social

Value Policy outlines our commitment towards maximising the social value we create on the projects we work on, in accordance with The Public Services (Social Value) Act 2012 and is supported by our Sustainable Procurement Strategy and Carbon Management Procedure.

We have a CSR Working Group, FIR Working Group, Mental Health Steering Group, Carbon Management Committee and Modern Slavery

Working Group that leads our social value and CSR initiatives across the organisation and coordinates the knowledge sharing, specialist support and inclusion of relevant third parties that increase the potential for enhancing our local community and the communities in close proximity to our projects. Our ability to effectively engage 'in-person' with our communities was hampered by the constraints of COVID-19. However, we adapted and took part in more engagements virtually, for example school engagements and careers events. We continue to nurture relationships with other organisations such as the Department of Work and Pensions (DWP) and engage workless individuals and educate them on the opportunities available in the construction industry. One notable success was the receipt of the Employer Recognition Scheme (ERS) Gold Award for our work with the Armed Forces community and veterans. We continue to work collaboratively with our clients and partners to make sure that our impacts are measurable with positive outcomes.

Pictured above: Joint food bank donation with Balfour Beatty A63 project in Hull

Pictured above: School careers event in attendance with Skanska

Post Balance Sheet events

The Board is pleased to propose a final dividend of 1.12 pence per share for the year ended 30 September 2022. Hercules Real Estate Limited, the Company's 71.7% shareholder, has again waived its entitlement to this payment. The dividend will be paid on 24 March 2023 to shareholders on the register at close of business on 23 February 2023. The shares will go ex-dividend on 24 February 2023.

Future developments

The Company has placed an order to further expand its fleet of suction excavators, which will reach 30 by the end of March 2023.

Approved by the Board on 12th January 2022 and signed on its behalf by:

Brusk Korkmaz, CEO

12th January 2022

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Hercules Site Services Plc (the 'company') for the year ended 30 September 2022 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2022 and of the company's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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, as applied to SME listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Our audit procedures to evaluate the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Evaluating the directors' method to assess the company's ability to continue as a going concern;
- Reviewing the directors' going concern assessment, which incorporated severe but plausible scenarios;
- Evaluating the key assumptions used and judgements applied by the directors in forming their conclusions on going concern; and
- Reviewing the appropriateness of the directors' disclosures in the financial statements.

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How our scope addressed this matter</th></tr>
<tr><td>Revenue recognition

The company's accounting policy in respect of revenue recognition is set out in the accounting policy notes on page 59. Revenue is a material balance for Hercules Site Services Plc and represents the largest balance in the Statement of Comprehensive income. An error in this balance could significantly affect users' interpretation of the financial statements. As a result, there is a risk of fraud or error in revenue recognition due to the potential to inappropriately record revenue in the wrong period. We therefore consider revenue cut-off and accuracy of costs to complete to be a key audit matter.</td><td>Our response

Our procedures over revenue recognition included, but were not limited to:
• Obtaining an understanding of the processes and controls over the recognition of revenue and performing walk-through procedures to validate those controls were appropriately designed and implemented; and
• In relation to Dayworks and Suction excavators – Substantively testing a sample of revenue transactions one month pre the year end and one month post the year end to ensure they were accounted for in the correct period.
• In relation to Priceworks – Substantively testing a sample of contracts to ensure that revenue recognised was in line with IFRS 15 at the inception of the contract and also where modifications have occurred. For contracts based on the output method, assessing whether the stage of completion based on application for payments was accurate and where the input method has been used, ensuring that costs have been allocated to the right contract and that costs to complete estimates are appropriate.
• Also, in relation to Priceworks - Reviewing post year end margins (look back procedure) to identify any significant variances in margins on Priceworks contracts.
• Inspecting material receipts pre and post year end to provide additional comfort that revenue around the year end was appropriately recognised in the correct period.'

Our observations
• Our work performed in relation to controls over the recognition of revenue confirmed that the controls in place were designed and implemented effectively. Based on our work performed on transactions around the year end, revenue was appropriately recognised in the correct period.</td></tr>
<tr><td>CIS ("Construction Industry Scheme") underpayment provision

A provision is included in these financial statements relating to the potential underpayment of National Insurance Contributions under the Construction Industry Scheme. There is a level of uncertainty in the quantum and timing of future payments related to this liability. The company has recently commenced the process of voluntary disclosure to HMRC but is yet to receive a substantive response. An amount of £304,951 has been recognised, refer to note 19 for further details on management's assumptions.</td><td>Our response

Our procedures over the CIS underpayment provision included, but were not limited to:
• An assessment of the voluntary disclosure, detailed review of the related calculations and investigation of any differences noted.
• Engaging our in-house employment tax experts to undertake procedures over the source data.
• Challenging the appropriateness of the position taken by management on key assumptions.
• Performing our own sensitivity analysis for the areas where judgement has been made by management.
• Understanding of the current position of the voluntary disclosure to HMRC by inspecting any correspondence.
• Confirming that post the voluntary disclosure, controls to comply with CIS legislation have been designed and implemented appropriately.

Our observations

Our work performed on the provision highlighted that, although a range of outcome may be possible, the position taken by management in relation to the assumptions and judgements used in the calculation of the provision are reasonable and therefore there is no indication that the provision is materially misstated.</td></tr>
</table>

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Company materiality

Overall materiality	£247,000
How we determined it	The overall materiality has been determined with reference to a benchmark of 0.5% of total revenues.
Rationale for benchmark applied	In our view, the above measure is the most relevant measure of underlying performance of the company due to the principal focus of the users of the financial statements being the growth in the company and therefore increases in revenue. The early stage of the company's life-cycle also means that the focus is achieving revenue growth and investing in its people and equipment to grow the company.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £185,000, which represents 75% of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £7,400 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the company, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In 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 or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company 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 set out on page 46, 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation and health and safety regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as: tax legislation, pension legislation and Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the cut-off assertion for dayworks and suction excavators revenue and accuracy and cut-off for priceworks revenue) and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

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

Use of the audit 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.

Jonathan Barnard (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
90 Victoria St
Bristol
BS1 6DP

12th January 2022

STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30 September	Year ended 30 September
		2022	**2021**
Continuing operations	**Note**	**£**	**£**
Revenue	6	49,549,487	32,754,468
Cost of sales		(39,770,374)	(26,066,999)
Gross Profit		9,779,113	6,687,469
Other operating income	7	-	217,195
Administrative expenses		(9,073,415)	(6,118,558)
Profit from operations	8	705,698	786,106
Fair value gains/(losses)	16	691	(38,116)
Finance income		4,634	27
Finance costs	12	(550,338)	(232,500)
Profit before tax expense		160,685	515,517
Tax credit/(charge) on profit	13	160,167	(571,720)
Net profit/(loss) for the year		320,852	(56,203)
Total comprehensive income/(loss) for the year		320,852	(56,203)
Earnings per share			
Basic	4	0.58p	(0.27p)
Diluted		N/A	N/A

Basic earnings per share above is based on the current par value of the Company's ordinary shares, each of which was subdivided from one share of £1 to 1,000 shares of 0.1p on 20 January 2022.

There are no further items of comprehensive income other than those shown above.

STATEMENT OF FINANCIAL POSITION

	Note	Year ended 30 September 2022 £	Year ended 30 September 2021 £
Non-current assets			
Property, plant and equipment	15	14,642,398	9,236,223
		14,642,398	9,236,223
Current assets			
Inventories		51,772	1,973
Trade and other receivables	17	17,906,957	8,292,227
Current tax receivable		82,891	82,890
Assets at fair value through profit or loss	16	-	271,450
Cash and cash equivalents		1,211,554	1,465,292
Total current assets		19,253,174	10,113,832
TOTAL ASSETS		33,895,572	19,350,055
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	24	58,650	50,000
Share premium		3,417,068	-
Share based payment reserve		39,774	-
Retained earnings		3,322,600	3,386,950
Total equity		6,838,092	3,436,950
Non-current liabilities			
Deferred tax liabilities	14	287,420	447,587
Lease liabilities	21	10,878,950	6,718,458
Total non-current liabilities		11,166,370	7,166,045
Current liabilities			
Trade and other payables	18	7,005,102	4,520,533
Provisions	19	304,951	259,537
Loans and borrowings	20	6,528,750	3,139,463
Lease liabilities	21	2,052,307	827,527
Total current liabilities		15,891,110	8,747,060
TOTAL LIABILITIES		27,057,480	15,913,105
TOTAL EQUITY AND LIABILITIES		33,895,572	19,350,055

Approved by the board and authorised for issue on 12th January 2022 and signed on its behalf by:

Brusk Korkmaz, CEO

12th January 2022

STATEMENT OF CHANGES IN EQUITY

	Share capital £	Share premium £	Share based payment reserve £	Retained earnings £	Total equity £
Balance at 1 October 2020	2	-	-	6,787,342	6,787,344
Loss for the year	-	-	-	(56,203)	(56,203)
Bonus issue of shares	49,998	-	-	(49,998)	-
Dividends paid	-	-	-	(3,294,191)	(3,294,191)
Balance at 30 September 2021	50,000	-	-	3,386,950	3,436,950
Profit for the year	-	-	-	320,852	320,852
Proceeds from issue of shares	8,650	4,359,704	-	-	4,389,704
Share issue costs	-	(942,636)	-	-	(942,636)
Share based payment	-	-	39,774	-	39,774
Dividends paid	-	-	-	(385,202)	(385,202)
Balance at 30 September 2022	58,650	3,417,068	39,774	3,322,600	6,838,092

Share premium represents the amount raised on the proceeds of share issues in excess of the par value of those shares , net of issue costs.

The share based payment reserve represents the accumulated entries to equity arising from the recognition of share-based payments in accordance with IFRS 2.

Retained earnings represent the accumulated profits and losses of the Company, less distributions and similar items, since its incorporation.

Dividends of £385,202 were paid during the year in 2 instalments, a full dividend for the year ended 30 September 2021 of £284,715, 1.7p per share (FY 2020, Nil), and an interim dividend for the year ended 30 September 2022 of £100,487, 0.6p per share (interim 2021 Nil).

STATEMENT OF CASH FLOWS

	Note	Year ended 30 September 2022 £	Year ended 30 September 2021 £
Cash flows from operating activities:			
Profit/(loss) after taxation		320,852	(56,203)
Taxation charge	13	(160,167)	571,720
Finance income		(4,634)	(27)
Finance costs	12	550,338	232,500
Fair value movements(gain) /loss	16	(691)	38,116
Share based payment charge		39,774	-
Depreciation of property plant and equipment	15	1,034,071	724,844
Loss/(Profit) on disposal of property, plant and equipment		21,218	11,297
(Increase)/decrease in inventories		(49,799)	3,625
Increase in trade and other receivables		(9,614,731)	(2,981,835)
Increase/(decrease) in trade and other payables and provisions		2,529,984	(116,529)
Cash generated from operations		(5,333,785)	(1,572,492)
Tax paid		-	(28,688)
Net cash used in from operating activities		(5,333,785)	(1,601,180)
Cash flows from investing activities:			
Purchase of tangible assets	15	(228,184)	(358,146)
Proceeds from disposal of tangible assets		240,755	20,001
Proceeds from disposal of other assets	16	272,141	-
Interest received		4,634	27
Net cash generated from/(used in) investing activities		289,346	(338,118)
Cash flows from financing activities:			
Payment of lease liabilities	21	(1,406,611)	(1,282,403)
Interest paid		(232,491)	(123,383)
Bank loan advances		3,389,287	2,794,824
Dividends paid		(385,202)	-
Net proceeds of share issues		3,425,718	-
Net cash from financing activities		4,790,701	1,389,038
Net decrease in cash and cash equivalents		(253,738)	(550,260)
Cash and cash equivalents at start of year		1,465,292	2,015,552
Cash and cash equivalents at end of year		1,211,554	1,465,292

NOTES TO THE FINANCIAL STATEMENTS

Net debt

	At 30 September 2021	Cash flow	Non-cash movement	At 30 September 2022
Cash and cash equivalents				
Cash	1,465,292	(253,738)	-	1,211,554
Debt				
Bank loans	(3,139,463)	(3,389,287)	-	(6,528,750)
Lease liabilities	(7,545,985)	1,406,611	(6,791,883)	(12,931,257)
	(10,685,448)	(1,982,676)	(6,791,883)	(19,460,007)
Net debt	(9,220,156)	(2,236,414)	(6,791,883)	(18,248,453)

Non-cash movements represent new liabilities recognised under IFRS 16 in respect of leases.

1 General Information

The Company is a public company limited by share capital incorporated and domiciled in England and Wales. The principal activity of the Company is that of general construction and civil engineering.

The address of its registered office and principal place of business is:

Hercules Court
Lakeside Business Park
South Cerney
Cirencester
GL7 5XL

The immediate and ultimate parent undertaking of the Company is Hercules Real Estate Limited, the financial statements of which can be obtained from the above address.

2 Summary of significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with UK-adopted international accounting standards and applicable law.

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

The financial statements have been prepared on the following basis:

- The financial information for the Company for the years ended 30 September 2021 and 30 September 2022;
- Using the historical cost convention except for, where disclosed in the accounting policies, certain items shown at fair value.

The financial statements are presented in Pounds Sterling, being the functional currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. These are disclosed in note 3.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. These are disclosed in note 3.

Changes in accounting policy and disclosures

(a) *New and amended accounting standards*

New Standards applicable for the year were as follows:

- Interest Rate Benchmark Reform – Phase 2 (1 January 2021)
- Amendment to IFRS 16 : Covid-19 Related Rent Concessions beyond 30 June 2021 (1 April 2021)

Neither of these Standards had a material impact on the Company's results for the year.

(b) *Future standards*

At the date of authorisation of the financial statements, the Company has not early adopted the following amendments to Standards and Interpretations that have been issued but are not yet effective:

- Amendments to IAS 1 : Classification of Liabilities as Current or Non-Current (1 January 2023)
- Amendments to IFRS 3 : Reference to the Conceptual Framework (1 January 2022)
- Amendments to IAS 16 : Proceeds before Intended Use (1 January 2022)
- Amendments to IAS 37 : Onerous Contracts – Cost of Fulfilling a Contract (1 January 2022)
- Annual Improvements to IFRS Standards 2018-2020 (1 January 2022)
- Amendments to IFRS 17 (1 January 2023)
- Amendments to IAS 1 and IFRS Practice Statement 2 : Disclosure of Accounting Policies (1 January 2023)
- Amendments to IAS 8 : Definition of Accounting Estimates (1 January 2023)
- Amendments to IAS 12 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction (1 January 2023)
- Amendments to IAS 1 : Classification of liabilities as current or non-current (1 January 2024)
- Amendments to IFRS 16 : Lease Liability in a Sale and Leaseback (1 January 2024)
- Amendments to IAS 1 : Non-current Liabilities with Covenants (1 January 2024)

These Standards and amendments are effective from accounting periods beginning on or after the dates shown above. The directors do not expect any material impact as a result of adopting the standards and amendments listed above in the financial year they become effective.

Going concern

The directors have prepared forecast information. The financial information has been prepared assuming the Company will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management has considered the Company's existing working capital and management are of the opinion that the Company has adequate resources to undertake its planned programme of activities for a period of at least 12 months from the date of approval of these financial statements . The Company's working capital facility is currently capped at £10m (but the directors believe could be extended if required), and is on a 3 month notice period on either side. The facility operates well and a good relationship exists between the Company and the provider, therefore the Directors do not believe the facility will be terminated within the going concern assessment period. However the facility will be kept under review as other offerings appear in the market.

The directors have taken a view of the Company as a whole over the 12 months January 2023 to January 2024. Assessments have been made of revenue streams from key contracts, growth in a number of areas, overheads, cash levels, cash facilities where required, tax projections etc. A further scenario test with lower sales, margins, and worse debt collection days has been undertaken, without reducing planned headcount increases, and sufficient (but reduced) cash levels are forecast in the 12 months ahead.

The Company increased its turnover by 51% in the year, and exceeded its forecast turnover and EBITDA (before extraordinary items).

The Company is one of six labour suppliers selected for the Northern Section of HS2, which is currently the largest construction project in Europe. This will continue to underpin and grow turnover over the next few years. In addition, the Company raised funds to purchase another seven suction excavators, which further boosted turnover. Civil projects are expected to be similarly busy, due to the requirements of AMP7 being squeezed into three years rather than five.

Admission to AIM on 4 February 2022 raised circa £2.7m (net) to aid working capital, and together with external asset funding, further expand the suction excavator fleet and provide minibuses to aid transport of operatives to the eight HS2 Northern section locations. Based on the current status, the Directors have a reasonable expectation that the Company will be able to execute its plans in the medium term such that the Company will have adequate resources to continue in operational existence for the foreseeable future. This provides the Directors with assurance on the Company's ability to continue as a going concern, and therefore adopt the going concern basis of accounting in preparing the annual financial statements.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions. The Company operates from one location but, in the Directors' opinion, has four reportable segments: Labour supply, civil projects, the hire of suction excavators and other activities.

Revenue

Revenue arises from the provision of construction and civil engineering services under fixed price contracts, as well as the hire of suction excavators under hire contracts. Contract duration can vary and can range from the supply of labour only to the provision of fully managed construction and engineering projects. Where variations are requested, prices are agreed as soon as practically possible. Variations are exactly that – changes or additions to initial requests. Discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties are rarely encountered, but if any of them are, they are not material.

To determine whether to recognise revenue, the Company follows the 5-step process as set out within IFRS 15:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Certain fixed price contracts span more than one accounting period and can have a duration of more than one year. The Company's accounting policies for these projects require revenue and costs to be allocated to individual accounting periods and the consequent recognition at period-end of contract assets or liabilities for projects still in progress. Management apply judgement in estimating the total revenue and total costs expected on each project. Such estimates are revised as a project progresses to reflect the current status of the project and the latest information available to management. The project teams regularly review contract progress to ensure the latest estimates are appropriate. The carrying amounts of contract assets and liabilities are stated in Note 17.

The key judgements and policies in respect of revenue from the Company's various activities are described further below.

Labour Supply

This represents the provision of labour to customers. The amount of revenue is based on agreed contractual hourly rates with customers. The customer simultaneously receives and consumes the benefits provided by the Company's performance under these contracts and the performance obligation (being the provision of labour) is therefore satisfied over time. In the majority of cases, the Company invoices customers monthly in arrears for the hours of labour supplied during that month. Amounts invoiced but unpaid at the balance sheet date are included within trade receivables.

In some cases, the monthly invoice will not correspond with a calendar month, and the Company is therefore required to include an amount within contract assets in the Statement of Financial Position, for revenue relating to periods for which labour has been provided but not yet invoiced.

Civil Projects

This represents work performed under contracts with customers to undertake construction and/or civil engineering works. These contracts contain a number of individually identified services. However, the directors consider that the services being provided are highly interdependent and interrelated and therefore should not be considered to be separate performance obligations under IFRS 15. Furthermore, the services provided by the Company either enhance an asset that the customer controls and/or do not create an asset with alternative use to the Company and there is an enforceable right to payment for performance completed to date. The Company therefore considers the delivery under these contracts to be a single performance obligation that is satisfied over time.

Each contract has its own assessed view. If for instance a variation has been agreed in principle but not fully signed off pending provision of all costed substantiation a balanced view of revenue is then taken in the accounts. Also this is often backed up by the Clients QS certifying an interim on account contribution in the meantime. Where variations are more complicated such as delay and disruption claims, as opposed to measuring drawing revisions, a more pessimistic view is taken. Where variations have been consolidated and formalised (signed off) these are fully accounted for.

Under these contracts, the Company produces a monthly 'application' to the customer detailing the work performed to date and requesting payment accordingly. Within a period of one to two months (in the majority of cases) the customer will confirm agreement to the 'application' and remit the necessary funds to the Company. Historically, the Company's experience is that instances of customers materially disagreeing with the 'application' are rare and that this is therefore a reliable method by which to recognise revenue earned ("output method"). There have been no new 'output' method projects started since March 2021, and internal valuations made under this method in the year ending 30 September 2022 would not change the position in any material way.

At the balance sheet date, the Company includes a balance in receivables for the amount of revenue receivable on contracts based on the work performed. The Company used the output method for all projects still in operation at the end of March 2021 (until those projects are completed), but all new projects since then use the input method, based on costs incurred to date, to estimate the amount of revenue earned and includes an amount in contract assets within receivables. The input method is based on costs incurred at the balance sheet date compared to expected costs to be incurred throughout the life of the contract.

Suction excavators

Revenue from the provision of suction excavators services is recognised in line with the income received over time under the relevant contracts/sale agreements. Labour & material costs are recognised as they occur.

Other

Revenue from the sale of software products is recognised at a point in time, being when the software is delivered to the end customer. Likewise, the revenue from the sale of vehicle investments is recognised, at a point in time, when the investment vehicle is delivered to the end customer.

Other operating income - Government grants

Government grants relate to amounts receivable under the Construction Industry Training Board scheme. Grants are recognised in the income statement on a systematic basis over the periods in which the entity recognises the related expenditure for which the grant is intended to compensate.

Taxation

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

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

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits available to the Company. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amounts of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Deferred tax assets and liabilities are only offset against each other when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on either (a) the same taxable entity, or (b) different taxable entities which intend to settle these on a net basis, or to realise the assets and settle the liabilities simultaneously. In the Company's accounts all taxes are levied by H M Revenue and Customs. Management review the offset of deferred tax assets and liabilities to ensure such an offset is appropriate.

Research and Development tax claims

Where the Company has made Research and Development tax claims under the Small and Medium Enterprise scheme and tax losses have been surrendered for a repayable tax credit, a current tax credit is reflected in the income statement based on the best estimate of the submission to be made in relation to that financial year.

Property, Plant and Equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in its acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	10% reducing balance
Fixtures, fittings and equipment	20% reducing balance
Right-of-use assets	Straight line over the term of the lease or the asset's useful life if shorter

Impairment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately independent cash inflows (CGU). Those intangible assets including goodwill are tested for impairment at least annually. All other individual assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment charge is recognised for the amount by which the asset's or CGUs carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Financial instruments

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the underlying contractual arrangement. Financial instruments are recognised on the date when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value. Financial instruments cease to be recognised at the date when the Company ceases to be party to the contractual provisions of the instrument.

Financial assets are included on the balance sheet as trade and other receivables or cash and cash equivalents. Financial liabilities include borrowings, trade payables and accruals.

(a) Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are recognised initially at the amount of consideration that is unconditional. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established based on the expected credit loss. The Group applies the IFRS 9 simplified approach to measure expected credit losses that uses a lifetime expected loss allowance for all trade receivables, which are grouped based on shared credit risk characteristics and the days past due. The amount of the provision is recognised in the balance sheet within trade receivables. Movements in the provision are recognised in the profit and loss account in administrative expenses. Any change in their value through impairment or reversal of impairment is recognised in the income statement. Default is defined as non-payment- there is no specific write off policy, but disputes are settled by discussion as is common in the industry.

(b) Borrowings

All borrowings are initially recorded at fair value. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Trade payables

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

Trade payables are recognised initially at fair value and all are repayable within one year and hence are included at the undiscounted amount of cash expected to be paid.

(d) Contract assets

A contract asset is recognised within receivables where the Company has earned the right to revenue through performance under contracts. Contract assets are also potentially subject to credit losses and are therefore subject to a provision for expected credit losses in the same way as trade receivables as described above.

Assets at fair value through profit or loss

The Company owned a number of gold bars which were held for the purposes of their potential appreciation in value. These were therefore accounted for as an asset at fair value through profit or loss. This was considered a Level 1 fair value asset as the value is determined by reference to readily available market information, with the movement in fair value in each accounting period being accounted for through the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that have a maturity date of 3 months or less, are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Leases

The Company as lessee Short term leases or leases of low value are recognised as an expense on a straight-line basis over the term of the lease.

The Company recognises right-of-use assets under lease agreements in which it is the lessee. The underlying assets comprise property, plant and machinery and motor vehicles, and are used in the normal course of business. The right-of-use assets comprise the initial measurement of the corresponding lease liability payments made at or before the commencement day as well as any initial direct costs and an estimate of costs to be incurred in dismantling the asset. Lease incentives are deducted from the cost of the right-of-use asset. The corresponding lease liability is included in the statement of financial position as a lease liability.

The right-of-use asset is depreciated on a straight line basis over shorter of the asset's useful life and the lease term and if necessary impaired in accordance with applicable standards. The lease liability shall initially be measured at the present value of the lease payments that are not paid at that date, discounted using the rate implicit in the lease or, where this cannot be determined, the Company's incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (application of the effective interest method) and by reducing the carrying amount to reflect the lease payments made. No lease modification or reassessment changes have been made during the reporting period from changes in any lease terms or rent charges.

Share capital

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

Defined contribution pension obligation

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

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

Share-based payment

The Company applies IFRS 2 to share-based payments. The Company operates a share-based payment compensation plan, under which the entity grants key employees the option to purchase shares in the Company at a specified price maintained for a certain duration. The Company has also issued warrants to certain key suppliers with similar characteristics which are accounted for in the same way as the options.

The fair value of the services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each financial period, the Group revises its estimates

of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Consolidated Statement of Comprehensive Income, with a corresponding adjustment to equity. When the options are exercised, and the Group issues new shares to meet that obligation, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the Financial statements are described below.

Key judgements

Lease discount rate

IFRS 16 requires the carrying value lease liabilities and the corresponding right of use assets to be calculated using the net present value of future lease payments. This calculation inherently requires a discount rate to be applied, which requires judgement. The Directors have used the Company's incremental borrowing rate for property leases where the rate implicit in the lease cannot be determined. The incremental borrowing rate applied is based on the interest rate applied to the bank loan disclosed in note 20.

Key sources of estimation uncertainty

Revenue recognition (Civil projects)

Certain fixed price contracts span more than one accounting period and can have a duration of more than one year. The Company's accounting policies for these projects require revenue and costs to be allocated to individual accounting periods and the consequent recognition at period-end of contract assets or liabilities for projects still in progress. Management apply judgement in estimating the total costs expected on each project. Such estimates are revised as a project progresses to reflect the current status of the project and the latest information available to management. The project teams regularly review contract progress to ensure the latest estimates are appropriate. Further information is disclosed in note 2 under 'Revenue' and the carrying amounts of contract assets are stated in Note 6.

Provision

As disclosed in note 19, a provision is included in this Financial statements relating to the potential underpayment of National Insurance Contributions under the Construction Industry Scheme. There is a level of uncertainty in the quantum and timing of future payments related to this liability. Further information is included in note 19.

Listing and fundraising costs.

Incremental costs that are directly attributable to issuing new shares have been deducted from the share premium account, whilst costs that relate to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares have been expensed. The Company has allocated costs that relate to both share issuance and listing on a rational and consistent basis which requires judgement. These costs have been allocated on the basis of 75% to the P&L and 25% to the share premium.

4 Earnings per share

	Year ended 30 September	
	2022	**2021**
Basic	**£**	**£**
Earnings used in calculation of earnings per share:		
Total profits/(losses) attributable to equity holders	320,852	(56,203)
Weighted average number of shares in issue	55,640,408	21,097,000
Earnings/(loss) per share		
On total profits attributable to equity holders	0.58p	(0.27p)

The Company has share options and warrants in issue as disclosed in note 25. However, the average share price during the period since issue was lower than the exercise price, therefore the potential shares arising are not dilutive.

Earnings per share for the year ended 30 September 2021 above have been restated to reflect the revised par value of the shares following a sub-division on 20 January 2022. Each £1 share was converted to 1,000 ordinary shares of 0.1p each.

5 Segmental reporting

The Company's management have identified four operating segments: labour supply, civil projects, suction excavator services; and other services. The segments are monitored by the Company's chief operating decision maker and strategic decisions are made based on the segments' operating results.

In total, at 30 September 2022 suction excavators accounted for £6,040,600 (2021 : £3,339,920) of right-of-use assets, and £5,364,237 (2021 : £2,896,058) of lease liabilities. All other assets and liabilities relate to construction services.

Segment information for the year ended 30 September 2022 is as follows:

	Labour Supply	Civil Projects	Suction excavator Services	Other	Total
	£	£	£	£	£
Revenue (all from external customers)	33,250,617	12,370,937	3,645,934	281,999	49,549,487
Cost of sales	(27,719,436)	(10,355,715)	(1,517,541)	(177,682)	(39,770,374)
Gross profit	5,531,181	2,015,222	2,128,393	104,317	9,779,113
Administrative expenses	(1,284,275)	(810,482)	(1,085,008)	0	(3,179,765)
Operating profit from segments	4,246,906	1,204,739	1,043,385	104,317	6,599,348
Administrative expenses not attributable to segments					(5,893,650)
Profit from operations					705,698
Fair value gains					691
Finance income					4634
Finance costs					(550,338)
Profit before tax					160,685

Other services include digital product revenue, and vehicle investment sales.

Segment information for the year ended 30 September 2021 is as follows:

	Labour Supply	Civil Projects	Suction excavator Services	Other	Total
	£	£	£	£	£
Revenue (all from external customers)	22,890,070	7,696,102	2,168,296	0	32,754,468
Cost of sales	(18,583,114)	(6,696,798)	(787,087)		(26,066,999)
Gross profit	4,306,956	999,304	1,381,209	0	6,687,469
Administrative expenses	(615,972)	(483,355)	(422,711)	0	(1,522,038)
Other Operating Income	217,195	0	0	0	217,195
Operating profit from segments	3,908,179	515,949	958,498	0	5,382,626
Administrative expenses not attributable to segments					(4,596,520)
Profit from operations					786,106
Fair value gains/(losses)					(38,116)
Finance income					27
Finance costs					(232,500)
Profit before tax					515,517

6 Revenue

The total turnover of the Company has been derived from activities wholly undertaken in the United Kingdom, being the provision of service through supply of labour and the operation of construction and engineering contracts, the hire of suction excavators and other services.

The Company's revenue from each activity is shown below and is all derived in the United Kingdom.

	Year ended 30 September 2022	Year ended 30 September 2021
	£	£
Labour Supply	33,250,617	22,890,070
Civil projects	12,370,937	7,696,102
Suction excavator services	3,645,934	2,168,296
Other	281,999	-
	49,549,487	**32,754,468**

Other than suction excavator and other services, the Company derives its income from two main activities, both of which are linked to the principal activity of the delivery of construction and civil engineering services, being the provision of labour and services provided under construction and/or civil engineering contracts. These are referred to internally as 'labour supply' and 'civil projects' respectively.

Significant customers

In the year ended 30 September 2022 one customer represented 17% (£8,437,682) of revenue (2021 one customer 25% £7,601,708), and another customer represented 11% (£5,404,125) of revenue (2021 one customer 16% £5,119,878). These customers were primarily labour supply customers. No other customers represented more than 10% of revenue in either year.

Contracts with customers

The Company has contract assets relating to revenue earned from the supply of labour and construction services. Due to the nature of this revenue, balances defined as contract assets will vary and depend on the number, timing and nature of the contracts in progress at the balance sheet date. The relevant balances are shown as contract assets in note 17. The increase in contract assets compared to the prior year represents the increased level of activity at the year end.

Revenue from contract assets

Revenue in the year relating to previously recognised contract assets was £3,362,862 (2021 : £2,168,062)

Contract balances

The nature of the Company's revenue recognition is such that the only contract balances arising relate to accrued income, which is shown as a contract asset. The balance at 30 September 2022 was £6,739,637 (2021 : £3,362,862).

Significant changes in contract assets

The Company has many contracts for services and underway at any point in time, and these are a mix of large and small contracts, generally with monthly invoicing. The level of contract assets therefore fluctuates depending on the mix of contracts and the stage of contract completion at the balance sheet date by reference to costs incurred to date.

7 Other operating income

Other operating income arises mainly from the receipt of government grants. Since this is not considered to be part of the main revenue generating activities, the Company presents this income separately from revenue.

	Year ended 30 September 2022	Year ended 30 September 2021
	£	£
Construction Industry Training Board grants	-	164,631
Coronavirus Job Retention Scheme grants	-	52,564
	-	**217,195**

There are no unfulfilled conditions or other contingencies attaching to these grants. The Company did not benefit directly from any other forms of government assistance.

8 Profit from operations

Operating profit is stated in the income statement after charging:

	Year ended 30 September 2022	Year ended 30 September 2021
	£	£
Depreciation – owned assets	146,472	126,280
Deprecation – right-of-use assets	887,599	598,564
Loss on disposal of fixed assets	21,218	11,297
Research and development costs	36,555	17,505
	-	

9 Auditors' remuneration

No non-audit services have been provided since the listing was completed.

	Year ended 30 September 2022	Year ended 30 September 2021
	£	£
For audit of the financial statements	66,340	62,000
Non-audit services :		
Review of interim financial information	-	15,000

10 Staff costs

The aggregate employee benefit expenses were as follows:

	Year ended 30 September 2022	Year ended 30 September 2021
	£	£
Wages and salaries	13,375,145	7,183,515
Social security costs	1,506,878	787,729
Pension costs	265,586	178,891
	15,147,609	**8,150,135**

The average monthly number of employees during the year was as follows:

	Year ended 30 September 2022	Year ended 30 September 2021
	£	£
Site based operatives	212	99
Administrative and Managerial	63	54
	275	**153**

11 Directors' remuneration

Key management of the Company are the members of the board of directors. Key management personnel remuneration includes the following expenses:

	Year ended 30 September 2022	Year ended 30 September 2021
	£	£
Salaries	517,646	515,734
Benefits	14,331	19,540
Pension contributions	70,500	95,951
	602,477	**631,225**

During the year retirement benefits were accruing to 4 directors (2021: 3) in respect of defined contribution pension schemes.

Amounts paid to the highest paid director were as follows:

	Year ended 30 September 2022	Year ended 30 September 2021
	£	£
Salary and benefits	164,861	151,091
Pension contributions	40,000	40,000
	204,861	**191,091**

12 Finance costs

	Year ended 30 September 2022 £	Year ended 30 September 2021 £
Lease finance costs	317,847	215,278
Interest on loans measured at amortised cost	230,552	3,676
Other interest	1,939	13,546
	550,338	**232,500**

13 Income taxes

	Year ended 30 September 2022 £	Year ended 30 September 2021 £
Current tax:	-	-
UK corporation tax	-	-
Adjustments to prior periods	-	-
Total current tax charge	**-**	**-**
	-	**-**

	Year ended 30 September 2022 £	Year ended 30 September 2021 £
Deferred tax:	-	-
Origination and reversal of timing differences	(114,925)	(1,584)
Adjustments in respect of prior periods	(45,242)	465,503
Effect of tax rate change on opening balance	-	107,801
	(160,167)	571,720
Tax on profit on ordinary activities	(160,167)	571,720

Tax on loss on ordinary activities for the year is lower than the standard rate of corporate tax in the UK of 19%, (2021: 19%).

The differences are reconciled below:

Continuing operations	**Year ended 30 September**	
	2022	**2021**
	£	**£**
Profit on ordinary activities before taxation	160,685	515,517
Tax at the UK rate of 19% (2021: 19%)	30,530	97,948
Effect of:		
Expenses not deductible for tax purposes	112,796	68,819
Fixed asset differences	(230,669)	(163,193)
Adjustments in respect of prior periods	(45,242)	465,503
Remeasurement of deferred tax for change in tax rates	(27,582)	107,801
Other differences affecting tax charge	-	(5,158)
Total tax charge	(160,167)	571,720

At 30 September 2020, the Company anticipated that it would be making a Research and Development tax claim that would lead to an increased level of tax losses being available. The relevant claim has not yet been submitted and the directors do not consider there was sufficient certainty at 30 September 2021 to be able to continue to recognise the corresponding deferred tax asset. As a result, the deferred tax charge in the year ended 30 September 2021 includes an amount of £465,503 relating to the reversal of the previously recognised asset.

14 Deferred tax

Deferred tax balances are analysed as follows:

Deferred tax balances before offset	**30 September 2022**	**30 September 2021**
	£	**£**
Deferred tax liability	(1,998,219)	(1,093,676)
Deferred tax asset	1,710,799	646,089
Total deferred tax liability	(287,420)	(447,587)

Deferred tax balances after offset	**30 September 2022**	**30 September 2021**
	£	**£**
Deferred tax asset	-	-
Deferred tax liability	(287,420)	(447,587)
Total deferred tax liability	(287,420)	(447,587)

The amounts reflect the differences between the carrying and tax amounts of the following balance sheet headings as at each year end.

Credits/(charges) during each year are as follows:

	Tax losses	Short term temporary differences	Fixed asset temporary differences	Total
	£	£	£	£
At 1 October 2020 – asset/(liability)	465,503	2,932	(344,302)	124,133
Tax credit/(charge) in respect of current year	180,443	(2,789)	(749,374)	(571,720)
At 30 September 2021 – asset/(liability)	645,946	143	(1,093,676)	(447,587)
Tax credit/(charge) in respect of current year	1,063,412	1,298	(904,543)	160,167
At 30 September 2022 – asset/(liability)	1,709,358	1,441	(1,998,219)	(287,420)

In May 2021 an increase in the main corporation tax rate to 25% was enacted, and has been applied to the deferred tax provisions and assets shown above.

15 Property, Plant and Equipment

	Tax losses	Short term temporary differences	Fixed asset temporary differences	Total
	£	£	£	£
Cost				
At 1 October 2020	1,071,740	393,059	6,110,998	7,575,797
Additions	325,007	33,139	3,020,493	3,378,639
Disposals	(49,245)	-	-	(49,245)
At 30 September 2021	1,347,502	426,198	9,131,491	10,905,191
Additions	67,710	160,475	6,474,034	6,702,219
Disposals	(438,917)	-	-	(438,917)
At 30 September 2022	976,295	586,673	15,605,525	17,168,493
Depreciation				
At 1 October 2020	296,068	231,966	434,037	962,071
Charge	92,648	33,632	598,564	724,844
Disposals	(17,947)	-	-	(17,947)
At 30 September 2021	370,769	265,598	1,032,601	1,668,968
Charge	85,724	60,748	887,599	1,034,071
Disposals	(176,944)	-	-	(176,944)
At 30 September 2022	279,508	326,346	1,920,241	2,526,095
Net book value				
At 30 September 2022	696,787	260,327	13,685,284	14,642,398
At 30 September 2021	976,733	160,600	8,098,890	9,236,223
At 30 September 2020	775,672	161,093	5,676,961	6,613,726

Certain right-of-use assets are pledged as security on the lease agreements to which they relate.

16 Assets at fair value through profit or loss

	2022
	£
At 1 October 2020	309,566
Change in fair value	(38,116)
At 30 September 2021	271,450
Change in fair value	691
Disposal	(272,141)
At 30 September 2022	-

The asset above comprised 6kg of gold bars held by the Company and were disposed of in April 2022. Whilst gold bars were not strictly speaking a financial asset, given their nature as an investment with high liquidity and readily ascertainable value, the Directors developed an accounting policy in accordance with the guidance in IAS 8 to treat them as a financial asset at fair value through profit or loss.

The fair value of the gold bars were based on 'Level 1' inputs as the fair value is readily available from market sources.

17 Trade and other receivables

	As at 30 September 2022	As at 30 September 2021
Amounts falling due within one year:	£	£
Trade receivables	9,395,331	4,132,819
Other receivables	812,251	343,742
Contract assets	6,739,637	3,362,862
Prepayments	959,738	452,804
	17,906,957	8,292,227

Trade and other receivables and contract assets above are stated net of expected credit loss ('ECL') provisions where necessary, which are calculated using the simplified approach grouping trade receivables and contract assets on the basis of their shared credit risk characteristics.

Trade receivables are regularly reviewed for bad and doubtful debts. The Company's policy is to include a provision for impairment based on estimated credit losses. This includes an assessment where relevant of forward-looking information on macroeconomic factors that may affect the ability of customers to settle receivables. Trade receivables are written off where there is no reasonable expectation or recovery, for example where the customer has entered insolvency proceedings or where a customer has failed to make contractual payments for an extended period. As part of this assessment, the Company also considers the likelihood of any credit losses occurring in future based on previous experience and knowledge of the respective customers.

Trade and other receivables are all current and any fair value difference is not material. Trade and other receivables are assessed for impairment based upon the expected credit losses model. In order to manage credit risk, the Directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

At 30 September 2021 an amount of £600,930 was included as an ECL provision. This was in respect of a single customer, which had gone into administration, and was considered by the Directors to be an exceptional event. It was therefore excluded when considering any further provision required under the expected credit loss model . The company believe the credit risk attached to its customer base is minimal, as such have taken the ECL percentage as nil.

In addition to any provisions required for ECL, the Company also includes a provision against trade receivables and contract assets for disputed items. During the year ended 30 September 2022 the Company recorded a credit to the income statement of £17,377 in respect of changes in the dispute provision.

As at 30 September 2022 the balance of the dispute provision was £41,289 (2021 : £148,753).

The maturity analysis of trade receivables is:

	< 1 month	1-2 months	2-3 months	> 3 months	Total
	£	£	£	£	£
30 September 2022	4,920,487	1,013,039	1,509,228	1,993,866	9,436,620
30 September 2021	2,616,935	1,318,166	528,436	418,965	4,882,502

The expected credit loss rate on all ageing columns above is 0 %.

18 Trade and other payables

	As at 30 September 2022	As at 30 September 2021
Amounts falling due within one year:	£	£
Trade payables	2,257,614	1,307,541
Social security and other taxes	2,353,042	1,503,300
Other payables	2,216,235	1,423,852
Accrued expenses	178,211	285,840
	7,005,102	4,520,533

Trade payables are all current and any fair value difference is not material.

19 Provisions

	2022	2021
	£	£
At 1 October	259,537	143,312
Additional provision for year	45,414	116,225
At 30 September	304,951	259,537

The Directors have identified a potential underpayment of National Insurance contributions in respect of payments made to subcontractors. Following extensive professional consultation and advice, the Directors considered the roles for all subcontractors provided by the Company. Whilst the Directors consider that many of the roles were outside the scope of the Agency legislation, there were several that were potentially considered within the scope of the rules.

The Company has commenced the process of voluntary disclosure to HM Revenue & Customs in this regard. The provision of £304,951 (2021 : £259,357), based on those roles that the Directors deemed were inside the scope of the Agency legislation, was recognised as at 30 September 2022, although the timing of any resulting payment and the quantum thereof, currently remains uncertain. The directors have not provided for a penalty which may be between 0% and 30% of any liability arising from the disclosure, on the basis that they are making a voluntary disclosure to HM Revenue & Customs. The Directors have used their best estimate based on the advice provided and their analysis of the potential underpayments.

The provision stated above is subject to uncertainty in both amount and timing of cash flows due to the fact that the Company has submitted voluntary disclosure to HM Revenue & Customs but is yet to receive any substantive response. It is possible that, following the voluntary disclosure exercise, HM Revenue & Customs may challenge that more of the roles should be caught by the Agency rules and therefore the final liability may be higher. The amounts stated above are, in the Directors opinion, reflective of the best estimate and are confident of having a robust position to defend their judgements to which the Company is exposed.

20 Loans and borrowings

	As at 30 September 2022 £	As at 30 September 2021 £
Included within current liabilities		
Bank loans	6,528,750	3,139,463

The bank loan is secured by guarantees from the Company's major shareholder, Hercules Real Estate Limited. The loan is a revolving facility with a rolling 12 month notice period, is secured on trade receivables and attracts interest at a rate of 2.25% over base rate. The facility is currently capped at £10m, but can be increased as the business grows.

21 Leases

The Company leases properties and certain items of plant and machinery. With the exception of short-term leases and leases of low value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset (Note 15) and a lease liability.

The Company had recognised 4 property leases in 2022 (2021 – 2), 65 vehicle leases (2021 – 16) and 17 plant and machinery leases (2021 – 7).

All future cashflows are included. The property leases are subject to rent reviews every five years. The nature of the rent reviews is such that annual rentals are adjusted to prevailing market rates, unless that would lead to a reduction. In accordance with IFRS 16, any future increases in annual rentals arising from rent reviews are not included in the calculation of the lease liabilities. Any future increases in annual rentals will result in prospective adjustments to the lease liabilities at the point of the rent review.

Amounts recognised in the Statement of Financial Position relating to leases, categorised by underlying type of asset, are:

	Leasehold property £	Plant and machinery £	Motor vehicles £	Total £
Net book value				
At 1 October 2020	4,460,009	1,079,068	137,884	5,676,961
New leases recognised in the year	-	2,920,076	100,417	3,020,493
Depreciation charge for the year	(228,662)	(286,083)	(83,819)	(598,564)
At 30 September 2021	4,231,347	3,713,061	154,482	8,098,890
New leases recognised in the year	1,251,157	3,840,541	1,382,337	6,474,035
Depreciation charge for the year	(234,968)	(444,072)	(208,559)	(887,599)
At 30 September 2022	5,247,536	7,109,530	1,328,260	13,685,326

Maturity analysis

	2022 £	2021 £
Due within one year	2,483,527	1,042,939
Due within two to five years	7,045,096	3,377,289
Due after five years	5,784,982	4,581,294
Future finance charges	(2,382,359)	(1,455,537)
	12,931,257	7,545,985

Amounts recognised in the Statement of Comprehensive Income

The statement of comprehensive income shows the following amounts relating to leases:

	2022	2021
	£	£
Depreciation charge of right of use asset	887,599	598,564
Interest expenses (within finance costs)	317,848	215,278
	1,205,447	813,842

Amounts recognised in the Statement of Cash Flows

The statement of cash flows shows the following amounts relating to leases:

	2022	2021
	£	£
Cash outflows	1,406,611	1,282,403

Low value leases and short-term leases

The Company has no leases for which the low value or short-term exemptions of IFRS 16 has been applied.

22 Financial instruments

	As at 30 September 2022	As at 30 September 2021
Financial assets held at amortised cost:	£	£
Trade receivables	9,395,331	4,132,819
Other receivables	812,251	343,742
Cash and cash equivalents	1,211,554	974,148
	11,904,503	5,450,709

	As at 30 September 2022	As at 30 September 2021
Assets held at fair value through profit or loss:	£	£
Gold bars	-	271,450

	As at 30 September 2022	As at 30 September 2021
Financial assets held at amortised cost:	£	£
Bank borrowings	6,528,750	3,139,463
Trade payables	2,742,981	1,307,541
Other payables	2,216,235	1,423,852
Accrued expenses	178,211	285,840
Lease liabilities	12,931,257	7,545,985
	24,597,434	13,702,781

23 Financial Risk management

The Company uses various financial instruments. These primarily include bank borrowings, cash and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to finance the Company's operations.

The existence of these financial instruments exposes the Company to a number of financial risks, which are described in more detail below.

a) Market risk

Market risk encompasses three types of risk, being currency risk, interest rate risk and price risk. The Company was previously exposed to price risk on the value of its gold bars. These were purchased by the Company some years ago as a long-term investment with the expectation of future capital appreciation and were not actively managed. The gold bars were disposed of in the year and there is therefore no longer any exposure in this respect.

Exposure to interest rate risk is considered further below. There is no exposure to currency risk as the Company operates entirely with the United Kingdom and all transactions are denominated in Pounds Sterling.

b) Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs by closely managing its cash balance. The Company has significant levels of cash reserves available and continues to generate profit before taxation (the loss after taxation in the year was due to a large deferred tax charge on the reversal of a previously recognised asset). In this context, liquidity risk is therefore considered to be low.

The Company's borrowing facilities are continually monitored against forecast requirements and timely action is taken to put in place, renew or replace credit lines. The Company acquires items of property, plant and equipment on lease agreements where appropriate to assist in managing liquidity risk by avoiding the depletion of cash on large capital purchases. The Company also manages its liquidity needs by carefully monitoring cash outflows due on a day-to-day basis.

The Company's financial liabilities comprise bank borrowings, trade payables, other payables, accruals, amounts due to related parties and lease liabilities. The maturity of lease liabilities is disclosed in note 21 above. All other financial liabilities are expected to be settled within 12 months of the balance sheet date

c) Interest rate risk

Interest rate risk is limited to interest paid on the Company's variable rate bank borrowings and interest received on cash deposits. Due to the relatively low level of borrowings and the low rates of interest on cash deposits, the impact of any changes in interest rate is not considered significant.

d) Credit risk

The Company's principal financial assets are cash and trade receivables. Credit risk is also attached to contract assets that represent accrued income. The credit risk associated with cash is limited, as the counterparties have high credit ratings assigned by international credit-rating agencies. The credit risk associated with trade receivables is minimal as invoices are based on contractual agreements with long-standing customers. Credit losses historically incurred by the Company have consequently been immaterial, other than a single bad debt incurred in the year ended 30 September 2021 of approximately £600,000 that the directors consider to be exceptional. This arose due to the unexpected business failure of a major customer.

Notwithstanding the lack of historical credit losses, the Company maintains a credit note provision against receivables. However, this is not necessarily linked to credit risk and the ageing of receivables is not the most relevant indicator to determine the potential impairment of a receivable. The nature of the Company's operations is such that misunderstandings or minor disagreements may arise during the course of contracts, which may sometimes require an adjustment to be made to achieve settlement.

The Company's provision is broadly on the basis of any receivables that remain outstanding after 6 months. The Company had no material individual receivables past due or impaired at 30 September 2022 or 30 September 2021, other than the exceptional amount referred to above.

Further details regarding expected credit losses can be found in note 17.

Capital management

The Company's capital comprises total equity and net debt. The Company's capital management objectives are:

- To ensure its ability to trade as a going concern; and
- To provide an adequate return to shareholders.

The Company monitors capital based on the carrying amount of equity and net debt. Adjustments are made as necessary based on the Directors' assessment of the needs of the business and external factors such as the Company's industry and the wider economy. The Company has traded profitably and therefore generally levels of debt have been low. More recently a revolving credit facility has been utilised to assist with working capital, and debt has also been increased by the leasing of a number of capital items, particularly suction excavators which are expected to be a significant future source of income and profitability.

Therefore, whilst the Company appears to be relatively highly geared, this is in line with the Directors' strategy to grow the business. The Company also raised further equity after the balance sheet date following its successful flotation on the Alternative Investment Market.

The Directors are able to maintain and adjust the capital structure by adjusting dividends, issuing new shares or selling assets to reduce debt.

A summary of the Company's gearing is shown below.

	30 September 2022	30 September 2021
	£	**£**
Total equity	6,838,092	3,436,950
Net debt	18,248,453	9,711,300
Total capital	25,086,545	13,148,250
Gearing ratio (net debt / capital)	73%	74%

24 Share capital

Issued capital

	As at 30 September 2022	As at 30 September 2021
Allotted, called up and fully paid	**Number**	**Number**
Ordinary shares of 0.1p each (2021 : £1 each)	58,650,206	50,000

	As at 30 September 2022	As at 30 September 2021
Allotted, called up and fully paid	**£**	**£**
Ordinary shares of 0.1p each (2021 : £1 each)	58,650	50,000

Share rights

The ordinary shares have attached to them full voting, dividend and capital distribution rights (including on winding up). They do not confer any right of redemption.

Share redesignation and issues

On 20 January 2022, the existing shares of £1 each were subdivided into 1,000 shares of 0.1p each.

On 4 February 2022, following the Company's successful flotation on the Alternative Investment Market, the Company issued 8,650,206 ordinary shares of 0.1p each for total consideration of £4,368,354.

25 Share based payments

As part of its flotation on the AIM Market of the London Stock Exchange on 4 February 2022, the Company issued a number of share options and warrants to key employees and suppliers. No further options were granted during the year.

The number of options and warrants granted is shown in the table below.

	Options		Warrants	
	Number	Weighted average exercise price	Number	Weighted average exercise price
At 1 October 2021	-	-	-	-
Issued on 4 February 2022	2,932,504	50.5p	716,379	50.5p
At 30 September 2022	2,932,504	50.5p	716,379	50.5p

Options

The weighted average remaining contractual life of the share options outstanding at 30 September 2022 was 6 years and 4 months. The options have a fixed exercise price based on the market price at the time of grant.

The options may be exercised between 4 February 2027 and 3 February 2029. No specific criteria is involved other than to be on the payroll for the period up to the start of the expected life of the options (see below).Any option holder leaving the employment of the Company before then forfeits the options. The issue of these options is not part of the remuneration package for the individuals concerned.

The fair value of the options is estimated at the grant date using a Black-Scholes option-pricing model that uses assumptions noted in the table below. All options were granted on 4 February 2022 and were valued using the following assumptions:

Expected life of options (years)	6 years
Exercise price	50.5p
Market value of share at date of grant	50.5p
Risk free rate	1.43%
Expected share price volatility	20%
Expected dividend yield	3.36%
Fair value per option	5.18p

Expected life of options

The expected life of the options was estimated based on the average of the minimum and maximum life under the option agreements of 5 and 7 years respectively.

Risk-free rate

A risk free rate of 1.43% was assumed in the option pricing model, based on the yield from dividend strip government bonds with a similar life to the options issued as close as possible to date of grant.

Dividend yield

This is based on the level of dividends paid by the Company in the year.

Exercise price

The exercise price was fixed at the market price at the date of grant, being 50.5p.

Volatility

Volatility was assumed to be 20% on average. The directors based this assumption on the share price of the Company throughout the year. The Directors consider this the most appropriate method of assessing expected volatility as there is no comparable listed company from which to draw data. Taking into account factors such as liquidity and performance, this is expected to be a reasonable reflection of the expected volatility throughout the expected life of the options.

The cost that has been charged to profit and loss in respect of share options was £16,199. The charge was included in staff costs. The total fair value of the options was calculated as £121,489, which is being spread over the vesting period of 5 years.

Warrants

The weighted average remaining contractual life of the warrants outstanding at 30 September 2022 was 2 years and 4 months. The options have a fixed exercise price based on the market price at the time of grant.

The warrants may be exercised at any time from the date of grant (31 January 2022) to 31 January 2025 at the option of the warrant holder.

The fair value of the warrants is estimated at the grant date using a Black-Scholes option-pricing model that uses assumptions noted in the table below. All options were granted on 4 February 2022 and were valued using the following assumptions:

Expected life of options (years)	3 years
Exercise price	50.5p
Market value of share at date of grant	50.5p
Risk free rate	1.43%
Expected share price volatility	20%
Expected dividend yield	3.36%
Fair value per option	4.11p

Expected life of warrants

The estimate for the expected life of the warrants is based on the warrant's contractual life.

Risk-free rate

A risk free rate of 1.43% was assumed in the option pricing model, based on the yield from dividend strip government bonds with a similar life to the options issued as close as possible to date of grant.

Dividend yield

This is based on the level of dividends paid by the Company in the year.

Exercise price

The exercise price was fixed at the market price at the date of grant, being 50.5p.

Volatility

Volatility was assumed to be 20% on average. The directors based this assumption on the share price of the Company throughout the year. Taking into account factors such as liquidity and performance, this is expected to be a reasonable reflection of the expected volatility throughout the expected life of the options.

The cost that has been charged to profit and loss in respect of share options was £23,575. The charge was included within administrative expenses. The warrants vested immediately, therefore this charge represents the full calculated fair value of the instruments and no further charge to profit and loss will be required.

26 Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represented contributions payable by the Company to the scheme and amounted to £265,586 (2021- £178,891). Contributions totalling £5,766 (2021- £1,336) were payable to the scheme at the end of the year and are included in other payables.

27 Related party transactions

Ultimate controlling party

During the historical financial period, the Company was controlled by B K Korkmaz and Mrs N Korkmaz by virtue of their shareholding in the parent undertaking, Hercules Real Estate Limited.

Key management personnel compensation

Key management personnel remuneration has been set out in note 11 to the financial statements.

Transactions with parent entity

The following transactions occurred with the Company’s ultimate controlling party, Hercules Real Estate Limited:

	2022	2021
	£	£
Rental payments	379,156	313,562
Provision of building services (income)	-	(257,831)

Outstanding balances arising from sales/purchases of goods and services

There were no outstanding balances due to or from relation parties at 30 September 2022 or 30 September 2021.

28 Capital commitments

At 30 September 2022, the Company had orders committed on the lease purchase of suction excavators to a value of £6,506,472 (2021 : £4,785,000).

29 Post Balance Sheet Events

Following the Company’s admission to the AIM Market, the Board is pleased to propose a final dividend of 1.12 pence per share for the year ended 30 September 2022. Hercules Real Estate Limited, the Company’s 71.7% shareholder, has again waived its entitlement to this payment. The dividend will be paid on 24 March 2023 to shareholders on the register at close of business on 23 February 2023. The shares will go ex-dividend on 24 February 2023.

HERCULES SITE SERVICES PLC

COMPANY INFORMATION

Directors
B Korkmaz
P Wheatcroft
N Dowton (resigned 4 February 2022)
P Field (resigned 4 February 2022)
H Pitman (appointed 4 February 2022)
R Stevens (appointed 4 February 2022)
R Kilner (appointed 4 February 2022)
A Iplikci (appointed 4 February 2022)

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Our Motto

Together with our clients and our workforce, one vision, one team, one solution