Company number : 06607001

HERCULES SITE SERVICES PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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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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CHAIRMAN'S REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2021

I am delighted to present my first Chairman's report for Hercules Site Services plc ("Hercules" or "the Company") since joining the Board at the time of the Company's IPO on AIM on 4 February 2022. Hercules is a leading, dynamic provider of labour and construction services to blue-chip clients in the UK infrastructure sector. We believe that the Company is well positioned to benefit from the UK Government's commitment to spending on infrastructure as it supplies labour for these projects and can also provide civil engineering services and specialist plant hire, which comprises a fleet of suction excavators, an innovative method of safe excavation. Our "one stop shop" service enables us to cross sell between divisions and our experienced management team is adept at delivering projects efficiently for clients.

In its labour supply business, the Company's proprietary digital technology is used to accelerate the recruitment and onboarding process for workers, which not only enables the Company to quickly meet the client's labour needs but also enables the Company to focus on sourcing this labour locally which often is a stipulation in government-funded projects. This local focus has built Hercules' reputation across the UK. We believe more traditional suppliers of labour struggle to do this 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, among other things. In contrast, Hercules has a low staff turnover which we attribute to the Company's culture, focus on innovation and on developing its people, many of whom have progressed through the business to senior management positions.

Hercules is also developing its digital solutions to provide clients with data analysis tools to help improve their ability to understand their own labour supply needs and make long-term planning decisions. It is innovation such as this that has led to the Company winning multiple awards and being recognised by both its blue chip-clients and third parties, such as Highways England, in areas such as its innovative business practices, digital connectivity and excellent client delivery.

The UK construction sector is set to benefit from nearly £650 billion of projected public and private investment spend on infrastructure projects over the next ten years. Ongoing and upcoming major infrastructure projects include HS2, the Lower Thames Crossing, Water Infrastructure Asset Management Plan 6 (AMP6) and 7 (AMP7) and Highways England's Smart Motorways and Regional Development programme, among others.

The Company's innovative approach has been attractive to clients and enabled the Company to establish framework agreements with large blue-chip companies, such as Balfour Beatty Highways, Costain, Kier, Skanska, Dyer & Butler and Volker Fitzpatrick, who we believe value the quality and reliability of the services such innovation provides. These framework agreements provide a basis for Hercules to collaborate with clients on multiple projects and also means the Company has increased visibility on its clients' pipeline of projects, as well as promoting the cross selling of its services.

In August 2021, the Company was selected as one of six labour supply partners for the Balfour Beatty Vinci joint venture constructing the northern section of HS2 from London to Birmingham (Phase One). We believe the Company's use of digital technology in the recruitment and on-boarding of workers was a key factor in securing this business which is expected to underpin significant revenue over at least the next six years.

On 4 February 2022, Hercules was admitted to the AIM market of the London Stock Exchange, beginning a new chapter in its development. Following the Company's admission to AIM, the Board has adopted a progressive dividend policy and is pleased to propose a dividend of 1.7 pence per share for the year ended 30 September 2021. Hercules Real Estate Limited, the Company's 71% shareholder, has waived its entitlement to this payment. The dividend will be paid on 1st June 2022 to shareholders on the register at close of business on 29th April 2022. The shares will go ex-dividend on 28th April 2022.

The fundamental market drivers for our business look positive and we believe an exciting few years now lie ahead as we seek to grow the business both organically and via selective acquisitions. The Company's recent appointment as a labour supply partner to the Balfour Beatty Vinci joint venture on HS2 is testament to the team's hard work and should lead to a significant increase in our revenue. The Company has already started to provide labour for this important project.

We are pleased to report a strong start to the new financial year, with current trading in line with management expectations.

Henry Pitman (Mar 25, 2022 15:52 GMT)

Henry Pitman, Non-Executive Chairman

Date: 25 March 2022

CHIEF EXECUTIVE OFFICER'S REVIEW FOR THE YEAR ENDED 30 SEPTEMBER 2021

The year ended 30 September 2021 was an excellent year for Hercules, achieving the highest turnover since I founded the Company in 2008. The second half of the financial year ended 30 September 2020 was adversely impacted by the COVID-19 pandemic, but recovery was strong from Autumn 2020 onwards, and continued throughout the financial year.

Post period end, on 4 February 2022, we successfully listed Hercules on the AIM market, raising £4 million (before expenses) for the Company. The proceeds will be used to fund the expansion of the suction excavator fleet, HS2 transport investment and provide working capital for the HS2 project.

Construction Services comprises the Company's *labour supply* and *civil projects* divisions. The Company's core business is supplying skilled and qualified labour to blue-chip construction companies to deliver key infrastructure, civil engineering, utilities, groundworks, highway and railway projects £650 billion is planned to be spent in the infrastructure sector in the next ten years and Hercules is well placed in the market to benefit from this expenditure. Our dedicated operations and resource teams, personnel management system and innovative mobile recruitment and onboarding apps ensure that we can supply the right person to the right location on time to fulfil client requirements.

In the last 12 months, on average, the Company has been supplying between 400 and 500 personnel to projects each day. These projects range from only a handful of staff through to 140 operatives deployed on the M4 project with Balfour Beatty Highways. The Company's major focus for labour supply is transport projects such as road and rail projects. Currently the Company is supplying labour to major road projects such as the M4 and M3 Smart Motorway projects and key regional projects such as the A30 upgrade in Cornwall, A2 Ebbsfleet Project in Kent and A63 Project in Hull, in addition to numerous smaller projects under the Highways England Regional Development Programme. On the rail side, the Company is working with Hochtief on Crossrail projects in West Drayton, Hayes and Harlington and Southall. On utilities projects, the Company is supplying labour to water companies including Thames Water, Southern Water and Anglian Water.

In August 2021, the Company was selected as a partner for the Balfour Beatty Vinci joint venture to supply labour in the West-Midlands area around Birmingham on the Northern Section of HS2. Hercules is one of the six companies making up the labour desk, which it is anticipated will collectively provide at least 4,000 workers during the life of the project.

We have begun recruitment for this project and individuals have been selected to run the Company's part of the labour desk with other members of staff assigned to HS2 project-specific roles. We will need to significantly expand our labour force for the project and plan to use our recruitment and onboarding apps in achieving this. We expect to source further workers through our relationships with the Department of Work and Pensions and local job centres. We will also seek to attract further ex-military personnel and anticipate recruiting from overseas to fill certain roles (if necessary) and are in discussions with the Home Office regarding its Immigration Sponsorship Management process. We are committed to upskilling and cross skilling our workforce and finding local jobs for local people through our apps.

In relation to *civil projects*, we partner with some of the UK's top contractors to provide end to end project delivery. The Company is recognised for its work in the water industry and has expanded into all areas of the civil engineering sector. We are currently working with TGE at Avonmouth on a new gas storage facility, which is expected to be worth approximately £2 million in revenue to Hercules, the Irish Archaeological Consultancy on various sites on the HS2 Central Section and with Galliford Try and Black & Veatch on various AMP7 projects.

Suction Excavator Services
Despite the difficult conditions in the sector caused by the COVID-19 pandemic in 2020, Hercules started investing in a fleet of state-of-the-art suction excavators, a more efficient and safer way of removing debris for digging teams. We were operating nine suction excavators at the end of September 2021, and have a further eleven scheduled to be delivered from January 2022 onwards. Demand is outstripping supply for suction excavator services and I am very pleased this new business division has been such a success.

Brusk Korkmaz (Mar 25, 2022 16:13 GMT)

Brusk Korkmaz, Chief Executive Officer

Date: 25 March 2022

CHIEF FINANCIAL OFFICER'S REVIEW FOR THE YEAR ENDED 30 SEPTEMBER 2021

Introduction

The ongoing challenges of the COVID-19 pandemic in 2020-21 have had a significant impact on the UK construction industry. Additional health and safety concerns and supply chain difficulties generated by the pandemic contributed to a marked downturn in productivity within the construction industry in 2020. However, the industry has shown strong signs of recovery across all sectors with infrastructure proving particularly resilient. By January 2021, infrastructure was the only sector where the level of work had recovered above February 2020 pre-pandemic levels, growing by 8 per cent. The Directors anticipate continued growth alongside significant investment in infrastructure as outlined by the UK Government.

Financial Performance

In 2021, revenue increased to £32,754,468 (2020: £22,950,757) representing an increase of approximately 42% in revenues year-on-year.

	Year ended 30 September 2021 £	2020 £
Construction Services	30,586,172	22,937,327
Suction Excavator Services	2,168,296	13,430
	32,754,468	22,950,757

The Company received £164,631 of grants from the Construction Industry Training Board, (2020: £142,675), as well as £52,565 in Coronavirus Job retention Scheme grants (2020: £249,049).

Administrative costs rose to £6,118,558 (2020: £3,701,746) - an increase of more than 60% compared to the prior year. Excluding depreciation, revaluation and R&D (see Note 8) they rose to £5,326,797 (2020: £3,368,725). This was a combination of new activity (the suction excavator business started September 2020 and the management and administration infrastructure was built in the following year), and a planned management expansion in readiness for commencing the HS2 contract.

The Company delivered:

Pre tax profit of £515,517 (2020: £1,010,420)

Pre tax profit before exceptional non recurring items (see below) of £1,413,506 (2020: £1,010,420)

EBITDA (see below) of £2,437,739 (2020: £1,409,006).

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Profit from operations	786,106	996,654
Depreciation	724,843	383,364
Research & Development	17,505	54,555
(Profit)/Loss on sales of assets	11,297	(25,567)
Exceptional items (see below)	897,988	-
EBITDA	**2,437,739**	**1,409,006**

Exceptional items related to:

Cost relating to AIM admission	£297,058
NMCN Bad debt	£600,930
Total	**£897,988**

NMCN plc (North Midland Construction), a client of the Company, went into administration at the end of September 2021, and while we may recover some of the funds, this is uncertain, and we have therefore fully provided for the debt. Hercules has never previously had to make a provision for a bad debt in its 14 year history.

Statement of Financial Position

As at 30 September 2021, the Company's net assets were £3,436,950 (2020: £6,787,344) of which £1,465,292 (2020: £2,015,552) were cash and cash equivalents.

Current assets at 30 September 2021 were £10,113,832 (2020: £10,989,500).

Net current assets as 30 September 2021 were £1,366,772 (2020: £5,155,872).

The change in assets in 2021 over 2020 was due to the approval in March 2021 of an interim dividend of £3,294,192. This was an in-specie dividend that cleared the debt owed to the company by the parent company, leaving a credit balance of £470,453. A contra settlement was agreed with the parent company eliminating this credit balance and the Director current account.

Company loans & borrowings were £3,139,463 as at 30 September 2021 (2020:£344,639). This is the balance on a working capital facility with Investec that was introduced in May 2021 - originally capped at £4m, which was increased to £10m in November 2021 in the light of winning the HS2 contract.

There was a bank loan outstanding at the end of 2020, but this was repaid by September 2021. The borrowings at the end of September 2021 relate to the Investec working capital facility (see note 20).

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.

The financial position of the Company was further improved following admission to the AIM market of the London Stock Exchange on 4 February 2022 with a net fundraise of circa £2.7m.

Seven more suction excavators were added to the fleet during the year (the first two arrived in September 2020), all are financed with conventional asset funding from several different providers. Eleven more suction excavators are due to be delivered in the year ending 30 September 2022, all to be similarly funded.

Paul Wheatcroft

Paul Wheatcroft (Mar 25, 2022 16:25 GMT)

Paul Wheatcroft, CFO

Date: 25 March 2022

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2021

The Directors present their strategic report for the year ended 30 September 2021.

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 £22,950,757 (2020) to £32,754,468 (2021)
Gross Profit	increased from £4,302,851 (2020) to £6,687,469 (2021)
EBITDA (see page 6)	increased from £1,409,006 (2020) to £2,437,739 (2021)

The latter half of 2020 was affected by Covid-19, in 2021 the recovery significantly boosted all of the above KPI-s.

The Company does not consider it appropriate to provided analysis by reference to any non-financial KPI-s.

Up to 2021, these KPI-s have been compared to previous years, but from 2022 onwards they will also be compared to budgets as well. 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 hire. The Directors believe that Hercules is in a strong position within the largely fragmented construction sector by offering the same 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 and the nationwide roll out of 4G and 5G mobile connections.
- 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 several 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.

Regulatory risk management

Regulatory risk, is the risk arising from violations of laws, rules or regulations, or from non-compliance with internal policies or procedures or with the organisation's business standards.

Regulatory risks could, for instance:

- Make our business practices non-compliant - new laws / changes in legislation.
- Increase the costs of running the business - costs to achieve compliance.
- Potential fines for compliance failure.
- Reduce the attractiveness of investment.

We manage these risks with a regular and thorough review of our systems, polices and relevant regulations. The risks are mitigated through a number of management procedures, constant communication and a lessons learned feedback to loop to ensure continual improvement.

As well as implementing the relevant management systems, it is essential that our workforce is fully trained and competent and the individuals are proficient in particular skills, thus holding the relevant training records according to their role. The provision of training courses and refreshers is key for the development of the workforce to enable them to be familiar with changes in legislation and standards. Every member of the workforce is highly trained in their area of speciality. As a minimum, all staff hold a CSCS card with other trade specific qualifications such as CPCS, EUSR, NRSWA, PTS, ICI-NR and ICI-LU. Training packs are completed and issued to the client prior to individuals starting on site to allow full transparency of the workforce's competence and skills. As well as the traditional first aiders there are a number of employees trained as mental health first aiders in order to appreciate and understand the importance of mental as well as physical wellbeing.

Financial risk

This encompasses various types of risk, being civil projects risk, liquidity risk and credit risk. The company's policies for managing these are:

- ***Civil Project risk:*** The Company's exposure to these projects consists mainly of movements in the contract value, where variations are requested, and material costs. The directors keep contract values under review and work certified at each stage, and also agree prices in advance with suppliers for materials and variations.
- ***Liquidity risk***: The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by means of a significant working capital facility. Short term cash flow forecasting is three months ahead on a weekly basis, taking into account expected receipts, costs, and availability of the working capital facility. The facility is capped at £10m currently, and allows the Company to draw down between 50 and 90 per cent. immediately on all invoices raised.
- ***Credit risk***: The Company's principal financial assets are trade debtors and cash. The principal credit risk arises therefore from its trade debtors and accrued income. In order to manage credit risk, the directors review customers payment history, third party credit references, and keep up a constant dialogue with all key customers.

Strategic & Operational Risk

Attraction and retention of key management and employees

The Company's success depends on its ability to recruit, retain and motivate high-quality senior management and other personnel with extensive experience and knowledge of the construction industry. The availability of such personnel is sparse and competition to recruit them is intense. The failure to recruit, retain and motivate these key employees could adversely affect the Company's current performance, leading to the Company being unable to achieve its strategic objectives and, in turn, potentially resulting in an adverse effect on the Company's operations, financial conditions and prospects. The Company has introduced the share option scheme and has other bonus schemes to incentivise and retain key staff members. It also seeks to promote internal candidates to provide job progression within the business.

The Company's employment policies are also exposed to general market conditions. These might include, for instance, a raise in the general wage expected in the industry, an increase in costs of pensions, and health and other insurances, and could adversely affect the Company due to increased mobility of the workforce and pressure on the Company to match, or even better, the level of salaries and/or benefits expected in the market.

Shortage of labour

The Company's business depends on being able to locate suitably skilled labour for its clients. There is no guarantee that the Company will be able to continue to recruit appropriately skilled labour for the work the Company's client requires, meaning projects could become drawn out or more expensive, leading to the Company failing to generate the anticipated revenue in the anticipated timeframe. There can be no certainty that the Company will continue to be able to recruit sufficient labour to complete the Company's clients' projects. The Company has sought to mitigate this risk by upskilling existing employees and is also exploring attracting labour from overseas.

The Company could be adversely affected by the availability and pricing of materials

The Company's Civil Projects team depends on the availability of materials it requires. Recently there has been a shortage of building materials which has increased the cost of these materials, which has a negative effect on the Company's margins for some contracts. Shortages of materials have also led to delays to projects which can impact the Company's cashflow. The price of materials may also be affected by inflation in the UK economy. Uncertainty around the price of materials also affects the Company's ability to submit tenders at an appropriate price level. Failure to win tenders would adversely affect the Company's revenue and financial performance.

The Company seeks to spread its risk by purchasing materials from a number of external suppliers which means the Company has greater control of the availability and price of such materials. However, the Company does not have any long-term agreements for the supply of materials and therefore there can be no guarantee that the Company will not be adversely affected by shortages, or increased costs, of materials which could lead to increased costs for the Company, delays in completing projects and reduced profitability.

Management of growth

The Company's contracts are recorded in the order book which show the Company's contracted future revenue. There is a risk that the order book may decrease in value as a result of reduced tendering activity in the market in general, the Company may fail to win tenders, or there may be a reduction in the size of tenders being undertaken.

Concentration of key clients

Whilst the Company's top five clients do change each year, they accounted for approximately 54 per cent. of the Company's revenue in the year ended 30 September 2021. If any of the Company's key customers cease trading with the Company, whether due to engaging other businesses or due to a change in their own strategic direction, there could be a significant negative impact on the Company's ability to generate revenues and operate profitably. Each of the Company's customers is subject to market conditions and general commercial exposures in the same way as the Company. There can be no guarantee that these companies will continue to trade or continue to conduct business with the Company. Due to the collapse of Carillion plc, the UK Government has sought to award projects to a range of contractors, many of whom are joint ventures. The Company has gained exposure to many of these parties through its prior work. These contractors are involved in numerous projects across the UK. Therefore, the Company has a wide client base to work with, even though only some of those clients are involved in a large project in any given year. The Company's relationships with many of its clients has existed over several years and the Company engages early with clients on any new scheme.

Many of Company's customers are in strong negotiating positions. Whilst the Company seeks to negotiate contracts on terms that it considers are the most beneficial to it in the circumstances, the Company often enters into contracts on the counterparty's standard contract terms which can include more onerous terms than the Company would otherwise agree. Such terms can include significant warranty and indemnity provisions and may include favourable termination rights for the customer.

The Company has sought to retain clients by delivering its services in different ways to its competitors and offering additional services not offered by other businesses. The Directors believe this has created goodwill with customers but there is no guarantee that this will continue in the future.

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2021 (CONTINUED)

Contracts may not perform as expected and customers may dispute the execution of contracts

The Company's revenue and profit largely depends on its reputation and customer relationships. These in turn depend on the Company's ability to deliver contracts to a high standard, efficiently and on time. Unforeseen obstacles in civil engineering contract work or staff not performing their role correctly may lead to a failure to complete contracts to the standards and within the budget expected, which may in turn lead to contract losses, delays and reputational damage.

Unbudgeted expenses and delays in achieving completion of projects could impact on the margins realised by the Company, affect cashflow and potentially result in disputes with customers. Where the Company was at fault, additional expenditure which was not anticipated at the outset of the contract and any remedial work needed to be undertaken will likely lead to reduced margins for a contract, impacting on the contract's profitability. In respect of the Company's Civil Projects contracts, the Company works in a spirit of mutual trust and co-operation, often using industry standard NEC3 and 4 contracts, which recognise and support this way of working. The Company promotes collaborative workshops with the client to discuss design development and programming and raise early warnings as a mechanism through the contract to help mitigate risk. The Company then engages on a month-by-month basis until the final account is agreed. This has led to the Company having very few disputes with its customers and historically has avoided legal disputes in respect of contracts, which are common in the construction sector. Although there can be no guarantee this will continue in the future, the Director's believe the risk of a substantial dispute with a key client is low.

In respect of the Company's Labour Supply team, it adopts a similar approach to the Civil Projects team with the aim of entering into long term framework agreements. Under these arrangements, there is an agreed set of key performance indicators and ongoing quarterly reviews backed up with ongoing client liaison and support from the Company's visiting operations managers to proactively engage on issues.

The Company's suction excavators are leased out on the Company's standard terms. The Company's business development and operations managers in the business regularly visit new and existing clients to build long term relationships. The Company is also expanding its management team in this division to manage the enlarged fleet.

Section 172 statement

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 2021.

(a) The likely consequences of any decision in the long term

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

Engage advisers with a view to seeking admission to AIM (Alternative Investment Market)

The Board considered the impact on employees, members, customers and suppliers.

Admission to AIM occurred on 4 February 2022. This has helped secure the growth that will follow with the Company's success with the HS2 Northern section contract, the government's significant infrastructure investment plans, the doubling of the fleet utilised by our suction excavator service team, and other growth opportunities.

Response to COVID-19 pandemic

Regular reviews of government announcements and guidelines – safety was the paramount concern.
Detailed consideration and guidance produced to ensure continued operations safely in our offices and on site.

Regular communication took place with employees to update them on the Company's response to COVID-19, flexible working was introduced for employees to work from home for part of the time, and the Company engaged with customers and suppliers to work together on the response to COVID-19.

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2021 (CONTINUED)

This helped achieve a safe working environment was provided for employees and customers, while minimising disruption to the business due to COVID-19.

(b) The interests of the Company's employees

The Company has a loyal and experienced workforce, and this is one of our primary strengths. Effective engagement with all of our teams is a constant priority.

We engage with regular internal communications vie email and other channels, provide training where appropriate, announce employee of the month, and wherever possible fill key vacancies internally, to foster long term loyalty and career development with the Company.

(c) The need to foster the Company's business relationships with suppliers, customers and others

We communicate and engage with our customers regularly to maintain strong relationships and generate further opportunities for the Company.

We have dedicated customer account managers, assign contacts at all levels of the customer' operations, promote early project engagement to support planning, and ensure visits to customer sites by executives and managers.

This has enabled us to grow all our customer relationships year on year, work with them to help them win tenders, and regularly win customer awards.

(d) The impact of the Company's operations on the community and the environment

The Company seeks to engage with and support the communities we work in, to give something b ack and provide local employment opportunities.

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 in which we work. 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 supported by our Sustainable Procurement Strategy and Carbon Management Procedure.

We have a CSR Working Group, FIR (Fairness Inclusion Respect) 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 continue to 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.

(e) 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.

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2021 (CONTINUED)

(f) The need to act fairly as between members of the company

In the year ended 30 September 2021, there was only one shareholder, Hercules Real Estate Limited. However, following the expansion of the share register following the IPO, the Company will:

- Provide regular updates on its progress and performance during the year through shareholder communication channels.
- Hold meetings with institutional shareholders during the year.
- Conduct investor roadshows for both interim and full-year results.
- Provide an annual report to communicate its purpose and what it is looking to achieve, as well as the year's financial results.
- Make regulatory news announcements as required.
- Schedule Annual General Meeting (AGM).
- Provide and maintain a professional corporate website.

Brusk Korkmaz (Mar 25, 2022 16:13 GMT)

Brusk Korkmaz, Chief Executive Officer

Date: 25 March 2022

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 allshareholders over the longer term".

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	Committees
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 is an ICAEW virtual CPD. He holds regular meetings with the Company's Nominated Adviser and an annual meeting with the 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 the business more efficient.

CORPORATE GOVERNANCE POST LISTING (CONTINUED)

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. As Head of Capital Markets at MHA MacIntyre Hudson, the UK arm of Baker Tilly International. Robin is an NED and chairman of the audit committee of two AIM listed companies and two non quoted companies, and he presents on capital markets and corporate finance issues to international audiences on a regular basis.

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.

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.

CORPORATE GOVERNANCE POST LISTING (CONTINUED)

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 2022to 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 evaluatedinternally 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 15 to 16.

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 pa
• Quarterly cashflow 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

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 programme, ensuring that where possible we are Fair, Inclusive and treat others with Respect. Our policies on EDI, FIR and Mental Health and Wellbeing are accessible via the Company website and are also presented to individuals joining the business during the onboarding 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.

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 safeguardsand 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.

On behalf of the Board

Henry Pitman (Mar 25, 2022 15:52 GMT)

Henry Pitman, Non Executive Chairman

Date: 25 March 2022

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 thefollowing 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 & life insurance.

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 directorsdo not receive any other forms of benefit such as private medical insurance.

Year to 30 September 2021

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)*	81,784	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

DIRECTORS' REMUNERATION REPORT (CONTINUED)

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 per his contractual terms pre admission to AIM. New contracts are now in place.

* Resigned 4 February 2022.
** Appointed 4 February 2022.

Year to 30 September 2020

Director	Salary and fees £	Bonus £	Pension £	Benefits £	Share based payments £	Total £
B Korkmaz (Executive)	135,331	-	40,000	1,088	-	176,419
P Wheatcroft (Executive)*	77,771	-	6,876	4,844	-	89,491
N Dowton (Executive)*	82,250	-	41,213	-	-	123,463
P Field (Executive)*	81,160	-	1,314	9,757	-	92,231
	376,512	-	89,403	15,689	-	481,604

* Appointed 2 March 2020.

On behalf of the Board

R Kilner

R Kilner (Mar 25, 2022 16:20 GMT)

Richard Kilner, Chairman of the Remuneration Committee

Date: 25 March 2022

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2021

The Directors are pleased to present the annual report and audited financial statements of Hercules Site Services PLC for the year ended 30 September 2021.

Dividends

The Directors recommend the payment of a dividend of 1.7 pence per share for the year ended 30 September 2021, to be paid in May 2022. The Company's substantial shareholder, Hercules Real Estate Limited, has waived its right to receive this dividend.

In March 2021 an interim in-specie dividend of £3,294,192 was made to clear the debt owed to the company by the parent company, leaving a credit balance of £470,453. A contra settlement was agreed with the parent company eliminating this credit balance and the Director current account.

Substantial shareholdings

As at 30 September 2021 the Company was 100% owned by Hercules Real Estate Ltd.

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% of shares in the Company.

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)

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 International Financial Reporting Standards (IFRSs). 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 company and of the profit or loss of the Company and 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 International Financial Reporting Standards (IFRSs) 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.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2021 (CONTINUED)

Going concern
The Directors have taken a view of the Company as a whole over the 12 months from April 2022 to March 2023.
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.

The Company increased its turnover in the year significantly, after the previous year was badly affected by the impact of the COVID-19 pandemic, and it also almost doubled 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 increase turnover significantly over the next few years. In addition, the Company raised funds at IPO to help purchase another eleven suction excavators, which will further boost turnover. Civil projects are expected to be similarly busy, due to the requirements of AMP7 being squeezed into three years rather than five. The Company's working capital facility is capped at £10m, and is on a 12 month notice period on either side.

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. The Investec working capital facility set up in May 2021 is capped at £10m, and is there to underpin expected growth.

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.

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 sent 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 Page 9.

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

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2021 (CONTINUED)

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.

Post Balance Sheet events
On 4 February 2022, Hercules Site Services PLC was admitted to the AIM market of the London Stock Exchange, with Hercules Real Estate Ltd retaining circa 71% of shares in the Company.

The Company has considered the situation in Ukraine, and does not consider that there are significant risks from material price increases, as they are constantly reviewed when quoting for civil projects to ensure margins are maintained, and labour supply does not involve any material costs of note. Fuel is a suction excavator cost, but is nearly all supplied by or rechargeable to clients. This has been taken into account when making the going concern assessment.

Future developments
The Company has placed an order to expand its fleet of suction excavators, which will reach 20 by the end of the financial year ending 30 September 2022.

Approved by the Board on 25 March 2022 and signed on its behalf by:

Brusk Korkmaz (Mar 25, 2022 16:13 GMT)

Brusk Korkmaz, CEO
Date: 25 March 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERCULES SITE SERVICES PLC

Opinion

We have audited the financial statements of Hercules Site Services Plc (the 'company') for the year ended 30 September 2021 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 international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and:

- give a true and fair view of the state of the company's affairs as at 30 September 2021 and of the company's loss for the year then ended; and
- have been properly prepared in accordance with international accounting standards in conformity 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERCULES SITE SERVICES PLC (CONTINUED)

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 group's accounting policy in respect of revenue recognition is set out in the accounting policy notes on page 35 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 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 walkthrough procedures to validate that controls were appropriately designed and implemented; and
In relation to Dayworks and Suction excavators – Substantive testing a sample of revenue transactions around 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 the revenue recognised in line with stage of completion.
In addition, review of post year end margins (look back procedure) to identify any significant variances in margins on Priceworks contracts.
Review of 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 the substantive testing performed on transactions around the year end, revenue was appropriately recognised in the correct period.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERCULES SITE SERVICES PLC (CONTINUED)

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	£120,000
How we determined it	The overall materiality level has been determined with reference to a benchmark of Earnings before interest, tax, depreciation and amortisation (EBITDA) and adding back non-recurring costs as defined in the strategic report.
Rationale for benchmark applied	In our view, the above measure is the most relevant measure of the underlying performance of the company and therefore, has been selected as the materiality benchmark. The percentage applied to this benchmark is 5%.
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. This was set at £84,000.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £3,500 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERCULES SITE SERVICES PLC (CONTINUED)

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 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 20, 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.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF HERCULES SITE SERVICES PLC (CONTINUED)

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, IFRS transition 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) 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERCULES SITE SERVICES PLC (CONTINUED)

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.

J Barnard

Jon Barnard (Mar 25, 2022 17:27 GMT)

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

Date: 25 March 2022

STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30 September 2021	Year ended 30 September 2020
Continuing operations	**Note**	**£**	**£**
Revenue	6	32,754,468	22,950,757
Cost of sales		(26,066,999)	(18,647,906)
Gross profit		6,687,469	4,302,851
Other operating income	7	217,195	395,549
Administrative expenses		(6,118,558)	(3,701,746)
Profit from operations	8	786,106	996,654
Fair value (losses)/gains	16	(38,116)	79,331
Finance income		27	15,278
Finance costs	12	(232,500)	(80,843)
Profit before tax expense		515,517	1,010,420
Tax (charge)/credit on profit	13	(571,720)	198,244
Net (loss)/profit for the year		(56,203)	1,208,664
Total comprehensive (loss)/ income for the year		(56,203)	1,208,664
Earnings per share			
Basic	4	(2.66)	604,332

There is no difference between basic and diluted earnings per share

STATEMENT OF FINANCIAL POSITION
(Company number : 06607001)

	Note	30 September 2021 £	30 September 2020 £	1 October 2019 £
Non-current assets				
Property, plant and equipment	15	9,236,223	6,613,726	2,514,193
Deferred tax assets	14	-	124,133	-
		9,236,223	6,737,859	2,514,193
Current assets				
Inventories		1,973	5,597	-
Trade and other receivables	17	8,292,227	8,604,583	7,079,497
Current tax receivable		82,890	54,202	558,753
Assets at fair value through profit or loss	16	271,450	309,566	230,235
Cash and cash equivalents		1,465,292	2,015,552	979,372
Total current assets		10,113,832	10,989,500	8,847,857
TOTAL ASSETS		19,350,055	17,727,359	11,362,050
Equity and liabilities				
Equity attributable to equity holders of the parent				
Share capital	24	50,000	2	2
Retained earnings		3,386,950	6,787,342	5,578,678
Total equity		3,436,950	6,787,344	5,578,680
Non-current liabilities				
Deferred tax liabilities	14	447,587	-	62,805
Lease liabilities	21	6,718,458	5,106,387	1,373,190
Total non-current liabilities		7,166,045	5,106,387	1,435,995
Current liabilities				
Trade and other payables	18	4,520,533	4,753,287	4,031,311
Provisions	19	259,537	143,312	83,805
Loans and borrowings	20	3,139,463	344,639	60,006
Lease liabilities	21	827,527	592,390	172,253
Total current liabilities		8,747,060	5,833,628	4,347,375
TOTAL LIABILITIES		15,913,105	10,940,015	5,783,370
TOTAL EQUITY AND LIABILITIES		19,350,055	17,727,359	11,362,050

Approved by the board and authorised for issue on 25 March 2022 and signed on its behalf by:

Brusk Korkmaz (Mar 25, 2022 16:13 GMT)

Brusk Korkmaz, CEO
Date: 25 March 2022

STATEMENT OF CHANGES IN EQUITY

	Share capital £	Retained earnings £	Total equity £
Balance at 1 October 2019 as previously stated	2	5,671,658	5,671,660
Prior year adjustment	-	(67,691)	(67,691)
IFRS transition adjustments	-	(25,289)	(25,289)
Balance at 1 October 2019 as restated	2	5,578,678	5,578,680
Profit for the year as restated	-	1,208,664	1,208,664
Balance at 30 September 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

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

STATEMENT OF CASH FLOWS

	Note	Year ended 30 September 2021 £	2020 £
Cash flows from operating activities:			
(Loss)/profit after taxation		(56,203)	1,208,664
Taxation charge/(credit)	13	571,720	(198,244)
Finance income		(27)	(15,278)
Finance costs	12	232,500	80,843
Fair value movements loss/(gain)	16	38,116	(79,331)
Depreciation of property plant and equipment	15	724,844	381,796
Loss/(Profit) on disposal of property, plant and equipment		11,297	(25,567)
Decrease/(increase) in inventories		3,625	(5,597)
(Increase)/decrease in trade and other receivables		(2,981,835)	634,654
(Decrease)/increase in trade and other payables and provisions		(116,529)	952,813
Cash generated from operations		(1,572,492)	2,934,757
Tax (paid)/received		(28,688)	515,856
Net cash (used in)/generated from operating activities		(1,601,180)	3,450,613
Cash flows from investing activities:			
Purchase of tangible assets	15	(358,146)	(233,727)
Proceeds from disposal of tangible assets		20,001	26,411
Interest received		27	15,278
Net cash used in investing activities		(338,118)	(192,038)
Cash flows from financing activities:			
Payment of lease liabilities	21	(1,282,403)	(339,926)
Interest paid		(123,383)	(7,360)
Bank loan advances		2,794,824	284,633
Payments on behalf of parent company		-	(2,159,742)
Net cash from financing activities		1,389,038	(2,222,395)
Net increase / (decrease) in cash and cash equivalents		(550,260)	1,036,180
Cash and cash equivalents at start of year		2,015,552	979,372
Cash and cash equivalents at end of year		1,465,292	2,015,552

NOTES TO THE FINANCIAL STATEMENTS

Net debt

	At 30 September 2020	Cash flow	Non-cash movement	At 30 September 2021
Cash and cash equivalents				
Cash	2,015,552	(550,260)	-	1,465,292
Debt				
Bank loans	(344,639)	(2,794,824)	-	(3,139,463)
Lease liabilities	(5,698,778)	1,282,403	(3,129,610)	(7,545,985)
	(6,043,417)	(1,512,421)	(3,129,610)	(10,685,448)
Net debt	(4,027,865)	(2,062,681)	(3,129,610)	(9,220,156)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 international accounting standards in conformity with the requirements of the Companies Act 2006

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 including IFRS 9, IFRS 15 and IFRS 16 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 2020 and 30 September 2021;
- 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.

For all periods up to and including the year ended 30 September 2020, Hercules Site Services Plc previously prepared its statutory financial statements in accordance with Financial Reporting Standard 102 ("UK GAAP"). These financial statements are the first that Hercules Site Services Plc has prepared in accordance with IFRS and the date of transition was 1 October 2019. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 October 2019. A reconciliation between UK GAAP and IFRS is included in note 29. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows certain exceptions and exemptions in the application of particular standards to prior years in order to assist companies with the transition process.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Changes in accounting policy and disclosures

(a) New and amended accounting standards

None of the standards, interpretations and amendments, with the exception of IFRS 16, effective for the first time from 1 October 2017 have had a material effect on the financial statements.

(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)
- Interest Rate Benchmark Reform – Phase 2 (1 January 2021)
- 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)
- Amendment to IFRS 16 : Covid-19 Related Rent Concessions beyond 30 June 2021 (1 April 2021)
- Amendments to IAS 12 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction (1 January 2023)

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 which takes into account the current COVID-19 outbreak and its potential impact on the business.

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.

Further information can be found in the Strategic Report and Directors' Report.

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 two reportable segments : Construction services and the hire of suction excavators.

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.

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

Contracts with customers take the form of signed agreements from customers.

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

Day works

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 in receivables for revenue relating to periods for which labour has been provided but not yet invoiced.

Price works

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.

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.

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 hire of suction excavators is recognised in line with the income received over time under the relevant hire contract.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(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.

(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 owns a number of gold bars which are held for the purposes of their potential appreciation in value. These are therefore accounted for as an asset at fair value through profit or loss. This is 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.

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 21.

Revenue recognition
The nature of the Company's revenue streams requires judgement to be applied regarding the level of work performed at the balance sheet date. Further information is disclosed in note 2 under 'Revenue'.

Key sources of estimation uncertainty

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.

Property, plant and equipment
Property, plant and equipment is depreciated over the economic useful lives of the assets. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are reviewed annually for continued appropriateness. The useful economic lives applied are set out in the accounting policies in note 2.

4 Earnings per share

	Year ended 30 September	
	2021	**2020**
Basic	**£**	**£**
Earnings used in calculation of earnings per share:		
Total (losses)/profits attributable to equity holders	(56,203)	1,208,664
Weighted average number of shares in issue	21,097	2
Shares in issue		
Ordinary shares in issue	50,000	2
(Loss)/earnings per share		
On total profits attributable to equity holders	(2.66)	604,332

There are no potentially dilutive shares and therefore there is no difference between basic and diluted earnings per share.

5 Segmental reporting

During the year, the Company began earning revenues from a new activity, being the hire of suction excavators. The Company began leasing a number of excavators in September 2020 in preparation for the commencement of this activity, and further assets were leased in the year ended 30 September 2021. In total, at 30 September 2021 suction excavators accounted for £3,339,920 of right-of-use assets, and £2,896,058 of lease liabilities.

The Company's management has identified this activity as a separate operating segment from the core activities described in its financial statements for the year ended 30 September 2020, which were treated as a single operating segment. The segments are monitored by the Company's chief operating decision maker and strategic decisions are made based on the segments' operating results.

No segment information is provided for the year ended 30 September 2020 as, during that year, there was considered to be only one operating segment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Construction services	Suction excavator Services	Total
	£	£	£
Revenue (all from external customers)	30,586,172	2,168,296	32,754,468
Cost of sales	(25,279,912)	(787,087)	(26,066,999)
Gross profit	5,306,260	1,381,209	6,687,469
Administrative expenses	(1,099,327)	(422,711)	(1,522,038)
Other operating income	217,195	-	217,195
Operating profit from segments	4,424,128	958,498	5,382,626
Administrative expenses not attributable to segments			(4,596,520)
Profit from operations			786,106

6 **Revenue**

The total turnover of the Company has been derived from its principal activity wholly undertaken in the United Kingdom, being the provision of service through supply of labour and the operation of construction and engineering contracts. During the year the Company commenced a further activity, being the hire of suction excavators.

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

	Year ended 30 September 2021	2020
	£	£
Day works	22,890,070	17,031,656
Price works	7,696,102	5,905,671
Total from construction services	30,586,172	22,937,327
Suction excavator services	2,168,296	13,430
	32,754,468	22,950,757

Other than suction excavator hire, 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 'day works' and 'price works' respectively.

Significant customers

In the year ended 30 September 2021 one customer represented 25% of revenue (2020 : 16%), and another customer represented 23% of revenue (2020 : 14%). 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 £2,168,062 (2020 : £3,211,505)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 2021 was £3,362,862 (2020 : £2,168,062).

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 2021 £	2020 £
Construction Industry Training Board grants	164,631	142,675
Coronavirus Job Retention Scheme grants	52,564	249,049
Intercompany recharges receivable	-	3,825
	217,195	395,549

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/(crediting):

	Year ended 30 September 2021 £	2020 £
Depreciation – owned assets	126,280	120,528
Deprecation – right-of-use assets	598,564	261,268
Loss/(profit) on disposal of fixed assets	11,297	(25,567)
Research and development costs	17,505	54,555

9 Auditors' remuneration

	Year ended 30 September 2021 £	2020 £
For audit of the financial statements	74,000	19,500
Non-audit services :		
Review of interim financial information	15,000	-
Taxation compliance	-	3,550
Other services relating to taxation	-	6,450
All other services	-	2,075
	15,000	12,075

Other non-audit services above include assistance with the process of the Company's admission to the Alternative Investment Market. No non-audit services have been provided since the listing was completed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 **Staff costs**

The aggregate employee benefit expenses were as follows:

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Wages and salaries	7,183,515	8,433,618
Social security costs	787,729	822,668
Defined contribution pension costs	178,891	177,167
	8,150,135	9,433,453

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

	Year ended 30 September 2021	Year ended 30 September 2020
Site based operatives	99	138
Administrative and Managerial	54	43
	153	181

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 2021 £	Year ended 30 September 2020 £
Salaries	515,734	376,512
Benefits	19,540	15,689
Pension contributions	95,951	89,403
	631,225	481,604

During the year retirement benefits were accruing to 3 directors (2020: 3) in respect of defined contribution pension schemes.

Amounts paid to the highest paid director were as follows:

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Salary and benefits	151,091	136,419
Pension contributions	40,000	40,000
	191,091	176,419

12 **Finance costs**

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Lease finance costs	215,278	75,509
Interest on loans measured at amortised cost	3,676	5,334
Other interest	13,546	-
	232,500	80,843

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 **Income taxes**

	Year ended 30 September 2021 £	2020 £
Current tax:		
UK corporation tax	-	-
Adjustments to prior periods	-	(11,306)
Total current tax charge	-	(11,306)
Deferred tax:		
Origination and reversal of timing differences	(1,584)	(233,418)
Adjustments in respect of prior periods	465,503	27,218
Effect of tax rate change on opening balance	107,801	19,262
	571,720	(186,938)
Tax on profit on ordinary activities	571,720	(198,244)

Tax on loss on ordinary activities for the year is lower than the standard rate of corporate tax in the UK of 19%, (2020: 19%).

The differences are reconciled below:

Continuing operations	Year ended 30 September 2021 £	2020 £
Profit on ordinary activities before taxation	515,517	1,010,420
Tax at the UK rate of 19% (2020: 19%)	97,948	191,980
Effect of:		
Expenses not deductible for tax purposes	68,819	4,251
Effect of IFRS 16 adjustments	-	3,726
Fixed asset temporary differences	(163,193)	-
Adjustments in respect of prior periods	465,503	15,912
Remeasurement of deferred tax for change in tax rates	107,801	19,262
R&D tax credit estimate	-	(433,375)
Other differences affecting tax charge	(5,158)	-
Total tax charge/(credit)	571,720	(198,244)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 **Deferred tax**

Deferred tax balances are analysed as follows:

Deferred tax balances before offset	**30 September 2021 £**	**30 September 2020 £**	**1 October 2019 £**
Deferred tax liability	(1,093,676)	(344,302)	(64,080)
Deferred tax asset	646,089	468,435	1,275
Total deferred tax (liability)asset	(447,587)	124,133	(62,805)

Deferred tax balances after offset	**30 September 2021 £**	**30 September 2020 £**	**1 October 2019 £**
Deferred tax asset	-	124,133	-
Deferred tax liability	(447,587)	-	(62,805)
Total deferred tax (liability)/asset	(447,587)	124,133	(62,805)

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 2019 – asset/(liability)	-	1,275	(64,080)	(62,805)
Tax credit/(charge) in respect of current year	465,503	1,657	(280,222)	186,938
At 30 September 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)	(447,873)

Deferred tax has been calculated at 19% for the year ended 30 September 2020 on the basis that it was at that point assumed that the underlying temporary differences would unwind at this rate.

In May 2021 an increase in the main corporation tax rate to 25% was enacted, to be applied from 1 April 2023 onwards.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 **Property, Plant and Equipment**

	Plant and machinery	Fixtures & office equipment	Right-of-use assets	Total
	£	£	£	£
Cost				
At 1 October 2019	1,018,914	335,370	1,909,245	3,263,529
Additions	90,373	57,689	5,534,302	5,682,364
Surrender of lease	(37,547)	-	(1,332,549)	(1,370,096)
At 30 September 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
Depreciation				
At 1 October 2019	218,760	196,792	333,784	749,336
Charge for the year	85,354	35,174	261,268	381,796
Disposals	(8,046)	-	(161,015)	(169,061)
At 30 September 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
Net book value				
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
At 30 September 2019	800,154	138,578	1,575,461	2,514,193

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**

	2021
	£
At 1 October 2019	230,235
Change in fair value	79,331
At 30 September 2020	309,566
Change in fair value	(38,116)
At 30 September 2021	271,450

The asset above comprises 6kg of gold bars held by the Company. Whilst gold bars are not strictly speaking a financial asset, given their nature as an investment with high liquidity and readily ascertainable value, the directors have 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 gold is physically held by a director on behalf of the Company. The director has confirmed that ownership resides with the Company.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 **Trade and other receivables**

Amounts falling due within one year:	As at 30 September 2021 £	As at 30 September 2020 £	As at 1 October 2019 £
Trade receivables - gross	4,882,502	2,681,225	2,808,589
Provision for impairment	(749,683)	-	-
Trade receivables - net	4,132,819	2,681,225	2,808,589
Amounts owed by Hercules Real Estate Limited	-	2,827,619	667,877
Amounts owed by director	-	466,102	321,666
Other receivables	343,742	155,216	25,750
Contract assets	3,362,862	2,168,062	3,211,505
Prepayments	452,804	306,359	44,110
	8,292,227	8,604,583	7,079,497

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

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 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.

During the year ended 30 September 2021 the Company recorded a charge to the income statement of £600,930 (2020 : £Nil) in respect of credit losses. This charge was in respect of a single customer and was considered by the Directors to be an exceptional event. It was therefore excluded when considering the provision required under the expected credit loss model.

The maturity analysis of trade receivables is shown below:

	< 1 month £	1-2 months £	2-3 months £	> 3 months £	Total £
30 September 2021	2,616,935	1,318,166	528,436	418,965	4,882,502
30 September 2020	1,516,933	662,170	291,191	210,931	2,681,225

Included in other receivables in 2021 was an amount owed by the director of £Nil (2020 : £466,102). Interest was charged on this loan at the HMRC Official Rate.

There are no formal terms applied to the amounts owed by the Company's parent undertaking, i.e. Hercules Real Estate Limited, the amounts owed by related parties or the amount owed by director. The balances in relation to the parent undertaking and the amount owed by the director at 30 September 2021 were cleared via a dividend after the year end as disclosed in note 26.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 **Trade and other payables**

Amounts falling due within one year:	As at 30 September 2021 £	As at 30 September 2020 £	As at 1 October 2019 £
Trade payables	1,307,541	752,810	980,920
Social security and other taxes	1,503,300	2,643,632	1,428,766
Other payables	1,423,852	1,229,611	373,668
Accrued expenses	285,840	127,234	1,247,957
	4,520,533	4,753,287	4,031,311

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

19 **Provisions**

	2021 £	2020 As restated £	2019 As restated £
At 1 October	143,312	83,805	58,585
Additional provision for year	116,225	59,507	25,220
At 30 September	259,537	143,312	83,805

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 recently commenced the process of voluntary disclosure to HM Revenue & Customs in this regard. The provision of £259,357 (2020 : £143,312), based on those roles that the Directors deemed were inside the scope of the Agency legislation, was recognised as at 30 September 2021, 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 only recently commenced the process of voluntary disclosure to HM Revenue & Customs. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 **Loans and borrowings**

	As at 30 September 2021 £	As at 30 September 2020 £	As at 1 October 2019 £
Included within current liabilities			
Bank loans	3,139,463	344,639	60,006

The bank loan is secured by guarantees from the Company's parent undertaking, Hercules Real Estate Limited, and by a personal guarantee from a director. 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.

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 two property leases in 2021 (2020 – three), sixteen vehicle leases (2020 – eighteen) and seven plant and machinery leases (2020 – three).

All future cashflows are included. The 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 2019	1,199,295	258,658	117,507	1,575,460
Additions	4,573,223	856,650	104,429	5,534,302
Surrender of lease	(1,171,533)	-	-	(1,171,533)
Depreciation charge for the year	(140,976)	(36,240)	(84,052)	(261,268)
At 30 September 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Maturity analysis

	As at 30 September 2021 £	As at 30 September 2020 £	As at 1 October 2019 £
Due within one year	1,042,939	685,721	206,315
Due within two to five years	3,377,289	1,876,626	529,229
Due after five years	4,581,294	4,350,443	1,067,976
Future finance charges	(1,455,537)	(1,214,014)	(258,078)
	7,545,985	5,698,776	1,545,443

Amounts recognised in the Statement of Comprehensive Income

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

	2021 £	2020 £
Depreciation charge of right of use asset	312,481	261,268
Interest expenses (within finance costs)	215,278	75,509
	527,759	336,777

Amounts recognised in the Statement of Cash Flows

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

	2021 £	2020 £
Cash outflows	1,282,403	339,926

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.

Reclassification of existing leased assets

On transition to IFRS 16, assets under existing leases that were accounted for as finance leases under UK GAAP have been reclassified as right-of-use assets. The amounts reclassified are shown below

Plant and machinery	2021	2020 £	2019 £
Cost	2,920,076	1,144,050	287,400
Accumulated depreciation	(286,083)	(64,980)	(28,740)
Net book value	2,633,993	1,079,070	258,660

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 **Financial instruments**

Financial assets held at amortised cost:	As at 30 September 2021 £	As at 30 September 2020 £	As at 1 October 2019 £
Trade receivables	4,132,819	2,698,688	2,808,589
Amounts owed by Hercules Real Estate Limited	-	2,840,209	667,877
Amounts owed by directors	-	508,714	321,666
Other receivables	343,742	259,757	25,750
Cash and cash equivalents	1,465,292	2,015,552	979,372
	5,941,853	8,322,920	4,803,254

Assets held at fair value through profit or loss:	As at 30 September 2021	As at 30 September 2020 £	As at 1 October 2019 £
Gold bars	271,450	309,566	230,235

Financial liabilities held at amortised cost:	As at 30 September 2021 £	As at 30 September 2021 £	As at 1 October 2019 £
Bank borrowings	3,139,463	344,639	60,006
Trade payables	1,307,541	770,274	980,920
Other payables	1,423,852	630,399	373,668
Accrued expenses	285,840	708,982	1,247,957
Lease liabilities	7,545,985	5,698,777	1,545,443
	13,702,681	8,153,071	4,207,994

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 is 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 are not actively managed. A fluctuation in the value of 10% would have given rise to a further increase or decrease in the value of bars of £30,957.

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 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 2020 or 30 September 2021, other than the exceptional amount referred to above.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 was more highly geared at 30 September 2021 than in previous years, this is in line with the Directors' strategy to grow the business. The Company has 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 stricture by adjusting dividends, issuing new shares or selling assets to reduce debt.

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

	30 September 2021	**30 September 2020 £**	**1 October 2019 £**
Total equity	3,436,950	6,787,344	5,578,678
Net debt	9,711,300	4,027,865	626,077
Total capital	13,148,250	10,815,209	6,204,755
Gearing ratio (net debt / capital)	74%	74%	10%

24 **Share capital**

Issued capital

Authorised	**As at 30 September 2021 Number**	**As at 30 September 2020 Number**	**As at 1 October 2019 Number**
Ordinary shares of £1 each	50,000	1,000	1,000

Allotted, called up and fully paid	**As at 30 September 2021 £**	**As at 30 September 2020 £**	**As at 1 October 2019 £**
Ordinary shares of £1 each	50,000	2	2

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 issues
On 29 April 2021 the company issued 49,998 shares for consideration of £1 per share.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 **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 £178,891 (2020 - £177,167). Contributions totalling £1,336 (2020 - £9,432) were payable to the scheme at the end of the year and are included in other payables.

26 **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:

	2021 £	2020 £
Rental payments	313,562	195,896
Provision of building services (income)	(257,831)	-

Outstanding balances arising from sales/purchases of goods and services
The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Current receivables	As at 30 September 2021 £	As at 30 September 2020 £
Hercules Real Estate Limited	-	2,840,209
Director	-	508,714
	-	3,348,923

During the year ended 30 September 2021, the Company repaid the amounts shown above via the declaration of a dividend to its parent company.

During the year ended 30 September 2020, the Company provided additional funds to Hercules Real Estate Limited resulting in the increase in the receivables balance noted above. The key element of this funding was £1,110,000 for the purchase of the Sunhill site, part of which was subsequently leased back to the Company.

27 **Capital commitments**

At 30 September 2021, the Company had orders committed on the lease purchase of suction excavators to a value of £4,785,000.

28 **Post Balance Sheet Events**

The Company was admitted to trading on the Alternative Investment Market of the London Stock Exchange on 4 February 2022. This resulted in the raising of net equity capital of approximately £2.7 million in the process.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 **First-time adoption of IFRS**

These financial statements are the first financial information Hercules Site Services Plc has prepared in accordance with IFRS and the date of transition was 1 October 2019. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 October 2019.

In addition to adjustments required for the transition to IFRS, a number of adjustments have been made to the information previously reported under UK GAAP. These, and the adjustments arising on transition to IFRS, are detailed further below.

Reconciliations of equity and net income from UK GAAP to IFRS

Balance sheet at 30 September 2020	**Note**	**UK GAAP previously reported £**	**IFRS transition £**	**Prior year adjustments £**	**IFRS as adjusted £**
Non-current assets					
Property, plant and equipment	15	2,015,835	4,597,891	-	6,613,726
Current assets					
Inventories		5,597	-	-	5,597
Trade and other receivables	17	8,604,583	-	-	8,604,583
Current tax receivable		26,783	-	27,419	54,202
Assets at fair value through profit or loss	16	309,566	-	-	309,566
Deferred tax assets	14	124,133	-	-	124,133
Cash and cash equivalents		2,015,552	-	-	2,015,552
Total current assets		11,086,214	-	27,419	11,113,633
TOTAL ASSETS		13,102,049	4,597,891	27,419	17,727,359
Equity and liabilities					
Equity attributable to equity holders of the parent					
Share capital	24	2	-	-	2
Retained earnings		6,948,138	(44,901)	(115,895)	6,787,342
Total equity		6,948,140	(44,901)	(115,895)	6,787,344
Non-current liabilities					
Deferred tax liabilities	14	-	-	-	-
Lease liabilities	21	716,868	4,389,519	-	5,106,387
Total non-current liabilities		716,868	4,389,519	-	5,106,387
Current liabilities					
Trade and other payables	18	4,753,287	-	-	4,753,287
Current tax payable		-	-	-	-
Provisions	19	-	-	143,312	143,312
Loans and borrowings	20	344,639	-	-	344,639
Lease liabilities	21	339,115	253,275	-	592,390
Total current liabilities		5,437,041	253,275	143,312	5,833,628
TOTAL LIABILITIES		6,153,909	4,642,794	143,312	10,940,015
TOTAL EQUITY AND LIABILITIES		13,102,049	4,597,893	27,427	17,727,359

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Balance sheet at 1 October 2019	**Note**	**UK GAAP previously reported £**	**IFRS transition £**	**Prior year adjustments £**	**IFRS as adjusted £**
Non-current assets					
Property, plant and equipment	15	1,197,392	1,316,801	-	2,514,193
Current assets					
Inventories		-	-	-	-
Trade and other receivables	17	7,079,497	-	-	7,079,497
Current tax receivable		542,639	-	16,114	558,753
Assets at fair value through profit or loss	16	230,235	-	-	230,235
Deferred tax assets	14	-	-	-	-
Cash and cash equivalents		979,372	-	-	979,372
Total current assets		8,831,743	-	16,114	8,847,857
TOTAL ASSETS		10,029,135	1,316,801	16,114	11,362,050
Equity and liabilities					
Equity attributable to equity holders of the parent					
Share capital	24	2	-	-	2
Retained earnings		5,671,658	(25,289)	(67,691)	5,578,678
Total equity		5,671,660	(25,289)	(67,691)	5,578,680
Non-current liabilities					
Deferred tax liabilities	14	62,805	-	-	62,805
Lease liabilities	21	155,140	1,218,050	-	1,373,190
Total non-current liabilities		217,945	1,218,050	-	1,435,995
Current liabilities					
Trade and other payables	18	4,031,311	-	-	4,031,311
Provisions	19	-	-	83,805	83,805
Loans and borrowings	20	60,006	-	-	60,006
Lease liabilities	21	48,213	124,040	-	172,253
Total current liabilities		4,139,530	124,040	83,805	4,347,375
TOTAL LIABILITIES		4,357,475	1,342,090	83,805	5,783,370
TOTAL EQUITY AND LIABILITIES		10,029,135	1,316,801	16,114	11,362,050

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Income statement for the year ended 30 September 2020	**UK GAAP previously reported**	**IFRS transition**	**Prior year adjustments**	**IFRS as adjusted**
	£	**£**	**£**	**£**
Revenue	22,950,757	-	-	22,950,757
Cost of sales	(18,590,479)	-	(57,427)	(18,647,906)
Gross profit	4,360,278	-	(57,427)	4,302,851
Other operating income	395,549	-	-	395,549
Administrative expenses	(3,753,534)	53,871	(2,083)	(3,701,746)
Profit from operations	1,002,293	53,871	(59,510)	996,654
Fair value gains/losses	79,331	-	-	79,331
Finance income	15,278	-	-	15,278
Finance costs	(7,360)	(73,483)	-	(80,843)
Profit before tax expense	1,089,542	(19,612)	(59,510)	1,010,420
Taxation	186,938	-	11,306	198,244
Total comprehensive income	1,276,480	(19,612)	(48,204)	1,208,664

The IFRS adjustments noted above relate to the capitalisation of leases under IFRS 16, and the subsequent impact on depreciation, profits on disposal of assets and interest payable, together with the removal of the rental cost previously recognised under FRS 102.

The other adjustments noted above relate to the Inclusion of a prior years provision for the underpayment of taxes under the Construction Industry Scheme, as further detailed in note 19.