HERCULES
SITE SERVICES PLC

2023

Annual Report and Financial Statements

For the year ended 30 September 2023

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ACCREDITATIONS

CHAIRMANS REPORT

Hercules has had another very busy and successful year with revenue increasing by 71% and we are also pleased to report that we have surpassed market expectations.

We are delighted with this result, particularly given that this is the first set of full year results that cover an entire 12 months as an AIM listed company. I would like to thank our original investors, those who took part in our fundraise in the spring of last year and our other investors for their support. We are anticipating another busy financial year ahead with exciting opportunities and initiatives for the company to focus on.

We have achieved growth across all areas of our business, which is testament to the strong demand for our suite of services. Cross-selling between all our business units has continued to be a feature, demonstrating the complementary and integrated nature of our offering.

Strong market dynamics

The UK has been living with high inflation and interest rates for a good period of time now, but pleasingly the infrastructure sector is still forging ahead. Access to labour continues to be a core priority for the industry and we have built an excellent reputation as a tier 1 provider due to our technological edge and our experienced management team.

With our Balfour Beatty Rail contract win in 2023, and Network Rail's CP7 investment plans, representing a £44bn investment into the rail network from April 2024 across 5 years through to 2029, we are well placed to significantly grow our presence in the Rail labour market. In addition, National Highways strategic business plan set aside £14.2bn for road enhancement schemes between 2020 – 2025.

The Water Industry delivers work in 5-year cycles called AMP (Asset Management Plan) periods where budgets are pre-agreed with Ofwat (Office of Water Services Regulation Authority). AMP 7 (2020 – 2025) had a slow start due to Covid and the work is now continuing at an increased pace to cope with growth demands and to meet legislative requirements. AMP 8 (2025-2030) is planned to be an even greater period of investment (almost double AMP 7) with the industry expecting a step change in performance to clean rivers and coastlines and to meet the challenges of climate change.

Hercules will continue to benefit from significant investment in government-backed infrastructure spending. The result of which means that the cancellation of HS2 (Manchester section) has had no impact to our existing contracts and our outlook for 2024 and beyond continues to look positive.

Inflation pressures affected the business in FY22, particularly pay levels, but in FY23 the pressures have reduced, and we have continued to demonstrate our ability to regularly renegotiate increased pay levels with our clients.

Dividend

The Board is pleased to propose a final dividend of 1.12 pence per share (2022: 1.12 pence). The dividend will be paid on 22 March 2024 to shareholders on the register at close of business on 23 February 2024. The shares will go ex-dividend on 22 February 2024.Brusk Korkmaz, CEO, via his company Hercules Real Estate Ltd, took the interim dividend in August 2023 and will be taking the final dividend as well. This is the first year he has taken a dividend since the IPO.

"After a year of significant growth, the outlook for Hercules remains very positive"

Outlook

After a year of significant growth, the outlook for Hercules remains very positive. Revenue growth has averaged 55% over the last three years, and while the Directors don't expect such high levels of organic growth to continue, our pipeline for 2024 looks robust across all our business units and we have experienced positive trading across all areas for the first three months of our current financial year.

We entered the 2024 financial year with additional financial firepower, having secured a new debt facility with IGF Business Credit Limited. The three-year invoice discounting debt facility for up to £15m will fund our continued organic growth and ongoing working capital needs. We believe that this increased funding capacity will provide the headroom required to support continued growth.

We continue to develop new revenue streams which will come to the fore in FY 2024. We will be very shortly launching our Training Academy, which will also secure and enhance our supply chain of highly trained employees, and our new "live track" rail offering is expected to continue building steam.

Post period end, Hercules began to implement its acquisition strategy, acquiring 60% of Future Build Recruitment Ltd ("Future Build") in November 2023, a profitable specialist white-collar recruitment company operating in the UK construction sector. Having tested the market opportunity in white-collar recruitment through organic growth initiatives, this deal expands our footprint in the white-collar recruitment market by bringing a highly regarded business and team into the Company. It also provides an array of compelling cross-selling opportunities.

With respect to further potential acquisitions, and partnership arrangements, we are progressing positively with a number of discussions and we look forward to updating the market at the appropriate time.

Once again, I would like to thank our shareholders and advisers for their support during the year, and the Hercules team for continuing to successfully deliver a range of operational growth milestones.

Henry Pitman, Non-executive Chairman

Date: 12.01.2024

CHIEF EXECUTIVE OFFICERS STATEMENT

To have exceeded the market's expectations against the backdrop of a year of high inflation and interest rates is an extraordinary achievement.

Revenue has increased by 71% year on year to £84.7m (2022: £49.5m) and Adjusted EBITDA for the year was well above market expectations at £4.1m (2022: £2.3m), representing growth of 79%.

Revenue growth was accompanied by strong cash conversion and effective credit management.Net cash generated from operations during the year was £3.8m compared with cash absorbed of £5.3m in FY22

This has been achieved through growth across all areas of our business: Labour Supply and Construction Services. Hercules offers a "one stop shop" service to contractors within the UK infrastructure sector and our complementary suite of services enables us to cross-sell and create strong relationships with blue chip companies. This takes determination and coordination across our talented teams and given the challenges that all businesses have had to navigate this year, the entire Hercules team have shown incredible hard work and dedication throughout the year, and for that they have my sincere thanks.

On top of this, we have also built foundations for future growth and recurring revenue. We completed our first acquisition post period end, in November 2023, providing us with exposure to the growing white-collar and permanent recruitment market, and we have made excellent progress towards launching our Training Academy, which will open its doors imminently.

The infrastructure and construction sectors are experiencing continued buoyancy providing a supportive backdrop for our growth, and recent research demonstrates that this is continuing post period end.

Given the labour shortages experienced by the sector, and the effectiveness of our digital tools in placing operatives on projects, we are well placed to benefit from this growth in the months and years ahead. Demand for our range of complementary services has been strong and our pipeline is very robust. Although there is a possibility of a change of government in the UK during this year, we do not have any reason to believe there will be any significant change in infrastructure investment in the next few years.

Labour Supply

Labour Supply is our core business and we have a strong track record of working in partnership with blue chip construction companies to deliver key infrastructure, civil engineering, utilities, groundworks, highway and railway projects. It represented 75% of Hercules' revenue for the year ended 30 September 2023 (FY 2022: 67%).

This is our second year working with the Beatty Vinci JV on the HS2 (Birmingham section). This is our largest ever contract and the Company is now playing a huge part in the delivery of one of modern history's greatest legacy projects. We are the leading labour supplier on the six-supplier labour desk, now with circa 425 operatives on site. This growth is expected to continue for the next 5-7 years with FY2024 requirements expected to be greater than those in 2023.

Our strong, blue chip client base continues to provide repeat business for Hercules and during the period these relationships have delivered contracts such as the A47 with Galliford Try and the A428 with Skanska. In the last 12 months, on average, the Company has been supplying between 625 and 980 personnel to projects each day (average of around 850), which is up year on year by circa 77%. We have won new contracts for NEAR (National Emergency Areas Retrofit) schemes on the M25, M4 and M3 and we also continue to supply labour for RDP (regional development programme) projects including the A12, A30 and A63.

Relationships built with our clients have been the cornerstone of the Company's success. These clients have either won or are bidding for major projects such as Net Zero Teesside, Sizewell C, Heathrow Expansion and various national rail frameworks.

As per the contracts referenced above, we have traditionally supplied blue collar personnel and have been successful in doing so due to our innovative mobile recruitment and onboarding apps which ensure that we supply the right person to the right location on time to fulfil client requirements. We have built upon this strong track record by expanding into white-collar and security recruitment . The success of our organic growth in the white-collar space motivated us to focus on this area, and post period end, we acquired specialist white-collar recruitment company Future Build. With minimal overlap between clients, the acquisition will enhance the service offering we are able to provide our existing customer base, while Hercules' current offering will provide complementary services to Future Build clients.

A third new revenue stream has also been added through the launch of our "live tracks" Rail offering, which kicked-

off with a five-year contract with Balfour Beatty Rail Limited. The Board of Hercules is confident that these new services will drive additional revenue and EBITDA moving forward.

Our technology gives us a strong competitive edge, enabling us to quickly meet our clients' labour needs and to source local labour, which often is a stipulation in government-funded projects. Indeed,

"I am pleased to report that we have a healthy pipeline which extends beyond 2024"

our 'Hercules Construction Jobs' recruitment app, launched in October 2019, has more than 11,500 downloads and more than 6,250 registered users at the time of writing (FY 2022: 8,100 and 4,700 respectively).

I am pleased to report that we have a healthy pipeline which extends beyond 2024, so we look forward to delivering further growth in our Labour Supply business.

Construction Services

Specialist Plant Services

Since Hercules commenced business in this space, growth of our suction excavator business has been impressive. We almost doubled the size of our fleet to 30 vehicles during the year (post year end we sold the two oldest suction excavators), which saw revenue from this division rise to £4.9m (2022: £3.6m). During the period, this business unit accounted for 6% (2022: 7%) of total revenue. The 14 new vehicles acquired during the period were all delivered in time for Hercules to benefit from the government's super deduction tax relief scheme, before it expired.

As part of this expansion, we now have our first three Triple Fan Excavators, providing extra capability for our clients, as these units can work at distance above the 70m efficient limit of the twin fan. In addition to this, we now offer a custom tracked satellite unit to offer our clients . These remote units are a vital piece of equipment to work in locations where the main truck unit cannot get to.

Utilisation of vehicles is key to this division and following the delivery of the vehicles in March 2023 this reduced temporarily from its previous high position (averaging 85%) to circa 66%. A key challenge has and will no doubt continue to be the availability of suitable operators. However, the team has worked well on business development, developed a new approach to recruitment which is working well, and utilisation is already back up to circa 75% and rising. We have delivered an increase in the client base during the year, with Amey, Keltbray, RSK and Tideway are now all working with our Specialist Plant Services division. We have also increased utilisation through a number of existing clients, including M&J Evans, Anglian Water, Costain, Skanska, Milestone, Tilbury Douglas and Kier.

Hercules developed the 'Zero-Trim' piles method, which uses a vacuum excavator to suck out excess concrete from a concrete pile while still wet. We successfully trialled this for the Balfour Beatty Vinci JV on HS2 (Birmingham section), and now have a significant programme of piling work upcoming in 2024.

Civil Projects

Hercules' Civil Projects division partners with some of the UK's top contractors to provide end-to-end project delivery for civil engineering contracts. Turnover for Civil Projects grew to £15.6m (2022: £12.4m), accounting for approximately 18% of company revenue for the year ended 30 September 2023 (2022: 25%).

With the water industry facing enormous challenges, as has been well documented in the media, our Civil Projects team has leveraged its experience in this space to win significant levels of repeat work, mainly for key delivery partners for AMP7 (Asset Management Programme 7). The Anglian Water Civils Framework gained momentum, with some sizeable projects being allocated to Hercules. Six of these schemes were completed in the year. Activity levels remained high this year, with an increase in size of project having a positive impact on the turnover. Eight projects with a value over £1m were started or completed at various sites for clients such as Galliford Try, Mott Macdonald Bentley and the @one Alliance . In addition to this, the division also completed two projects in the gas industry for TGE and SGN

Additional site management staff were recruited to supplement the existing teams to cover the larger, more complex projects. The division operated with an average of 150 operatives across all their sites, the largest number to date. They work closely with the Labour Supply division to cope with variances in workload.

This year the Civils team also introduced a Hercules Suction Excavator into its equipment fleet. This provides the Civils team with access to this extremely useful equipment for use across all of its projects and having it available full time has promoted its use on some sites and is an added benefit for our clients.

Additional growth initiatives

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

Hercules Digital

We have a licence agreement regarding the SEE (Skills, Education and Employment) Everything Portal's full implementation and use at the Old Oak Common regeneration project in west London. We are hoping to expand this further in 2024, as we believe we are well positioned to progress a pipeline of licensing opportunities across the public and private sectors in the years to come.

Training Academy

The Company leased an industrial site in Nuneaton (West Midlands, circa 15 miles from the HS2 (Birmingham section) in August 2022 from Hercules Real Estate Limited ("HRE"). Since then we have been executing plans so that this site can house Hercules' first Training Academy. Following a period of development and refurbishment the

Academy is now operational and a new lease agreement has been entered into with HRE.

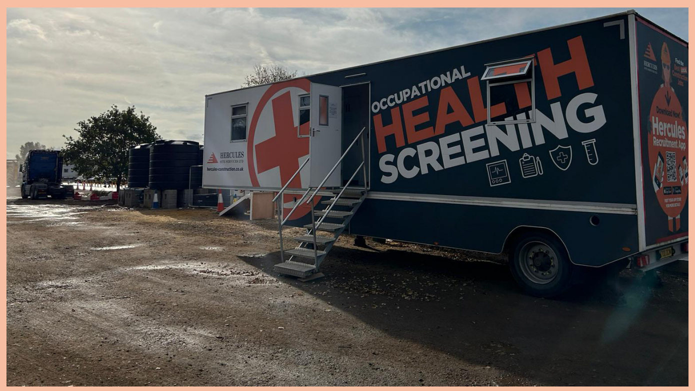
The training academy has been built on the foundations of our business and values to provide the very best services to the construction industry. As the skills shortages throughout the UK continue to rise, our academy has been established to address them and to provide a solution to attract new talent and upskill the current workforce. By providing excellent facilities, in a strategic location, the Academy will not only serve the Hercules workforce (and thus reduce external training costs) but will also deliver specific training for clients across the infrastructure and construction industries. The Academy will deliver training to all of the existing Hercules clients, as well as new clients who are currently not using our other services.

Our Training Academy will deliver a diverse range of accredited courses that cater to aspiring professionals and industry personnel alike. It will provide specialised technical training in areas such as plant operation, health and safety, utilities and other bespoke courses. The facilities replicate the modern construction site giving learners a safe environment to train and qualify to be site ready. As well as short duration courses, the Academy will run and manage NVQ assessments and apprenticeships. Providing apprenticeships will allow us to assist the wider Hercules client base meet their commitments in this regard and our facility will help attract new talent to the industry. A further strategy is to work closely with local authorities and central government to obtain funding for the delivery of training of new entrants to the construction industry, with a focus on skills bootcamps and upskilling.

With further areas for development available at the site, the Academy facilities have an opportunity to grow and evolve as the industry develops and introduces further use of technology. This will allow Hercules to continually upskill its current workforce for the future.

The official opening of the Academy is planned for 31st January 2024.

Health Trailer



In the last twelve months the Hercules Health Screening Trailer has been provided to clients including Skanska, Balfour Beatty, Galliford Try, Blackwell Earthmoving, Taylor Woodrow and Hitachi Energy. Nurses can be provided to carry out health and wellbeing screening to the workforce on site. Depending on the client requirements, the trailer can also be utilised to provide safety critical medicals, drug and alcohol testing, and deliver flu jabs. With repeat bookings already secured for FY2024, the medical trailer is set for another busy year.

Creating positive social value

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

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

Additionally, our ownership of a bespoke, fully equipped mobile health screening trailer, enhances our commitment to employee wellbeing, in an industry which has high mental and physical health challenges.

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

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

Outlook

We enter 2024 with an excellent foundation for further growth, having exceeded market expectations and developed an array of accretive commercial workstreams which will expand our business and deliver additional revenue and profits.

The first quarter of FY 2024 has been successful, with our first acquisition completed and strong pipeline of new business across our divisions, and the outlook for the infrastructure sector remains buoyant.

As well as driving our core business, we will advance some exciting new avenues, such as our Hercules Training Academy, our rail, white collar and site security divisions and other acquisition and new business opportunities, to complement the organic growth we continue to achieve.

As we move through and beyond the next reporting period, we will maintain that growth mindset which has served us well over the past 16 years.

Brusk Korkmaz, Chief Executive Officer

Date 12.01.2024

CHIEF FINANCIAL OFFICERS REVIEW

Introduction

Inflation is expected to fall gradually in 2024 but is currently not anticipated to be back to normal levels until the end of 2025. The Company has procedures in place to seek rate increases from our Labour Supply clients where applicable and we ensure that quotes for our Civil Projects work are only valid for a minimum period to mitigate the impact of inflation on our operations.

The Directors anticipate continued growth for the Company driven by further significant investment in infrastructure as outlined by the UK Government.

Financial Performance

In the year ended 30 September 2023, revenue increased to £84,664,536 (2022: £49,549,487) representing a 70% increase year-on-year.

	Year ended 30 September 2023	Year ended 30 September 2022
	£	£
Labour Supply	63,818,639	33,250,617
Civil projects	15,656,407	12,370,937
Suction excavator services	4,895,671	3,645,934
Other	293,820	281,999
	84,664,536	**49,549,487**

Administrative costs rose to £14,274,828 (2022: £9,073,415) - an increase of more than 57% compared to the prior year. Excluding depreciation, loss on sale of fixed assets, and R&D costs (see Note 8), administrative costs were £12,455,715 (2022: £7,981,571). The increases reflected the growth in all business areas during the year, including :

1) Suction excavator services expanded from 16 to 30 vehicles during the year requiring further management and administration provision. Depreciation, maintenance, insurance and operative training costs all rose in direct proportion to the number of vehicles in use.

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

3) Labour supply has had to boost management structures (both in operational and commercial administration areas) in the last few years in readiness for what has turned out to be very significant growth in 2021, 2022, 2023, and FY 2024. Successful delivery of large projects is the key to future success, and this requires more senior experienced managers and administrators. The growth seen out on sites has also required more training.

During the year the Company delivered:

Pre-tax profit – increased by 299% to £641,321 (2022: £160,685)

Pre-tax profit before exceptional nonrecurring items - increased by 38% to £872,564 (2022: £631,949)

Adjusted EBITDA (see below) increased by 79% to £4,139,491 (2022: £2,308,579).

Net cash generated from operations of £3.8m in the year (2022: 5.3m absorbed) and labour supply debtor days reduced to 40 (2022: 75) days.

	Year ended 30 September 2023	Year ended 30 September 2022
	£	£
Profit from operations	2,060,340	705,698
Added back		
Depreciation	1,771,890	1,034,071
Research & development	4,098	36,554
Loss on sales of assests	43,124	21,218
Exceptional items (see below)	231,243	471,264
Share based payment expense	28,796	39,774
Adjusted EBITDA	**4,139,491**	**2,308,579**
Exceptional items related to:		
Cost relating to AIM admission	-	443,264
Employment settlement	7,550	28,000
HMRC Consultancy	7,088	-
Bad Debt	91,577	-
CID Planning	36,750	-
Partnership preparation	16,801	-
Adjudication	71,477	-
Total	**231,243**	**471,264**

The Company categorises non-operational and development costs such as those above as exceptional.

R&W Civil Engineering Ltd went into administration in August 2023, hence the bad debt provided for above.

Statement of Financial Position

As of 30 September 2023, the Company's net assets were £8,657,202 (2022: £6,838,092) of which £4,151,564 (2022: £1,211,554) were cash and cash equivalents.

Non-current assets at 30 September 2023 were £20,799,145 (2022: £14.642.396). Current assets at 30 September 2023 were £26,833,353 (2022: £19,253,174).

Net current assets at 30 September 2023 were £1,512,958 (2022 net assets: £3,362,064).

The change in assets in 2023 over 2022 was due to significant increases in plant & equipment (financed mostly through asset financing), and trade debtors.

Company loans & borrowings were £9,959,646 as at 30 September 2023 (2022: £6,528,750). This is the balance on a working capital facility with Investec that was introduced in May 2021 – this was an £11m facility. This has been replaced in November 2023 with a £15m facility with IGF, to facilitate future growth.

Fourteen more suction excavators were added to the fleet during the year, all are financed with conventional asset funding from a number of different providers.

Paul Wheatcroft, CFO

Date: 12.01.2024

STRATEGIC REPORT

The Directors present their strategic report for the year ended 30 September 2023.

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 £49,549,487 (2022) to £84,664,536 (2023) (Budget £74,274,000)
Gross Profit	increased from £9,779,113 (2022) to £16,324,964 (2023) (Budget £15,333,000)
Adjusted EBITDA (see page 10)	increased from £2,308,579 (2022) to £4,139,491 (2023) (Budget £3,566,000)

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

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

Key Strengths

- The Company's service offering includes the supply of blue collar labour, end-to-end project delivery and specialist plant services. The Directors believe that Hercules is in a strong position within the largely fragmented construction sector by offering a range of site services all under one roof.
- The Directors believe the Company's development of its digital business is a significant differentiator from its competitors and is helping to transform recruitment in the construction sector. The Company's digital applications for recruitment and onboarding improve the efficiency of the recruitment process versus traditional methods, enabling users to quickly complete their registration, upload their credentials and find appropriate work with Hercules.
- Hercules operates within the UK infrastructure sector where expenditure is mainly government backed.- rail, water, highways and HS2 (Birmingham section) - particularly relevant for Hercules. 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 (Birmingham section), improvement of strategic road connections on the A66, A303, the Lower Thames Crossing, the nationwide roll out of 5G mobile connections, and nuclear power station development. This government funding, alongside private investment in the infrastructure sector, is expected to see the UK construction industry grow by an average of 2.5 per cent per annum over the next ten years.
- The Directors believe the Company's focus on workforce consultation and inclusion sets it apart from other providers of labour in the sector. This approach means Hercules is recognised by workers as a forward-thinking employer in an industry with many traditional practices and the Directors believe this approach will help the Company attract and retain workers in a sector which is experiencing shortages of suitably qualified personnel.
- The Company has framework agreements in place with a number of the UK's largest infrastructure groups, including Balfour Beatty Highways, Balfour Beatty Rail, Sisk, Kier, Costain, 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 (Corporate Social Responsibility) focus. The Company regularly undertakes charitable projects and community projects alongside the construction projects where its operatives are working. CSR is included within a number of the Company's strategic framework agreements, where Hercules is contractually required to have input in creating positive social value, however the Company has its own internal initiatives and programmes many of which are put in place by its working groups.
- Hercules is committed to minimising the impact of its activities on the environment. The development and implementation of this policy and our Environmental Management System demonstrate our commitment to continual improvement in energy use, minimising waste, promoting recycling, controlling emissions of pollutants and hazardous materials, considering the impact our activities have on local communities, and ensuring effective and expedient incident control, investigation, and reporting.
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Non-financial Information & Sustainability Statement

Reporting Requirement	Relevant Information	Policies and Standards
1. Environmental matters (including the impact act of the Company's business on the environment)	Our principles - **Responsibility** • Act in a socially responsible manner, supporting the company and contributing to the improvement of the communities in which we operate. • Minimise negative impacts on communities resulting from our business activities. • Identify and promote sustainable practices whenever possible. • Consider the social impact of our business and activities. • Acknowledge the need to meet present needs without compromising the ability of future generations to meet their own. • Consider the Three Pillars of Sustainability (Environmental Stewardship, Social Responsibility and Economic Prosperity) in our business activities. • Work consistently to reduce our carbon footprint on our journey toward achieving Net Zero.	PD 02 – Environmental Policy PD 18 – Social Value Policy PD 12 – Ethical Business Policy
2.The Company's Employees (see P20)	• Our principles - **Integrity & Positive Impact** • Exemplify high standards of ethical conduct, honesty, and professional and personal integrity. • Cultivate, maintain, and enhance professional relationships based on mutual confidence, trust, and respect. • Uphold the company's standards, reputation, and values. • Avoid misuse of your professional position for personal, material, or financial gain. • Ensure professional judgment remains uncompromised and unbiased. • Identify and address potential, apparent, and actual conflicts of interest transparently. • Ensure impartial, fair, and merit-based decision-making, free from discrimination or bias. • Promote fair, consistent, and equitable treatment for all. • Demonstrate sensitivity to the diverse backgrounds, beliefs, and rights of others. • Prohibit bullying, harassment, abuse, discrimination, victimisation, or offensive behaviour in the work environment. • Provide appropriate competence, supervision, support, and opportunities for the development of your team. • Encourage open communication about workplace issues, supporting those who speak up and safeguarding them from reprisals or adverse treatment.	PD 06 – Equality, Diversity & Inclusion Policy PD 10 – Personal Harassment Policy PD 14 – Mental Health & Wellbeing Policy

3. Social Matters (see P18-20)	• Environment, Our People, Suppliers, Customers, Community, Human Rights and Modern Slavery • Section 172 Statement- Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct	
4. Respect for Human Rights (see P18-20)	Our principles - **Eradicating Unethical Business Practices** • Foster awareness of human rights, fraud, and corruption issues in our business relationships. • Conduct due diligence on supplier relationships concerning modern slavery, human rights, fraud, and corruption. • Continuously enhance knowledge of modern slavery, human rights, fraud, and corruption issues in the work environment. • Responsibly manage business relationships where unethical practices may surface, taking appropriate action to report and remedy them.	PD 07 – Modern Slavery Policy PD 08 – Whistleblowing Policy PD 12 – Ethical Business Policy HLPD – High Level Whistleblowing Policy
5. Anti-Corruption and Anti-Bribery Matters (see P18-20)	Our principles - **Accountability** • Exemplify high standards of ethical conduct, honesty, and professional and personal integrity. • Cultivate, maintain, and enhance professional relationships based on mutual confidence, trust, and respect. • Uphold the company's standards, reputation, and values. • Avoid misuse of your professional position for personal, material, or financial gain. • Ensure professional judgment remains uncompromised and unbiased. • Identify and address potential, apparent, and actual conflicts of interest transparently. • Ensure impartial, fair, and merit-based decision-making, free from discrimination or bias.	PD 05 – Anti-Bribery Policy HLDP 01 – High Level Anti Bribery & Corruption Policy PD 08 – Whistleblowing Policy PD 12 – Ethical Business Policy HLPD – High Level Whistleblowing Policy
Required information		
6. Business model	• Business model – Hercules is primarily a labour supply company operating in the UK Infrastructure sector, supplying blue and white collar labour to blue chip companies.	
7. Principal risks In relation to (1) To (5) above	Risks and Uncertainties – (See pages 15 to 17)	

PRINCIPAL RISKS AND UNCERTAINTIES

Managing risks and opportunities to deliver our strategic objectives

How we identify risk

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

Mitigation of risk

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

Management of risk

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

Reviewing risk

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

Principal Risks

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

MARKET RISK

Risk Description	Potential Impact	Mitigations
1. Market downturn and cyclical nature of construction industry National and international economic downturns, including inflation, investor sentiment, availability and cost of credit, liquidity of global financial markets. Maintaining sustainable level of financial performance throughout construction industry market cycle. A significant portion of our business is derived from contracts indirectly funded by the UK government and its agencies.	A deterioration of economic and financial conditions, or global or deeper recession, could result in a significant fall in expenditure in the infrastructure and construction industry, which could potentially have a material adverse effect on our financial performance. Reductions in trading activity, asset impairments and lower profitability.	Diversification of markets, both in terms of sector and geography. Focus on longer-term partnerships and building on existing client relationships. Debt facility of up to £11m (new facility implemented Nov 2023 of up to £15m) provides headroom to withstand a market downturn. Long-term contracts in place relating to government commitments which tend to be more stable over economic cycle. Contracts in place with a number of large water companies, which are unrelated to the public sector. More revenue can be generated from the energy sector where significant property assets continually need to be maintained and repaired.

STRATEGIC RISK

Risk Description	Potential Impact	Mitigations
2. Work winning Failure to continue to win and retain contracts on satisfactory terms and conditions in our existing and new target markets if competition increases, customer requirements change, or demand reduces due to general economic conditions. Maintaining and developing long-term relationships with key clients and customers in order to win repeat business from those clients and customers and to cross-sell our other products and services to those clients and customers.	Failure to achieve targets for revenue, profit and return on capital employed. No guarantee that existing customer relationships will continue to grow or that key customers will not scale back their use of the Company or cease to contract with us altogether. Any failure to replace this revenue could have an adverse effect on operations and prospects.	Continual review of our existing and target markets to ensure we understand the opportunities that they offer. Continually increasing cross-selling opportunities in order to be the 'one-stop-shop' for service offering. Collaborative working with key clients to develop joint initiatives and programmes. Growth in Business Development function.
3. Concentration of key clients Each of our customers is subject to market conditions and general commercial exposures in the same way as us. There can be no guarantee that these companies will continue to trade or conduct business with Hercules. Strong negotiating positions of key clients can result in contracts with less favourable and more onerous terms.	If any of our key customers cease trading with us, whether due to engaging other businesses or due to a change in their own strategic direction, there could be a significant negative impact on our ability to generate revenues and operate profitably. Contract terms can include significant warranty and indemnity provisions and may include favourable termination rights for the customer.	We have gained exposure to many client Joint Ventures through its prior work. With this wide client base, this provides access to numerous projects across the UK. Early engagement with long-term customers on new schemes, offering innovative solutions to ensure involvement. Delivery of services in different ways, offering additional services and cross-selling, not offered by our competitors. s.

OPERATIONAL RISK

Risk Description	Potential Impact	Mitigations
4. Health & Safety failure The Construction Industry sectors carry significant health and safety risks, including serious injury and fatalities. Causing a fatality or serious injury to an employee or member of the public through failure to maintain high standards or safety and quality.	Loss of employee, customer, supplier, and other stakeholder confidence. Damage to brand reputation in an area that we regard as top priority. Negative impact on reputation could affect ability to win new business, affecting operating and financial performance. Potential investigations, prosecutions and/or civil or criminal litigation, each of which could be costly in terms of potential liabilities, settlements and management time. These liabilities may not be insurable or could exceed our insurance limits and therefore could have a material adverse effect on our operating results, business prospects and financial condition.	Board-led commitment to achieve zero accidents. Visible management commitment with safety tours, safety audits and safety action groups. Launch of Be Safe Work Safe behavioural based safety programme and Hercules Observations reporting both good practice and close calls across the whole business. Additional experienced H&S personnel recruited to join the H&S Team. Implementing management systems that conform to Occupational Health & Safety Systems (ISO 45001). Comprehensive employee training programmes.
5. Attraction and retention of key management and employees Inability to recruit, retain and motivate high-quality senior management and other personnel with relevant extensive experience and knowledge to create innovative, diverse and flexible workforce.	Failure to maintain satisfactory performance in contract execution. Failure to deliver strategic objectives and business targets for growth, in turn potentially resulting in an adverse effect on operations, financial conditions and prospects. A raise in general wage may be expected in industry, increase in costs of pensions, and health and other insurances, could adversely affect us due to increased mobility of the workforce and pressure to match or better the level of salaries and/or benefits expected in the market.	Introduction of the share option scheme and other bonus schemes to incentivise and retain key staff members. Promotion of internal candidates to provide job progression within the business. Employee engagement, personal development and leadership programmes developed and implemented to encourage and support employees achieve their full potential

OPERATIONAL RISK (CONTINUED)

Risk Description	Potential Impact	Mitigations
6. Labour and skills shortages Dependence on ability to locate suitably skilled labour for clients	Projects could become more drawn out or expensive, leading to failure to generate anticipated revenue in anticipated timeframes.	Development and construction of Hercules Construction Academy to attract and upskill the next generation into the construction industry. Upskilling existing employees through Hercules Apprenticeship Scheme and Personal Development Programmes. Attracting labour from overseas via Sponsor Licence.
7. Availability and pricing of materials Shortage of building materials. Price of materials affected by inflation to the UK economy.	Uncertainty around the price of materials affects our ability to submit tenders at an appropriate price level. Failure to win tenders could adversely affect revenue and financial performance. Increased materials costs have a negative effect on margins for some contracts, resulting in reduced profitability. Delays to projects due to shortage of materials could affect cashflow. Without long-term agreements for the supply of materials and there can be no guarantee that we will not be adversely affected by shortages or increased cost of materials which could lead to increased costs, delays in completing projects and reduced profitability.	Spreading the risk by purchasing materials from several external suppliers allowing greater control of the availability and price. Working on long-term agreements for supply of materials?
8. Contract performance and dispute Failure to manage our contracts to ensure that they are delivered on time and to budget.	Failure to achieve project objectives could lead to contract losses, delays, reputational damage, and reduced repeat work. Unbudgeted expenses and delays could impact margins, affect cashflow, and potentially result in disputes with customers.	Ensuring understanding of all risks through the bid appraisal process and applying rigorous policies and processes to manage and monitor contract performance. Ensuring we have high-quality people delivering projects. Ensure high standard delivery with the 'Right First Time, Every Time' approach. Promoting collaborative workshops with customers to discuss design development and programming and raise early warnings as a mechanism throughout contracts. Month-by-month engagement until final account is agreed, reducing risk of disputes. Agreed set of KPIs and ongoing reviews, support visits from operations managers, along with client liaison, to proactively engage on any issues.

REGULATORY RISK

Risk Description	Potential Impact	Mitigations
9. Regulatory risk management Violations of laws, rules or regulations, or from non-compliance with internal policies or procedures or with the organisation's business standards, including as a result of new laws or changes in legislation	Losing the trust of our clients, suppliers and other stakeholders resulting in adverse effects on our ability to deliver against our strategy and business objectives. Increased costs of running the business to achieve compliance. Substantial damage to our brand and/or potential fines for compliance failure. Reduce the attractiveness of investment.	Regular and thorough review of our systems, policies, and relevant regulations to ensure compliance with obligations, including bi-annual legislation reviews. Frequent external regulatory audits to confirm processes and procedures are compliant. Constant communication and lessons learned feedback loop to ensure continual improvement. Maintain training programmes to ensure our people fully understand requirements. Operating and encouraging the use of anti-bribery and corruption and whistleblowing policies.

FINANCIAL RISK

Risk Description	Potential Impact	Mitigations
10. Financial Risk **Civil projects risk:** Exposure to civil projects consists mainly of movements in contract value, where variations are requested, and material costs. **Liquidity risk:** Ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash asset safely and profitably. **Credit risk:** Principal financial assets are trade debtors and cash. Principal credit risk arises from trade debtors and accrued income.	Failure to continue in business or to meet liabilities.	Contract values are kept under review by Directors, with work certified at each stage. Prices agreed in advance with suppliers for materials and variations. Short-term flexibility achieved by significant working capital facility. Short term cash flow forecasting is 3 months ahead on a weekly basis. Facility is now capped at £15m allowing us to draw down 50-90% immediately on all invoices raised. Directors review customer payment history, third party credit references, and keep up a constant dialogue with all key customers.

SECTION 172 & STAKEHOLDERS

OUR People

Why we have engaged?

Health and Safety

Engagement

People Development

Diversity

How have we engaged?

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

Annual Employee Survey is used to collate employee views and drive change and reviewed in management meetings.

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

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

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

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

Flexible Working Policy was put in place

OUR Clients

Why we have engaged?

Maintain strong relationships

Client engagement

Quality and level of service

Innovative contract delivery

Generate further opportunities

How have we engaged?

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

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

Customer Satisfaction Questionnaires are analysed to drive continual improvement

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

Early project engagement to support planning

OUR Shareholders

Why we have engaged?

Company performance

Strategic objectives

Corporate governance

ESG performance

How have we engaged?

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

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

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

OUR Suppliers

Why we have engaged?

Continuity of supply

Strong supplier relationships

Financial stability

How have we engaged?

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

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

OUR Communities

Why we have engaged?

Contribution to the community

Sustainability

Provide local employment opportunities

How have we engaged?

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

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

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

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

OUR Regulatory Bodies

Why we have engaged?

Compliance with laws and regulations

Appropriate corporate governance

How have we engaged?

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

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

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

SECTION 172 & STAKEHOLDERS

Section 172 statement

How we engage with our stakeholders.

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

It is the Board's priority to ensure that the Directors have acted both individually and collectively in the way they consider, in good faith, would promote the success of the Company for the benefit of its members as a whole in regard to the stakeholders and matters set out in Section 172 (1) (a-f) of the Companies Act 2006 in the decisions that they have taken during the year ended 30 September 2023.

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

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

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

Investment into plant and training academy

In our core Labour Supply business, our contract to supply labour to HS2 (Birmingham section) project has accelerated rapidly, and we decided to bolster our structure further to deal with these requirements and we now have over 425 operatives on-site; we have grown our Specialist Plant Services business team, to deal with the near doubling of the fleet since March 2023 to meet the demand we are experiencing; and our Civil Projects division has increased its portfolio of clients.

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

In addition to this, we have advanced our plans to open a new training academy which will play a role in fixing the labour deficit that the construction industry faces, providing an even larger pool of skills for Hercules to place on client sites and give the Company a geographical base in the Midlands. These investments are in line with our strategic direction in terms of improved business performance and foundations for growth.

Shareholder engagement events:

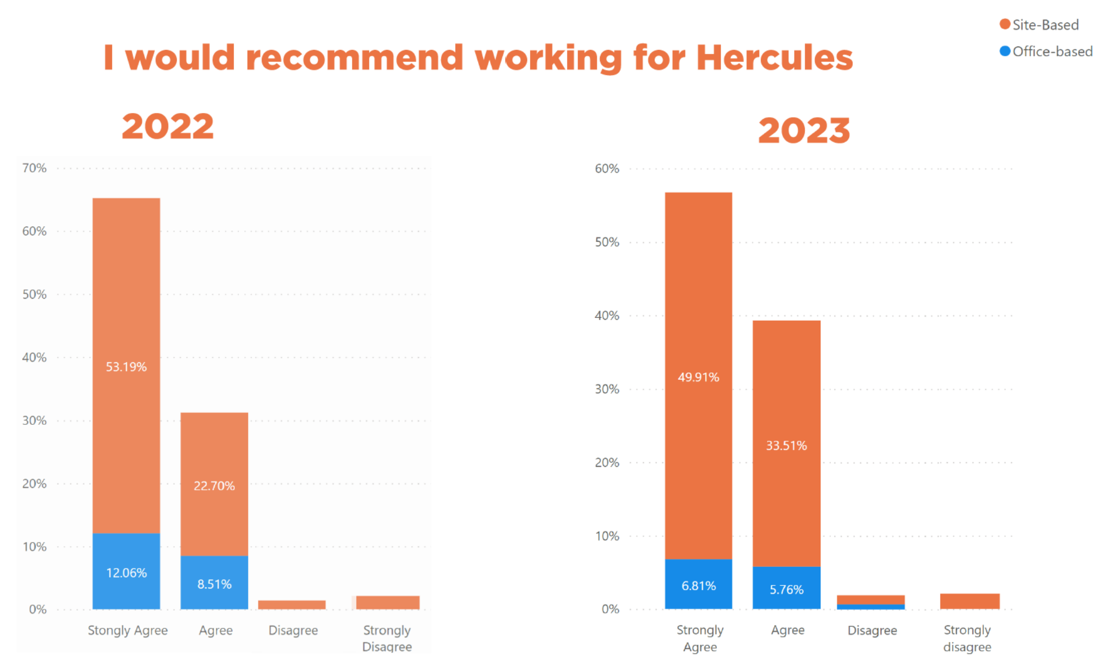
DATE	EVENT
January 2023	FY2022 Final Results announced
January 2023	Investor Presentations
March 2023	£1.7m net raised by share issue
March 2023	Annual General Meeting
June 2023	FY2023 Interim Results

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,.

Listening to Our People - Employee Engagement

2023 showed a dramatic increase in our employee engagement. We had a 303% increase in employees participating in our 2023 employee survey compared to the 2022 survey. As with the previous year, our results on the whole are extremely positive, with responses in the "agree" category consistently remaining over 80% of answers. As a business where people and employment are at the forefront of what we do, these results are important. This year, employees were invited to submit suggestions with their survey. The main point to be picked up is how we can improve communications to employees on-site. Where the majority of our workforce is managed day-to-day by our clients, this makes it harder for us to manage the leadership and culture aspects of our business . However, with better communication directly with those employees, we strive to improve upon the results in 2024.



New accreditation gained in 2023

The Company was to attain "Level 4 Embedded" status from the Construction Health and Safety (CHAS) framework during 2023, underscoring our steadfast commitment to Fairness, Inclusion, and Respect (FIR) principles within our organisation. This achievement reflects our dedication to fostering a workplace culture that upholds fairness, ensures inclusion, and promotes respect for every individual. It acknowledges our emphasis on respect as a cornerstone of our workplace culture, prioritising open and transparent communication, free from discrimination, to create an environment where every team member feels heard and valued. As we proudly embrace our Level 4 Embedded status, Hercules recognises the pivotal role of leadership in upholding FIR principles. Our leaders set an example, championing fairness, inclusion, and respect in their actions and decision-making. By doing so, we create a positive ripple effect throughout our organisation, inspiring employees at all levels to embrace a culture of FIR. Looking ahead, Hercules has a clear plan to work towards achieving Level 5, the highest accreditation under CHAS. This strategic focus will guide our efforts as we continue to integrate and strengthen FIR principles in our business operations, contributing not only to safer work environments but also to building stronger, more resilient communities within the construction industry.

FIR
ACCREDITED LEVEL 4
EMBEDDED

Not only do we strive to provide exceptional labour services, but we also understand the importance of social value and the need to contribute positively to our environment. With this in mind, we have introduced our initiative: "Boots 2 Roots." The aim of this initiative is twofold — to promote environmental stewardship as well as contribute to the social impact of projects, making a significant impact on communities while achieving your operational goals. For every hire you make from Hercules within a quarter, we will donate a tree on your behalf. These trees will be stored in our "Tree Bank," ready for when you need them for your project. Whether the tree is used on your site, in the community, or donated to other projects, the choice is yours. For example, one of our clients donated an apple tree to a local primary school that was focusing on the topic of 'Growing your own' using the Boots 2 Roots initiative.

(Pictured above) Tree donation for Balfour Beatty community project

TASK FORCE ON CLIMATE-RELATED DISCLOSURE

Addressing Climate Change

As part of our ongoing commitment to transparency, sustainability, and responsible business practices, we are pleased to present our TCFD statement. The Task Force on Climate-related Financial Disclosures has provided a framework for organisations to enhance their disclosure of climate-related risks and opportunities.

In this statement, we outline our approach to climate disclosure, detailing how we assess, manage, and integrate climate-related considerations into our business strategy and financial planning. We have made disclosures that are consistent with the TCFD core elements areas of Governance, Strategy, Risk Management and Metrics and Targets and cover the 11 specific recommended disclosures, with the exception of the following two recommendations where we are not yet able to disclose full compliance:

• We have not yet completed a quantitative scenario analysis to model the resilience of our strategy under different global warming scenarios.

• While we have existing metrics and targets in relation to our Scope 1 and 2 and some Scope 3 GHG emissions, we need to expand these to include all relevant Scope 3 emissions categories and develop metrics and targets that are more closely aligned to the climate-related risks and opportunities we have identified.

We will continue to draw upon technical guidance to further strengthen our disclosures in future years as our journey progresses.

Governance

Recommended Disclosures:

a. Describe the Board's oversight of climate-related risks and opportunities.

How this has been addressed:

The Board's oversight of climate-related risks and opportunities represents a fundamental pillar of our corporate governance framework, reflecting our commitment to integrating sustainability into our core business strategy. The Board has proactively cultivated a culture of awareness and responsiveness, ensuring that climate-related considerations remain central to our decision-making processes and long-term value creation initiatives.

Our Carbon Reduction Plan was created in 2022 and is updated annually, and this information feeds into the company's Sustainability Plan. Climate-related risks and opportunities are reviewed by the Board on a quarterly basis and the Board has overall responsibility for the delivery of the ESG strategy.

A key aspect of the Board's oversight strategy involves the establishment of dedicated committees and specialised working groups focused on ethical and sustainability matters. Through our Carbon Management Committee, formed in 2019, we promote cross-functional collaboration between key departments, including SHEQ, project management, procurement, and operations. By fostering open communication and knowledge-sharing among different departments, we ensure that climate-related risks are considered holistically and that relevant insights and data from various functional areas are incorporated into the overall risk management process. The committee meets quarterly and is designed to analyse the organisation's carbon and climate-related data and KPIs, with a focus on carbon reduction planning, current risks and opportunities, upcoming legislative and reporting requirements, and current projects and future prospects.

Outcomes are minuted and risks are incorporated into the organisation Risk & Opportunities Matrix. The collaborative approach enables us to develop comprehensive risk mitigation strategies that reflect the interconnected nature of climate-related risks within our organisation. By maintaining the focus on innovation and fostering key strategic partnerships, the Board aims to reinforce our position as a forward-thinking organisation, committed to driving positive environmental impact.

b. Describe management's role in assessing and managing climate-related risks and opportunities.

How this has been addressed:

Management plays a pivotal role in our organisation's commitment to identifying, assessing, and managing climate-related risks and opportunities. Through a holistic and forward-thinking approach, management has established a framework that evaluates the impact of climate factors on our business operations, supply chains, and long-term strategic objectives. One of management's key responsibilities lies in conducting risk assessments hat encompass climate related vulnerabilities.

Through risk assessing all areas of company operations, including project construction activities, sustainable procurement, and plant and fleet operations and investment, we can gain an understanding of the potential implications of climate change on our business performance and resilience. Our Compliance and SHEQ Teams oversee all aspects of sustainability and climate-related risks and opportunities, including tracking our carbon emissions and our commitments to current and future legislation. These teams, in association with the Carbon Management Committee, ensure the integration of climate considerations into our strategic planning processes and operational practices. We are Partners and Gold-level Members of the Supply Chain Sustainability School, where we are also active members on the Plant Group, Social Value Group, Labour Standards Group and Infrastructure Leadership Group. Through engagement with the School and industry experts, we can stay abreast of evolving best practices, emerging technologies, and regulatory developments, ensuring that our climate-related strategies remain adaptive and aligned with global sustainability targets. This partnership also gives us access to an extensive library of knowledge sharing across the industry, covering a wide range of topics around sustainability in the built environment. We utilise the extensive CPD package to educate our staff and raise awareness through e-learning and workshop programmes, empowering our employees across the business to take ownership of sustainability matters.

By fostering a culture of continuous improvement and accountability, management remains dedicated to ensuring that our organisation is not only resilient in the face of climate risks but also poised to capitalise on the manifold opportunities presented by a rapidly changing environmental landscape.

Strategy

Recommended Disclosures:

a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

How this has been addressed:

Climate-related risks and opportunities could impact operations, projects, and overall business sustainability. Staying informed about climate-related risks and opportunities and integrating climate resilience into workforce practices and project planning is essential for long-term success. This includes investing in worker training for climate-related challenges, adopting sustainable construction methods, and staying abreast of evolving regulations and industry best practices.

In assessing the likely timeline when risks and opportunities will begin to have an impact on the business, we have applied the following definitions:

Short term (0 – 5 years): aligns to our current pipeline of opportunities and projects and reflects issues and trends that are already having some impact.

Medium term (5 – 10 years): issues or trends that are already visible but are not yet having a significant impact.

Long term (10 – 30 years): potential issues or trends that are foreseeable, but there is a high degree of uncertainty on how they develop and what impact they will have on the business.

A breakdown of the identified potential climate-related risks and opportunities include:

Climate-Related Risks:

SHORT TERM

Increased Rainfall and Flooding:

- Risk: Higher precipitation levels leading to increased flooding on construction sites.
- Impact: Project delays, potential damage to equipment and materials, and safety risks forworkers.

Heatwaves and Extreme Temperatures:

- Risk: Occasional heatwaves or prolonged periods of higher temperatures.
- Impact: Health and safety risks for outdoor workers, potential work stoppages, and increased cooling requirements.

Supply Chain Disruptions:

- Risk: Changes in weather patterns impacting the availability and cost of construction materials.
- Impact: Project delays, increased costs due to material scarcity, and potential interruptions in the supply chain.

Resource Scarcity:

- Risk: Changes in precipitation patterns affecting the availability and cost of water and raw materials.
- Impact: Increased costs, potential delays, and the need for sustainable resource management practices.

MEDIUM TERM

Stringent Environmental Regulations:

- Risk: Stricter regulations on emissions and construction practices.
- Impact: Increased compliance costs, the need for sustainable construction methods, and potential penalties for non-compliance.

Technological Disruptions:

- Risk: Rapid technological advancements impacting traditional construction methods.
- Impact: The need for upskilling workers, potential workforce shortages, and changes in construction processes.

Insurance and Financial Risks:

- Risk: Climate-related events impacting insurance coverage and financial considerations.
- Impact: Changes in insurance premiums, potential limitations in coverage, and financial implications due to climate-related risks.

LONG TERM

Public Perception and Stakeholder Expectations:

- Risk: Increased public awareness and expectations for environmentally responsible construction practices.
- Impact: Reputational risks, potential project opposition, and the need for transparent communication to align with public expectations.

Sea Level Rise (Coastal Areas):

- Risk: Coastal construction projects at risk due to rising sea levels and storm surges.
- Impact: Increased vulnerability to flooding, potential damage to coastal infrastructure, and the need for adaptive construction measures.

Climate-Related Opportunities:

SHORT TERM

Diversification of Services:

- Opportunity: Expanding services to include climate-resilient and sustainable construction solutions.
- Impact: Access to a broader client base, differentiation in the market, and potential for long term growth.

MEDIUM TERM

Skill Development and Training:

- Opportunity: Investing in worker training for climate-related challenges.
- Impact: Equipping the workforce with skills for working in changing conditions, meeting safety standards, and attracting a skilled labour force.

Green Construction and Sustainability:

- Opportunity: Growing demand for sustainable construction practices.
- Impact: Opportunities to differentiate through eco-friendly building methods, use of sustainable materials, and adherence to green construction standards.

Renewable Energy Integration:

- Opportunity: Embracing renewable energy solutions for construction activities.
- Impact: Reduced reliance on traditional energy sources, potential cost savings, and alignment with environmental sustainability goals.

Innovation and Technological Adoption:

- Opportunity: Embracing technological advancements in construction.
- Impact: Increased efficiency, improved project management, and staying competitive in a rapidly evolving industry.

Sustainable Supply Chain Management:

- Opportunity: Embracing sustainable sourcing practices.
- Impact: Enhancing supply chain resilience, reducing environmental impact, and meeting client demands for responsible sourcing.

LONG TERM

Public and Private Partnerships:

- Opportunity: Collaborating with public and private entities on climate-resilient projects.
- Impact: Access to funding, new project opportunities, and participation in initiatives aligned with climate goals.

Navigating these risks and embracing the associated opportunities involves strategic planning, proactive risk

management, and a commitment to sustainable and resilient construction practices.

b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

How this has been addressed:

Hercules Site Services PLC is acutely aware of the profound influence that climate-related risks and opportunities exert on our businesses, strategic direction, and financial planning. As a company deeply embedded in the construction industry, we recognise the imperative of integrating climate resilience and sustainability into our core business operations and long-term strategic planning.

Business Operations:

Climate-related risks, such as extreme weather events and supply chain disruptions, significantly impact our day-to-day business operations. Delays caused by adverse weather conditions can lead to project setbacks, increased costs, and strained client relationships. Additionally, disruptions in the supply chain, stemming from climate-related events, can lead to material shortages and logistical challenges, further impeding our construction activities. Mitigating these risks requires us to implement robust risk management protocols, enhance project planning and scheduling, and foster strategic partnerships with suppliers capable of providing climate-resilient materials.

Simultaneously, we acknowledge the business opportunities arising from the growing demand for sustainable operations and construction practices. Through the planning of short, medium and long term plans relating to company vehicles and plant fleet, we are addressing our principal carbon emissions, which stem from fuel from commuting and site activities. By looking into incorporating eco-friendly building materials, energy efficient technologies, and sustainable construction techniques into our civils projects, we can position ourselves as a competitive force in the market, catering to clients with a strong emphasis on environmental stewardship. This approach not only enables us to diversify our service offerings but also enhances our reputation as a responsible and forward-thinking construction partner.

Strategic Direction:

In shaping our strategic direction, the impact of climate-related risks and opportunities compels us to prioritise sustainability and resilience. Our strategic planning endeavours to incorporate climate considerations, emphasising the adoption of sustainable construction practices and the integration of climate risk assessments into project planning and execution. By focusing on long-term sustainability and innovation, we aim to fortify our market position and foster enduring relationships with clients committed to environmental responsibility.

Business improvement ideas are encouraged from all areas of the business and are channelled into a shortlist of the most impactful sustainability initiatives by our Carbon Management Committee. These are reviewed at Senior Leadership Meetings and Management Review and allocated to project leads as appropriate.

Part of our strategy is to focus on working more closely with our clients to understand their carbon reduction ambition and targets and developing solutions to meet those objectives.

Financial Planning:

From a financial perspective, the impact of climate-related risks underscores the need for comprehensive risk management strategies and contingency planning. Increased costs associated with weather-related project delays, insurance premiums for climate-related risks, and potential regulatory compliance expenses necessitate a prudent financial approach that accounts for these additional expenditures. Integrating climate related considerations into our financial planning enables us to allocate resources effectively, manage project budgets prudently, and ensure the financial resilience of the organisation amidst the evolving climate landscape.

Simultaneously, the pursuit of climate-related opportunities in sustainable construction bolsters our financial planning by unlocking new revenue streams and enhancing our competitive edge. Both short and long-term financial planning for the business includes the potential impacts of investing in carbon reduction initiatives, sustainable plant and fleet solutions, and focus on low-emission solutions and reduced environmental impact.

This proactive approach to financial planning positions us to leverage the potential for sustainable growth, diversification, and long-term profitability.

c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

How this has been addressed:

We have not yet completed a quantitative scenario analysis to model the resilience of our strategy under different global warming scenarios. We have begun to develop qualitative analysis based on plausible extreme scenarios and will develop this analysis further as part of our short term plan.

Adaptation and Mitigation Strategies:

We anticipate that a 1.5°C (aligned with the Paris agreement) scenario would only be achieved through radical policy interventions, such as carbon taxes, or mandatory carbon offsets. Therefore under this scenario, we would expect the transition risks to be greater as we would have to respond and adapt more quickly to changing client expectations and regulatory requirements. On the other hand, a 2.7°C (in line with the Climate Action Tracker's assessment) scenario would be characterised by increased physical risks, such as the increase in the frequency and severity of extreme weather events. This could lead to acute risks of resource and workforce shortages, safety of the workforce, increased costs of materials, fuel, water, and other services, and the increased costs of meeting more stringent regulations.

Through mitigating these risks using a variety of strategies to allow for either scenario, and prioritising the adoption of climate-resilient operations, we aim to enhance our capacity to align with stringent carbon emission targets and sustainability benchmarks. Additionally, we are continually developing our measures to monitor and reduce our operational carbon footprint, demonstrating our commitment to fostering a low-carbon future.

Supply Chain Resilience:

To reduce the potential disruptions caused by climate-related risks within our supply chain, we actively diversify our network of suppliers and vendors and have an increased focus on our relationships with our supply partners. By establishing strategic partnerships with multiple suppliers, particularly suppliers of climate-resilient materials and equipment, we ensure a consistent and reliable supply chain that is less susceptible to the impacts of climate-related disruptions. This approach enables us to maintain the continuity of our construction operations and minimise delays and cost overruns resulting from supply chain vulnerabilities.

Collaboration and Innovation:

Our strategy emphasises the importance of collaboration and innovation in fostering resilience. By actively engaging with industry peers, regulatory bodies, and sustainability experts, our aim is to stay abreast of evolving best practices, technological advancements, and regulatory developments. By fostering a culture of knowledge-sharing and collaborative problem-solving with our clients and other stakeholders, we can continuously adapt our practices to align with the latest climate-related standards and guidelines.

Long-Term Planning and Flexibility:

In tandem with our commitment to resilience, we are integrating long-term planning and flexibility into our strategic framework. By incorporating adaptive management practices and fostering organisational flexibility, we aim to proactively respond to evolving climate-related challenges, ensuring that our strategy remains robust and responsive to the dynamic environmental landscape.

Risk Management

Recommended Disclosures:

a. Describe the organisation's processes for identifying and assessing climate-related risks.

How this has been addressed:

Hercules has implemented processes to identify and assess a diverse range of risks, ensuring a proactive and holistic approach to risk management within our operations. These processes are designed to anticipate and evaluate risks, and mitigate the potential impacts on our construction projects, workforce, and supply chains. The specific climate-related risk identification process is led by the Carbon Management Committee, which includes subject matter experts from across the organisation. The Committee ensures a consistent approach to climate-related risks from all areas and levels of the business. External industry practice from bodies such as the Supply Chain Sustainability School and key clients is fed into the organisation via the Committee.

Risk Mapping:

We initiate the risk assessment process by conducting risk mapping exercises, which involve the identification and categorisation of climate-related hazards that could potentially affect our operations. This includes analysing risks associated with extreme weather events, such as storms, floods, and heatwaves, as well as long-term climate-related shifts, such as rising sea levels and changing precipitation patterns. Over the medium term, by leveraging data analytics and expert insights, we aim to develop a comprehensive understanding of the multifaceted climate risks that could impact our construction projects and workforce.

Scenario-Based Analysis:

To enhance the accuracy and relevance of our risk assessments, we have begun to employ scenario-based analysis techniques with various climate-related scenarios to assess their potential implications on our business operations and project timelines. By considering a range of plausible future climate scenarios, including those aligned with the 2°C or lower pathway, we strive, over the next five years, to develop adaptive risk management strategies that can withstand the impacts of climate change and ensure the resilience of our construction projects and supply chains.

Integration of Best Practices:

We aim to continually integrate industry best practices and emerging methodologies for climate risk assessment into our organisational processes. By staying abreast of the latest developments in climate science and regulatory guidelines, we endeavour to maintain risk assessment processes that remain adaptive and aligned with the most current standards and recommendations for addressing climate-related risks in the construction sector.

Stakeholder Engagement:

We engage with key stakeholders, including industry experts such as the Supply Chain Sustainability School, to gather diverse perspectives and insights on climate-related risks. Through information-sharing sessions, we aim to incorporate a broad spectrum of viewpoints into our risk assessment processes, enabling us to account for the varying perspectives and priorities of stakeholders who are directly or indirectly affected by climate-related risks in the construction industry.

b. Describe the organisation's processes for managing climate-related risks.

How this has been addressed:

The management of risk within the business is by way of top-down control from the Board via the Audit and Risk Committee, and bottom-up control via the operational delivery teams. Risks identified as high-level are monitored by the Audit and Risk Committee. This reviews the effectiveness of our risk management and control systems and procedures. Consultation between the Audit and Risk Committee and the operational delivery teams provides consistency across all business divisions.

The Compliance Director is responsible for managing environmental risks and opportunities, in coordination with the SHEQ Team and the Carbon Management Committee. This is supported by operational responses, led by the Executive Board, to deliver the strategy. Findings from risk identification and assessment inform budget setting, capital investment and supply partner direction, and responses include investment in the creation of cross-disciplinary working groups, development of new processes and tools, and upskilling our own people and our supply chain.

We operate a divisional structure for the execution of projects, supported by central support services covering areas. Each divisional or functional manager manages the sustainability risks within their routine operations, using a similar process to safety or quality risks. Risks are documented in our business management system using approved risk registers, RAMS and ITPs, and subject to reviews.

We have recently embarked on a series of workshops across the business to discuss and identify climate related risks and to inform our risk management processes. These workshops will work towards identifying the key climate-related risks so that we can build robust strategies around mitigating and managing the risks.

Risk Mitigation Planning:

We develop risk mitigation plans tailored to specific climate-related hazards identified during the risk assessment phase. These plans outline actions and protocols for minimising the potential adverse impacts of climate-related risks on our construction projects and supply chains. By integrating these plans into our project management processes, we aim to enhance the overall resilience and adaptability of our operations in the face of climate-related challenges.

Recommended Disclosures:

c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

How this has been addressed:

Hercules has incorporated the processes for identifying, assessing, and managing climate-related risks into our overall risk management framework, ensuring that climate risks are systematically evaluated alongside other operational, financial, and strategic risks. By integrating climate-related risk management into our broader organisational risk management practices, we ensure that climate-related risks are given the appropriate level of attention and are addressed within the context of our overall risk management strategy.

Regular risk reporting mechanisms enable us to communicate climate-related risk insights to key stakeholders, facilitating informed decision-making and proactive risk mitigation strategies that are aligned with our organisational objectives and overall risk management priorities.

Continuous Monitoring and Evaluation:

Our organisation applies continuous monitoring and evaluation of climate-related risks throughout the lifecycle of our construction projects, in order to adjust our risk management strategies to mitigate potential threats. Additionally, we conduct regular post-project evaluations to assess the effectiveness of our risk mitigation measures and identify areas for continuous improvement in our risk assessment processes. Climate-related risks are reviewed and updated quarterly and discussed during Management Review. A formal review of our business management system is held annually to ensure compliance with our ISO accreditations and compliance requirements and our annual audit programme has been updated to include auditing around our climate-related risks.

Metrics and Targets

Recommended Disclosures:

a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

How this has been addressed:

We regularly measure and monitor our carbon footprint and emissions intensity as key indicators of our environmental impact. By quantifying our greenhouse gas emissions across various operational activities, we gain insights into the contribution of our operations to climate change. These metrics enable us to set reduction targets and develop strategies to minimise our carbon footprint, thereby mitigating climate-related risks and demonstrating our commitment to sustainable practices and environmental stewardship. Through our analysis of both financial turnover and man-hour measurements when calculating intensity metrics, it can provide a more comprehensive understanding of the environmental impact of a business. Over the coming year we will be beginning to develop additional metrics and targets that are more closely aligned to the climate-related risks and opportunities we have identified. These metrics will be carefully selected to provide a greater understanding of the impact of climate change on our operations, projects, and long-term business strategy, enabling us to make informed decisions and implement effective risk mitigation and adaptation measures.

b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions and the related risks.

How this has been addressed:

Hercules is committed to transparently disclosing our greenhouse gas (GHG) emissions across Scope 1, Scope 2, and where relevant, Scope 3, in line with industry best practices and our dedication to environmental stewardship. We recognise the importance of accounting for and mitigating the associated risks linked to these emissions to ensure a sustainable and responsible approach to our operations and supply chain activities. We report our GHG emissions in accordance with UK regulations and the GHG Protocol Corporate Accounting and Reporting Standard methodology.

	2023 tCO2e	2022 tCO2e	2021 tCO2e (Baseline year)
Scope 1 GHG emissions from combustion of gas and fuel for transport	1549.571	789.637	338.386
Scope 2 Purchase of electricity	25.237	27.664	23.317
Scope 3 Other indirect emissions	55.035 Includes: • Hotel stay • Waste • Water • PPE • Train Travel • Wastewater	29.305 Includes: • Hotel stay • Waste • Water	19.875 Includes: • Hotel stay • Waste
Total Emissions	1629.843	846.606	381.578

Intensity Metric - tCO2e/£M	19.321	18.813	11.650
Intensity Metric - tCO2e/man-hours	0.0006309	0.0005325	0.0003308

Revenue for FY 2023 was significantly ahead of the previous financial year, up 51.2% in total. This increased level of activity, and more comprehensive emissions calculations being undertaken, as well as expanding our Scopes 1 and 3 reporting boundaries has meant an increase in the total tonnes of CO2 emissions compared with the previous year.

The intensity metric has also shown an increase compared with FY 2022, however with the current increased focus on carbon reduction planning, and developments on the delivery of its sustainability strategy, we believe that progress will be noticeable over the short term in order to achieve objectives.

Usage of energy for the FY2023

Gas 21,227.43 kwh

Fuel 6,684,984 kwh

Electricity 105,212 kwh

Scope 1 GHG Emissions and Risks:

Our Scope 1 GHG emissions primarily include direct emissions from sources that are owned or controlled by our organisation. Emissions associated with business travel from company owned vehicles (vans, minibuses, cars, suction excavators) are included within our reporting boundary under Scope 1, calculated based on mileage. This year we have increased our reporting capabilities to include the gas calculations from boilers used to heat our managed assets, which include several office buildings and leased accommodation used by our employees.

We acknowledge the associated risks of Scope 1 emissions, including potential regulatory compliance challenges, operational inefficiencies, and reputational impacts. To manage these risks, we have implemented stringent monitoring and reporting protocols, coupled with targeted emission reduction initiatives and the adoption of cleaner energy technologies to minimise our Scope 1 emissions and foster a more sustainable operational footprint.

Scope 2 GHG Emissions and Risks:

Our Scope 2 GHG emissions comprise indirect emissions resulting from the consumption of purchased electricity, heat, or steam. We recognise that our energy consumption patterns and reliance on external energy sources contribute to our Scope 2 emissions and, consequently, to our overall carbon footprint. To address the risks associated with Scope 2 emissions, we have implemented energy efficiency measures, renewable energy procurement strategies, and partnerships with utility providers focused on supplying low carbon energy. By actively managing our energy consumption and promoting renewable energy integration, we aim to reduce our Scope 2 emissions and minimise our environmental impact.

Scope 3 GHG Emissions and Risks:

In assessing our Scope 3 GHG emissions, which include indirect emissions occurring in our value chain, we recognise the broader environmental footprint associated with our business activities, including emissions from purchased goods and services, business travel, and waste generated. This year we have expanded our Scope 3 boundaries to include PPE, business train travel, and wastewater, and we plan to address this further over the coming year.

Employee travel between home and the workplace via personal vehicle or public transport is not currently included within our Scope 3 reporting boundary due to the nature of the unknown elements with the commuting activity data, however we are working on developing systems and processes for capturing more accurate employee commuting data in the future. Although not reported in our Scope 3 emissions, we are still capturing the average data of employee commuting in order to monitor the progress of our Local Employment Initiative.

We acknowledge the interconnected nature of Scope 3 emissions and the associated risks, including supply chain disruptions, resource inefficiencies, and reputational vulnerabilities. To address these risks, we have established collaborative partnerships with suppliers committed to sustainable practices, implemented waste management and reduction initiatives, and promoted responsible travel policies. By integrating sustainable procurement practices and fostering supply chain transparency, we aim to mitigate our Scope 3 emissions and contribute to a more sustainable and resilient value chain.

c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

How this has been addressed:

As we navigate the complex landscape of climate-related risks, it is essential for our organisation to adopt a strategic and forward-thinking approach. Hercules has implemented a series of targets to effectively manage climate-related risks and capitalise on emerging opportunities, aligning with our commitment to sustainability, innovation, and long-term value creation. These targets are designed to drive operational efficiency, enhance our environmental performance, and foster resilience within our construction projects and supply chain activities.

Reduction in our GHG emissions is targeted against a 2021 baseline, which we have used to forecast a roadmap over 15 years to align with our goal of reaching Net Zero by 2050. Our action plan is continually monitored and reviewed as new opportunities are presented and technologies are developed. Below is the outline of our current short, medium, and long-term road map to address and mitigate climate-related challenges.

SHORT TERM 0-5 YEARS	MEDIUM TERM 5-10 YEARS	LONG TERM 10-15 YEARS
Responsible procurement • Procurement management with sustainable approach • Promotion of ethical sourcing standards **GHG emissions** • Local Employment Initiative focus • Flexible Working Policy • Expand Scope 3 reporting boundary • Develop emissions data collection capabilities **Energy efficiency** • Switch to green energy supplier at Head Office **Efficient and lower carbon fleet** • Hybrid and electric company car fleet • Green Transport Programme • Fuel efficiency focus (FORS Silver) • Fleet age limit • HVO availability at Sunhill operating centre **Awareness** • Climate-change and carbon workshop delivery • E-learning module roll-out for all relevant staff • Awareness programme delivery company-wide **Research & innovation** • Research opportunities for solar panel installation • Research hybrid options and alternative fuels for suction excavator fleet	**Responsible procurement** • Lower or zero carbon PPE GHG emissions • Local Employment Initiative focus • Expand Scope 3 reporting boundary further to include employee commuting • Flexible Working Policy **Energy efficiency** • On-site renewable energy feasibility across all facilities • Possibility of installation of solar panels at business locations **Efficient and lower carbon fleet** • Additional EV charging points installed at Head Office and operating centres • Hybrid/EV vans introduced • Lower carbon alternative fuel options used **Awareness** • Develop further awareness training delivery company-wide, including e-learning pathways and workshops • Introduction of workforce training programmes focused on climate resilience techniques Research & innovation • Trialling of further alternative fuels, e.g. green hydrogen, hydrogen, **HVO** • Stakeholder engagement to trial lower carbon materials and technology • Lower carbon options offered to clients in civils tender opportunities	**Responsible procurement** • Reduction of overall supply chain carbon footprint • Regular evaluation of supply chain performance against targets **GHG emissions** • Update of Carbon Reduction Strategy with latest technology available • Emissions reduction target aligned to reach Net Zero by 2050 • Local Employment Initiative focus **Efficient and lower carbon fleet*** • Hybrid plant fleet • Fully hybrid/EV van fleet Research & innovation • Active participation in trialling latest available low-carbon materials and technology across the value chain **Workforce development** • Develop and embed training programmes focused on climate-related construction techniques, including safety protocols and emergency response *Based on available technology

In the short term, our focus lies on immediate, impactful measures aimed at fortifying our resilience against existing and emerging risks. These swift interventions are designed to yield quick results, showcasing our commitment to proactively managing the environmental challenges we face.

Transitioning into the medium term, our action plans delve into strategic initiatives that build upon the foundations laid in the short term. These measures are crafted to enhance our adaptive capacity, ensuring sustained resilience and flexibility in the face of evolving climate scenarios.

In the long term, we aim for sustainable transformation, where innovative practices and a steadfast commitment to environmental responsibility become integral to our organisational ethos. These long-term strategies aim not only to mitigate risks but also to contribute positively to the broader sustainability agenda.

Brusk Korkmaz, Chief Executive Officer

Date: Jan 12, 2024

CORPORATE GOVERNANCE POST LISTING

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

Given the relatively small size of the company at present, and the extensive controls already in place, the Company currently has no financial internal audit function, but the need for such a function will be reviewed each year by the audit committee.

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

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

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

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

Brusk Kivilcim Korkmaz, *Chief Executive Officer*

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

Paul David Wheatcroft, *Chief Financial Officer & Company Secretary*

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

Ahmet Iplikci, *Non-Executive Director*

Ahmet Iplikci is the founding partner of Ishtar Advisory Limited, an emerging markets focussed advisory firm. He is also 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 sits on the advisory boards of the British Chamber of Commerce in Turkey, and Fuel Ventures, an early-stage venture capital firm in the UK. Ahmet was a Senior Advisor to the Turkish Prime Minister's Office Investment Agency from 2010 to 2014, and a Senior Advisor 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 and offline, reads relevant white papers and case studies as well as following thought leaders on social media.

Richard Anthony Kilner, *Independent Non-Executive Director*

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

Robin Stevens, *Independent Non-Executive Director*

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

CORPORATE GOVERNANCE

Independence of Chairman and Chief Executive Officer

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

Board Balance

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

Board meetings were held on:

1 December (2022), 27 February, 28 April, 29 June, 22 August and were all fully attended.

Audit Committee meetings were held on:

13 January, 1 June, 28 September, and were all fully attended.

A Nomination Committee meeting was held on:

29 June and was fully attended.

Remuneration Committee meetings were held on:

28 April, 22 August, and were all fully attended.

Paul Wheatcroft acted as Company Secretary during the year.

Nomination Committee

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

Performance Evaluation and Re-election

The Board has continued to evaluate its effectiveness and performance during the year, taking into account the Financial Reporting Council's Guidance on Board Effectiveness. Director appraisals will be performed during 2024 to ensure that their performance is, and continues to be, effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role. The Directors will be evaluated internally based on their responsibilities to the Board. New Directors resign and stand for re-election at the Company's first AGM following their appointment. One-third of continuing Directors stand for re-election on an annual basis.

No external advice on any significant matter has been sought by the Committee during the year, nor have any external advisors to the Board been appointed.

The Directors carry out continued professional development throughout the year where appropriate and each Director keeps up to date with market changes using 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 32 to 33. No external advice on any significant matter has been sought by the Committee during the year, nor have any external advisors to the Board been appointed.

Relations with Shareholders

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

Annual General Meeting

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

Financial Reporting and Internal Control

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

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

- An annual budget set by the Board
- Monthly management accounts with comparisons to budget
- Two forecast updates per annum
- Quarterly 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, but in the year ended 30 September 2023 there were only 5

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

Corporate Culture

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

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

No external advice on any significant matter has been sought by the Committee during the year, nor haveany external advisors to the Board been appointed.

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

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

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

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

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

On behalf of the Board

Henry Pitman, Chairman

Date:

DIRECTORS' REMUNERATION REPORT

Remuneration Committee

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

Remuneration of executive directors

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

- Salary: the Remuneration Committee sets the base salaries to reflect responsibilities and 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 andlife insurance.

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

The executive directors are engaged under separate contracts which require a notice period of six months given at any time by the individual.

Remuneration of non-executive directors

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

Year to 30 September 2023 Director	Salary and fees £	Bonus £	Pension £	Benefits £	Share based Payments £	Total £
B Korkmaz (Executive)	166,000	104,000	60,000	7,894	-	337,894
P Wheatcroft (Executive)	140,062	43,875	33,750	3,799	-	221,486
H Pitman (Non-executive)**	55,000	-	-	-	-	55,000
R Stevens (Non-executive)**	40,000	-	-	-	-	40,000
R Kilner (Non-executive)**	40,000	-	-	-	-	40,000
A Iplikci (Non-executive)**	40,000	-	-	-	-	40,000
	481,062	147,875	93,750	11,693	-	734,380

The bonus payments made to Brusk Korkmaz and Paul Wheatcroft were based on EBITDA after bonuses were accrued for. A sliding scale was used and the achieved EBITDA allowed maximum bonuses for both directors (Brusk Korkmaz 65% of salary, Paul Wheatcroft 32.5% of salary). No element or these bonus payments related to the share price. Benefits relate to company cars and private health insurance.

Year to 30 September 2022 Director	Salary and fees £	Bonus £	Pension £	Benefits £	Share based Payments £	Total £
B Korkmaz (Executive)	160,000	-	40,000	4,861	-	204,861
P Wheatcroft (Executive)	135,000	27,000	13,500	6,190	-	181,690
H Pitman (Non-executive)**	35,979	-	-	-	-	35,979
R Stevens (Non-executive)**	26,1666	-	-	-	-	26,166
R Kilner (Non-executive)**	26,166	-	-	-	-	26,166
A Iplikci (Non-executive)**	26,667	-	-	-	-	26,667
N Dowton (Executive)*	36,667	-	13,333	-	-	50,000
P Field (Executive)*	36,667	7,334	3,667	3,280	-	50,948
	483,312	34,334	70,500	14,331	-	602,477

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

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

* Resigned 4 February 2022.

** Appointed 4 February 2022.

On behalf of the Board

Richard Kilner, Chairman of the Remuneration Committee

Date: 12.01.2023

DIRECTORS REPORT

The Directors are pleased to present the annual report and audited financial statements of Hercules Site Services PLC for the year ended 30 September 2023.

Dividends

The Directors recommend the payment of a final dividend of 1.12 pence per share for the year ended 30 September 2023, to be paid in March 2024. This follows the interim dividend of 0.6 pence per share paid in August 2023.

Research & Development

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

Substantial shareholdings

On 4 February 2022, Hercules Site Services PLC was admitted to the AIM market of the London Stock Exchange. Hercules Real Estate Ltd currently retains circa 67.1% of shares in the Company.

Equality, Diversity & Inclusion Policy

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

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

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

Corporate Social Responsibilities

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

Company processes shall be monitored and measured against KPIs to ensure EDI and FIR requirements and objectives are met. All employees have a duty to act in accordance with this policy, and therefore to always treat colleagues with dignity, and not to discriminate or harass other members of staff, whether junior or senior to them.

This policy applies equally to the treatment of our visitors, clients, customers, and suppliers, by our employees. In some situations, Hercules Site Services may be at risk of being held responsible for the acts of individual members of staff and will not therefore tolerate any discriminatory practices or behaviour.

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

Also, see S172 of the Strategic report.and Quality Teams shall review this policy annually or following significant changes, prior to review and approval by the CEO.

Also, see S172 of the Strategic report.

Directors

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

B Korkmaz

P Wheatcroft

H Pitman (Non-executive)

R Stevens (Non-executive)

R Kilner (Non-executive)

A Iplikci (Non-executive)

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

Statement of Directors' responsibilities

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

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

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

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

Directors interests

No changes occurred during the year.

Going concern

See notes to the accounts page 50.

Disclosure of information to auditor

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

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

Annual General Meeting

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

Reappointment of auditors

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

Financial risk management objectives and policies

See Note 23.

Engagement with others

The Company prides itself on its strong values and culture and the creation of social, economic, and environmental wellbeing is at our core, embedded in all of our processes and the way we work. We aim to generate benefits not only to the organisation, but also to society and the communities we work in. Our Social Value Policy outlines our commitment towards maximising the social value we create on the projects we work on, in accordance with The Public Services (Social Value) Act 2012 and is supported by our Sustainable Procurement Strategy and Carbon Management Procedure.

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

Post Balance Sheet events

On 30 November 2023 Hercules acquired 60% of Future Build Recruitment Ltd. This is a business operating in the construction sector specialising in white collar placements, mainly on a permanent basis. The acquisition is expected to widen the Groups' client base and help gain a good foothold in the white collar space. This qualifies as a business combination under IFRS 3. The consideration was £1,001,000 in cash and £250,000 satisfied through the issue of 994,431 shares. The is the first partnership arrangement (which commences following the acquisition) the Company has entered into, and it expects to enter into similar arrangements in the years ahead.

Hercules created two 100% owned subsidiaries for both the suction excavator services and the Training Academy. Hercules sold two of the oldest suction excavators in October 2023, as they were of the "floppy arm" design, not the "power arm" design that the rest of the Company's fleet consist of. These "floppy arm" design vehicles are no longer required by the majority of the Company's clients. The Company's suction excavator fleet now consists of 28 vehicles.

A new replacement invoice discounting facility was entered into in November. This facility is with IGF Business Finance Limited and provides a facility up to £15m, further supporting Hercules growth plans in the years ahead. The Board is pleased to propose a final dividend of 1.12 pence per share for the year ended 30 September 2023. The dividend will be paid on 22 March 2024 to shareholders on the register at close of business on 23 February 2024. The shares will go ex-dividend on 22 February 2024

Approved by the Board on Jan 12, 2024 and signed on its behalf by:

Brusk Korkmaz, CEO

Date: 12.01.24

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Hercules Site Services Plc (the 'company') for the year ended 30 September 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2023 and of the company's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to SME listed 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;
- Reviewing the terms and conditions of the new financing facility entered into post year end and considering their impact on the directors' assessment of going concern; and
- Reviewing the appropriateness of the directors' disclosures in the financial statements.

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

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

Key audit matters

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

Key Audit Matter	How our scope addressed this matter
Revenue recognition 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 the users' interpretation of the financial statements. As a result, there is a risk of fraud or error in revenue recognition. Revenue is derived from civil projects, the supply of labour and suction excavator services. The company's accounting policy in respect of revenue recognition is set out in the accounting policy notes on page 57 **Civil projects** We see the risk of fraud in relation to revenue recognition principally relating to the accuracy and cut-off of revenue recognized under civil projects contracts. In particular around the judgements and estimates in respect of costs to complete for contracts that were in progress at year end and accounting for variable consideration per the requirements of IFRS15. **Supply of labour & suction excavator services** For the supply of labour, the amount of revenue is based on agreed contractual hourly rates with customers. Revenue from the provision of suction excavator services is recognised in line with the income received over time under the relevant contracts/sale agreements. The risk of fraud in revenue for revenue from the supply of labour and suction excavator services has been pinpointed to cut-off assertion. In both cases, as invoicing is dependent on the receipt of authorised time sheets which may be delayed, there is a greater risk in our view that revenue recognition is delayed, resulting in revenue being recognised post year end which relates to services provided pre-year end.	**Our response** Our audit procedures 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 those controls were appropriately designed and implemented. **For civil projects:** • Obtaining a detailed breakdown of revenue recognised by contract and reconciling this to the financial statements and general ledger; • Understanding of the status of each contract and the degree of completion; • Obtaining a sample of underlying contracts and signed variations to substantiate the total contract value and gain an understanding of the terms and conditions agreed including items such as liquidated damages or pain / gain sharing mechanisms; • For a sample of contracts completed in the year, obtaining evidence of customer acceptance of work and agreeing revenue to invoice and cash receipt; • For contracts in progress at the year end, obtaining managements calculation of revenue to be recognised using the input method and performing detailed testing of the accuracy and robustness of estimating costs to complete, including: • Detailed testing of costs allocated to contracts in the year; • An assessment of potential and actual risks on the contract and challenging management on how they have been factored into cost to complete forecasts; • An assessment of the comparison of actual costs incurred post year end and forecasted costs and what subsequent actions are being taken for any variations identified; and • An assessment of whether post year end information, such as applications to the customer, supports management's view in terms of whether the remaining contract programme schedule is being followed and therefore judgements regarding the costs to complete made at the year-end were appropriate. **For supply of labour and suction excavator services:** • Obtaining details of revenue raised in October 2023 and for a sample of transactions agreeing the invoice to supporting timesheets to confirm that the revenue has been recognized in the correct period. **Our observations** Based on the work performed, we are satisfied that revenue has been appropriately recognised in the period.

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	£634,983
How we determined it	Overall materiality has been determined with reference to a benchmark of 0.75% of total revenues.
Rationale for benchmark applied	In our view, the above measure is the most relevant measure of underlying performance of the company due to the principal focus of the users of the financial statements being the growth in the company in terms of in revenue. The early stage of the company's lifecycle also means that the focus is achieving revenue growth and investing in its people and equipment to grow the company.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £444,488 which represents 70% of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £19,049 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

Other information

The other Information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the

financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 45, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation and health and safety regulation.

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

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

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

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

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

• Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;

• Gaining an understanding of the internal controls established to mitigate risks related to fraud;

• Discussing amongst the engagement team the risks of fraud; and

• Addressing the risks of fraud through management override of controls by performing journal entry testing.

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

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

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

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

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

Date 12.01.2024

STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30 September	Year ended 30 September
		2023	2022
Continuing operations	**Note**	**£**	**£**
Revenue	6	84,664,536	49,549,487
Cost of sales		(68,339,572)	(39,770,374)
Gross Profit		16,324,964	9,779,113
Other operating income	7	10,204	-
Administrative expenses		(14,274,828)	(9,073,415)
Profit from operations	8	2,060,340	705,698
Fair value gains/(losses)	16	-	691
Finance income		326	4,634
Finance costs	12	(1,419,345)	(550,338)
Profit before tax expense		641,321	160,685
Tax credit/(charge) on profit	13	128,914	160,167
Net profit/(loss) for the year		770,235	320,852
Total comprehensive income/(loss) for the year		770,235	320,852
Earnings per share			
Basic	4	1.27p	0.58p
Diluted			

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

STATEMENT OF FINANCIAL POSITION

		Year ended 30 September	Year ended 30 September
		2023	2022
Non-current assets	**Note**	**£**	**£**
Property, plant and equipment	15	20,799,144	14,642,398
		20,799,144	14,642,398
Current assets			
Inventories		50,753	51,772
Trade and other receivables	16	22,598,144	17,906,957
Current tax receivable		82,891	82,891
Cash and cash equivalents		4,151,565	1,211,554
Total current assets		26,883,353	19,253,174
TOTAL ASSETS		47,682,497	33,895,572
Equity and liabilities			
Share capital	23	62,428	58,650
Share premium		4,995,514	3,417,068
Share based payment reserve		68,569	39,774
Retained earnings		3,530,691	3,322,600
Total equity		8,657,202	6,838,092
Non-current liabilities			
Deferred tax liabilities	14	158,506	287,420
Lease liabilities	20	13,496,394	10,878,950
Total non-current liabilities		13,654,900	11,166,370
Current liabilities			
Trade and other payables	17	11,921,928	7,005,102
Provisions	18	-	304,951
Loans and borrowings	19	9,959,646	6,528,750
Lease liabilities	20	3,488,821	2,052,307
Total current liabilities		25,370,395	15,891,110
TOTAL LIABILITIES		39,025,295	27,057,480
TOTAL EQUITY AND LIABILITIES		47,682,497	33,895,572

Approved by the board and authorised for issue on Jan 12, 2024 and signed on its behalf by:

Brusk Korkmaz, CEO

Date: 12.01.2024

STATEMENT OF CHANGES IN EQUITY

	Share capital £	Share premium £	Share based payment reserve £	Retained earnings £	Total equity £
Balance at 1 October 2021	50,000	-	-	3,386,950	3,436,950
Profit for the year	-	-	-	320,852	320,852
Proceeds from issue of shares	8.650	4,359,704	-	-	4,368,354
Share issue costs	-	(942,636)	-	-	(942,636)
Share based payment	-	-	39,774	-	39,774
Dividends paid	-	-	-	(385,202)	(385,202)
Balance at 30 September 2022	58,650	3,417,068	39,774	3,322,600	6,838,092
Profit for the year	-	-	-	770,235	770,235
Proceeds from issue of shares	3,778	1,578,446	-	-	1,582,224
Share based payment	-	-	28,795	-	28,795
Dividends paid	-	-	-	(562,144)	(562,144)
Balance at 30 September 2023	62,428	4,995,514	68,569	3,530,691	8,657,202

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

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

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

Dividends of £562,144 were paid during the year in two instalments, a final dividend for the year ended 30 September 2022 of £187,576, 1.12p per share (FY 2022, 284,715), and an interim dividend for the year ended 30 September 2023 of £374,568, 0.6p per share (interim 2022 £100,487).

STATEMENT OF CASH FLOWS

	Note	Year ended 30 September 2023 £	Year ended 30 September 2022 £
Cash flows from operating activities:			
Profit after taxation		770,235	320,852
Taxation credit	13	(128,914)	(160,167)
Finance income		(326)	(4,634)
Finance costs	12	1,419,345	550,338
Fair value movements gain		-	(691)
Share based payment charge		28,795	39,774
Depreciation of property plant and equipment	15	1,771,890	1,034,071
Loss on disposal of property, plant and equipment		43,124	21,218
Decrease/(increase) in inventories		1,019	(49,799)
Increase in trade and other receivables		(4,691,187)	(9,614,731)
Increase in trade and other payables and provisions		4,611,875	2,529,984
Cash generated from / (used in) operations		3,825,856	(5,333,785)
Tax paid		-	-
Net cash from operating activities		3,825,856	(5,333,785)
Cash flows from investing activities:			
Purchase of tangible assets	15	(380,420)	(228,184)
Proceeds from disposal of tangible assets		172,478	240,755
Proceeds from disposal of other assets		-	272,141
Interest received		326	4,634
Net cash generated from/(used in) investing activities		(207,616)	289,346
Cash flows from financing activities:			
Payment of lease liabilities	20	(4,402,874)	(1,406,611)
Interest paid		(726,331)	(232,491)
Bank loan advances		3,430,896	3,389,287
Dividends paid		(562,144)	(385,202)
Net proceeds of share issues		1,582,224	3,425,718
Net cash from financing activities		(678,229)	4,790,701
Net decrease in cash and cash equivalents		2,940,011	(253,738)
Cash and cash equivalents at start of year		1,211,554	1,465,292
Cash and cash equivalents at end of year		4,151,565	1,211,554

NOTES TO THE FINANCIAL STATEMENTS

Net debt

	At 30 September 2022	Cash flow	Non-cash movement	At 30 September 2023
Cash and cash equivalents				
Cash	1,211,554	2,940,011	-	4,151,565
Debt				
Bank loans	(6,528,750)	(3,430,896)	-	(9,959,646)
Lease liabilities	(12,931,257)	4,402,874	(8,456,832)	(16,985,215)
	(19,460,007)	971,978	(8,456,832)	(26,944,861)
Net debt	(18,248,453)	3,911,989	(8,456,832)	(22,793,296)

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

1 General Information

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

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

Hercules Court

Lakeside Business Park

Broadway Lane

South Cerney

Cirencester

GL7 5XZ

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 wit UK adopted 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 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 2022 and 30 September 2023, using the historical cost basis except for, where disclosed in the accounting policies, certain items shown at fair value

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Changes in accounting policy and disclosures

(a) New and amended accounting standards

New Standards applicable for the year were as follows:

- Narrow scope amendments to IFRS 3, IAS 16 and IAS 37 (1 January 2022)
- Annual improvements to IFRS 1, IFRS 9, IAS 41 and IFRS 16 (1 January 2022)
- Amendments to IAS 12 : International Tax Reform
- IFRIC Agenda decision affecting IFRS 9 and IFRS 16 : Lessor Forgiveness of Lease Payments

None of these amendments to Standards had a material impact on the Company's results for the year.

(b) Future standards

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

- Amendments to IFRS 17 Insurance Contracts (1 January 2023)
- Amendments to IAS 1 and IFRS Practice Statement 2 : Disclosure of Accounting Policies (1 January 2023)
- Amendments to IAS 8 : Definition of Accounting Estimates (1 January 2023)
- Amendments to IAS 12 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction (1 January 2023)
- Amendments to IFRS 16 : Lease Liability in a Sale and Leaseback (1 January 2024)
- Amendments to IAS 1 : Non-current Liabilities with Covenants (1 January 2024)
- Amendments to IAS 12 : International tax reform (1 January 2023 for disclosure requirements)
- Amendments to IAS 7 and IFRS 7 Supplier Finance (1 January 2024)
- Amendments to IAS 21 : Lack of Exchangeability (1 January 2025)

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 a forecast using prudent assumptions. The financial information has been prepared assuming the Company will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management has considered the Company's existing working capital and management are of the opinion that the Company has adequate resources to undertake its planned programme of activities for a period of at least 12 months from the date of approval of these financial statements. The Company's new working capital facility is now capped at £15m (but the directors believe could be extended if required), and is on a 3 month notice period on either side. This new facility was implemented November 2023, and has started to operate well. A good relationship exists between the Company and the provider, therefore the Directors do not believe the facility will be terminated within the going concern assessment period.

The directors have taken a view of the Company as a whole over the 12 months January 2024 to January 2025. Assessments have been made of revenue streams from key contracts, growth in a number of areas, overheads, cash levels, cash facilities where required, tax projections etc. A further scenario test with 5% lower sales, margins reduced in the key areas by 0.5%, and worse debt collection days has been undertaken, without reducing planned headcount increases, and sufficient (but reduced) cash levels are forecast in the 12 months ahead.

The Company increased its turnover by 70% in the year and exceeded its forecast turnover and EBITDA (before extraordinary items). The Company is one of six labour suppliers selected for the Northern Section of HS2 (Birmingham section), which is currently the largest construction project in Europe. This will continue to underpin and grow turnover over the next few years. In addition, the Company raised funds to purchase another fourteen suction excavators, which further boosted turnover. Civil projects are expected to be similarly busy, due to the requirements of AMP7 being squeezed into three years rather than five, and the well documented pressures on the water industry.

A net £1.6m was raised from the AIM market in March 2023. 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. Cash at the end of FY2023 was £4,151,565 (FY2022 £1,211,554), so a considerable increase in liquidity has been achieved during the year.

Hercules acquired 60% of FutureBuild Recruitment Ltd in November 2023. The is the first partnership arrangement (which kicks in following the acquisition) the Company has entered in to, and it is cash generative.

Segmental reporting

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

Revenue

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

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

Identifying the contract with a customer

Identifying the performance obligations

Determining the transaction price

Allocating the transaction price to the performance obligations

Recognising revenue when/as performance obligation(s) are satisfied

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

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

Labour Supply

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

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

Civil Projects

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

Each contract has its own assessed view. Contract modifications are recognised when the Company considers that they have been approved. The estimation of final contract value includes the assessment of the recovery of variations, claims and compensation events. The estimate made is constrained in accordance with IFRS 15 so that it is highly probable not to result in a significant reversal of revenue in the future. Where the change in scope results in an increase to the work to be performed that is distinct and reflects the stand-alone selling price of the good/service, it is treated as a separate contract.

Under these contracts, the Company produces a monthly 'application' to the customer detailing the work performed to date and requesting payment accordingly. Within a period of one to two months (in the majority of cases) the customer will confirm agreement to the 'application' and remit the necessary funds to the Company. Historically, the Company's experience is that instances of customers materially disagreeing with the 'application' are rare and that this is therefore a reliable method by which to recognise revenue earned ("output method"). There have been no new 'output' method projects started since March 2021, and internal valuations made under this method in the year ending 30 September 2023 would not change the position in any material way.

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

Suction excavators

Revenue from the provision of suction excavator's services represents the supply of equipment to customers for an agreed period of time. Revenue is recognised on a straight line basis over the term of the relevant contracts/sale agreements. Labour & material costs are recognised as they occur. Payment terms are typically 30 days.

Other

Revenue from the sale of software products is recognised at a point in time, being when the software is delivered to the end customer. Likewise, the revenue from the health trailer (where nursing services are provided) is recognised, at a point in time, when the services have been delivered to the end customer. Payment terms are typically 30 days.

Other operating income

Work done for Hercules Real Estate Ltd and reclaims of training costs from ex employees are included here.

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.

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	
Cars	Straight line over the term of the lease
Van	10% reducing balance
Property	Straight line over the term of the lease
Plant & Machinery	8.3% reducing balance

Impairment of non-financial assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately independent cash inflows (CGU). All non-financial 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 assets 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.

Value in use is assessed by discounting the estimated future cash flows that the asset is expected to generate throughout its useful life.

Financial instruments

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

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

(a) Trade receivables

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

(b) Borrowings

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

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

(c) Trade payables

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

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

(d) Contract assets

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

Cash and cash equivalents

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

Provisions

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

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

Leases

The Company as lessee

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

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

The right-of-use asset is depreciated on a straight-line basis over shorter of the asset's useful life and the lease term and if necessary impaired in accordance with applicable standards. The lease liability shall initially be measured at the present value of the lease payments that are not paid at that date, discounted using the rate implicit in the lease or, where this cannot be determined, the Company's incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (application of the effective interest method) and by reducing the carrying amount to reflect the lease payments

made. No lease modification or reassessment changes have been made during the reporting period from changes in any lease terms or rent charges.

Share capital

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

Defined contribution pension obligation

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

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

Share-based payment

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

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

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

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

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

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below. The impact of climate change are at present considered to be not material.

The Company has considered the nature of the estimates involved in deriving balances on long term contracts, and concluded that it is possible that outcomes within the next financial year may be different from the Company's assumptions applied as at 30 September 2023 and could require an adjustment (but not considered to be material) to the carrying amounts of these assets and liabilities in the next financial year.

However, due to the level of uncertainty, combination of cost and income variables and timing across the Company's portfolio of contracts at different stages of their contract life, it is impracticable to provide a quantitative analysis of the aggregated judgements that are applied at a portfolio level.

Key judgements

Lease discount rate

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

Key sources of estimation uncertainty

Revenue recognition (Civil projects)

In order to determine the profit and loss that the Company is able to recognise on its Civil projects in the accounting period, the Company has to estimate the total costs expected to be incurred under each project. While the costs incurred to date are known, the estimation of costs to complete for each project requires judgement. Management assess the degree of completion by measuring the value of costs incurred as a percentage of the estimated total costs of the project. This is considered the most appropriate measure of completion of projects as revenue is invoiced based on the value of work performed. This represents an 'input method' under IFRS 15. Such estimates are revised as a project progresses to reflect the current status of the project and the latest information available to management. The project teams regularly review contract progress to ensure the latest estimates are appropriate. Further information is disclosed in note 2 under 'Revenue' and the carrying amounts of contract assets are stated in Note 6. There will always be some estimation uncertainty in the recognition of revenue owing to the estimate of cost to complete.

The Group recognises recoveries of claims from clients as revenue where clear entitlement has been established, such as through dispute-resolution processes. This includes the recovery of costs (such as delays to the contract programme) to the extent it is highly probable not to result in a significant reversal of revenue in the future.

Provision

As disclosed in note 18, 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.

4 **Earnings per share**

Basic and diluted	Year ended 30 September 2023 £	2022 £
Earnings used in calculation of earnings per share:		
Total profits/(losses) attributable to equity holders	770,235	320,852
Weighted average number of shares in issue	60,803,022	55,640,408
Earnings/(loss) per share		
On total profits attributable to equity holders	1.27p	0.58p

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

5 **Segmental reporting**

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

In total, at 30 September 2023 suction excavators accounted for £11,928,050 (2022: £6,040,600) of right-of-use assets, and £9,890,628 (2022: £5,364,237) of lease liabilities. All other assets and liabilities relate to other business segments.

Segment information for the year ended 30 September 2023 is as follows:

	Labour Supply £	Civil Projects £	Suction excavator Services £	Other £	Total £
Revenue (all from external customers)	63,818,639	15,656,406	4,895,671	293,820	84,664,536
Cost of sales	(53,191,736)	(12,409,711)	(2,642,434)	(95,691)	(68,339,572)
Gross profit	10,626,903	3,246,695	2,253,237	198,129	16,324,964
Administrative expenses	(1,961,416)	(1,455,333)	(1,620,355)	(225,673)	(5,262,777)
Other operating income				10,204	10,204
Operating profit from segments	8,665,487	1,791,361	632,882	(17,340)	11,072,391
Administrative expenses not attributable to segments					(9,012,051)
Profit from operations					2,060,340
Finance income					326
Finance costs					(1,419,345)
Profit before tax					641,321

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

All suction excavators belong to and are used by the Suction Excavator Services segment outlined above.

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

	Labour Supply £	Civil Projects £	Suction Excavator Services £	Other £	Total £
Revenue (all from external customers)	33,250,617	12,370,937	3,645,934	281,999	49,549,487
Cost of sales	(27,719,436)	(10,355,715)	(1,517,541)	(177,682)	(39,770,374)
Gross profit	5,531,181	2,015,222	2,128,393	104,317	9,779,113
Administrative expenses	(1,284,275)	(810,482)	(1,085,008)	0	(3,179,765)
Operating profit from segments	4,246,906	1,204,740	1,043,385	104,317	6,599,348
Administrative expenses not attributable to segments					(5,893,650)
Profit from operations					705,698
Fair value gains					691
Finance income					4,634
Finance costs					(550,338)
Profit before tax					160,685

6 **Revenue**

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

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

	Year ended 30 September 2023 £	Year ended 30 September 2022 £
Labour Supply	63,818,639	33,250,617
Civil projects	15,656,406	12,370,937
Suction excavator services	4,895,671	3,645,934
Other	293,820	281,999
	84,664,536	**49,549,487**

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

Significant customers

In the year ended 30 September 2023 one customer represented 36% (£33,660,426) of revenue (2022 one customer 17% (£8,437,682)), and another customer represented 8% (£7,872,934) of revenue (2022 one customer 11% (£5,404,125)). These customers were primarily labour supply customers. No other customers represented more than 8% 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 £6,739,637 (2021 : £3,362,862)

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 2023 was £9,948,670 (2022 : £6,739,637).

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 comprises amounts recognised as income that not considered to be part of the main revenue generating activities, the Company presents this income separately from revenue.

	Year ended 30 September 2023	Year ended 30 September 2022
	£	£
Inter-company sales	3,102	-
Reclaim of training costs	7,102	-
	10,204	-

8 Profit from operations

	Year ended 30 September 2023	Year ended 30 September 2022
	£	£
Operating profit	2,060,340	705,698
Operating profit is stated in the income statement after charging:		
Depreciation – owned assets	168,356	146,472
Deprecation – right-of-use assets	1,603,534	887,599
Loss on disposal of fixed assets	43,124	21,218
Research and development costs	4,098	36,555

9 Auditors' remuneration

No non-audit services have been provided in the year

	Year ended 30 September 2023	Year ended 30 September 2022
	£	£
For audit of the financial statements	80,000	66,340

10 Staff costs

The aggregate employee benefit expenses were as follows:

	Year ended 30 September 2023	Year ended 30 September 2022
	£	£
Wages and salaries	29,276,624	13,375,145
Social security costs	3,143,116	1,506,878
Pension costs	515,400	265,586
	32,935,140	**15,147,609**

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

	Year ended 30 September 2023	Year ended 30 September 2022
Site based operatives	422	212
Administrative and Managerial	138	63
	560	**275**

11 Directors' remuneration

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

	Year ended 30 September 2022	Year ended 30 September 2021
	£	£
Salaries	628,937	517,646
Benefits	11,693	14,331
Pension contributions	93,750	70,500
	734,380	**602,477**

During the year retirement benefits were accruing to 2 directors (2022: 4) in respect of defined contribution pension schemes.

Amounts paid to the highest paid director were as follows:

	Year ended 30 September 2023	Year ended 30 September 2022
	£	£
Salary and benefits	277,894	164,861
Pension contributions	60,000	40,000
	337,894	**204,861**

12 Finance costs

	Year ended 30 September 2023	Year ended 30 September 2022
	£	£
Lease finance costs	693,014	317,847
Interest on loans measured at amortised cost	683,812	230,552
Other interest	42,519	1,939
	1,419,345	**550,338**

13 Income taxes

	Year ended 30 September 2023	Year ended 30 September 2022
	£	£
Current tax:	-	-
UK corporation tax	-	-
Adjustments to prior periods	-	-
Total current tax charge		**-**

	Year ended 30 September 2023	Year ended 30 September 2022
	£	£
Deferred tax:		
Origination and reversal of timing differences	(62,378)	(114,925)
Adjustments in respect of prior periods	(66,536)	(45,242)
Effect of tax rate change on opening balance	-	-
	(128,914)	(160,167)
Tax on profit on ordinary activities	(128,914)	(160,167)

Tax on profit on ordinary activities for the year is lower than the standard rate of corporate tax in the UK of 22%, (2022: 19%).

On 1 April 2023 the rate of corporation tax in the UK increased from 19% to 25%. As a result, the effective tax rate applied to the Company's profits for the year is 22%, being six months at 19% and six months at 25%.

The differences are reconciled below:

	Year ended 30 September	
Continuing operations	**2023**	**2022**
	£	£
Profit on ordinary activities before taxation	641,320	160,685
Tax at the UK rate of 22% (2022: 19%)	141,143	30,530
Effect of:		
Expenses not deductible for tax purposes	45,960	112,796
Fixed asset differences	(242,016)	(230,669)
Adjustments in respect of prior periods	(66,536)	(45,242)
Remeasurement of deferred tax for change in tax rates	(7,465)	(27,582)
Total tax credit	(128,914)	(160,167)

14 Deferred tax

Deferred tax balances are analysed as follows:

Deferred tax balances before offset	30 September 2023	30 September 2022
	£	£
Deferred tax liability	(3,833,399)	(1,998,219)
Deferred tax asset	3,674,893	1,710,799
Total deferred tax liability	(158,506)	(287,420)

Deferred tax balances after offset	30 September 2023	30 September 2022
	£	£
Deferred tax asset	-	-
Deferred tax liability	(158,506)	(287,420)
Total deferred tax liability	(158,506)	(287,420)

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 2021 – asset/(liability)	645,946	143	(1,093,676)	(447,587)
Tax credit/(charge) in respect of current year	1,063,412	1,298	(904,543)	160,167
At 30 September 2022 – asset/(liability)	1,709,358	1,441	(1,998,219)	(287,420)
Tax credit/(charge) in respect of current year	1,892.999	71,095	(1,835,180)	128,914
At 30 September 2023 – asset/(liability)	3,602,357	72,536	(3,833,399)	(158,506)

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

15 Property, Plant and Equipment

	Plant and machinery	Fixtures & office equipment	Right-of-use assets	Total
	£	£	£	£
Cost				
At 1 October 2021	1,347,502	426,198	9,131,491	10,905,191
Additions	67,710	160,475	6,474,034	6,702,219
Disposals	(438,917)	-	-	(438,917)
At 30 September 2022	976,295	586,673	15,605,525	17,168,493
Additions	159,279	221,141	7,763,818	8,144,238
Disposals	(259,872)	(21,909)	(122,821)	(404,602)
At 30 September 2023	875,702	785,905	23,246,522	24,908,129
Depreciation				
At 1 October 2021	370,769	265,598	1,032,601	1,668,968
Charge	85,683	60,748	887,640	1,034,071
Disposals	(176,944)	-	-	(176,944)
At 30 September 2022	279,508	326,346	1,920,241	2,526,095
Charge	68,754	99,602	1,603,534	1,771,890
Disposals	(107,334)	(21,909)	(59,757)	(189,000)
At 30 September 2023	240,928	404,039	3,464,018	4,108,985
Net book value				
At 30 September 2023	634,774	381,866	19,782,504	20,799,144
At 30 September 2022	696,787	260,327	13,685,284	14,642,398
At 30 September 2021	976,733	160,600	8,098,890	9,236,223

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

16 Trade and other receivables

	As at 30 September 2023	As at 30 September 2022
Amounts falling due within one year:	£	£
Trade receivables	12,017,411	9,395,331
Other receivables	49,414	812,251
Contract assets	9,948,670	6,739,637
Prepayments	582,649	959,738
	22,598,144	17,906,957

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

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

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

At 30 September 2023 an amount of £91,577 was included as an ECL provision. This was in respect of a single customer, which had gone into administration, and was considered by the Directors to be a fairly exceptional event. It was therefore excluded when considering any further provision required under the expected credit loss model. The company believe the credit risk attached to its customer base is minimal, as such have taken the ECL percentage as nil.

In addition to any provisions required for ECL, the Company also includes a provision against trade receivables and contract assets for disputed items. During the year ended 30 September 2023 the Company recorded a credit to the income statement of £129,140 in respect of changes in the dispute provision.

As at 30 September 2023 the balance of the dispute provision was £170,429 (2022: £41,289).

The maturity analysis of trade receivables is:

	< 1 month	1-2 months	2-3 months	> 3 months	Total
	£	£	£	£	£
30 September 2023	6,320,261	4,728,343	440,014	528,793	12,017,411
30 September 2022	4,920,487	1,013,039	1,509,228	1,993,866	9,436,620

The expected credit loss rate on all ageing columns above has been assessed as being immaterial.

17 Trade and other payables

	As at 30 September 2023	As at 30 September 2022
Amounts falling due within one year:	£	£
Trade payables	2,019,417	2,257,614
Amounts owed to parent undertaking	38,938	-
Social security and other taxes	4,629,718	2,353,042
Other payables	4,781,476	2,216,235
Accrued expenses	452,379	178,211
	11,921,928	7,005,102

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

18 Provisions

	2023	2022
	£	£
At 1 October	304,951	259,537
Payments made	(304,951)	-
Additional provision for year	-	45,414
At 30 September	-	304,951

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

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

The provision stated above is subject to uncertainty in both amount and timing of cash flows due to the fact that the Company has submitted voluntary disclosure to HM Revenue & Customs but is yet to receive any substantive response. It is possible that, following the voluntary disclosure exercise, HM Revenue & Customs may challenge that more of the roles should be caught by the Agency rules and therefore the final liability may be higher. The risks of this liability being higher fall into two categories:

1. HMRC may conclude, after investigation into the relevant contractors self assessment tax returns, that their tax and/or NIC has been underpaid, and that the right of "set off" is not applicable. This may require the Company to make good any underpaid amounts the contractors can't pay.

2. HMRC may decide at some point in the future that they wish to consider the roles the Company deems are outside of the Agency legislation.

However, 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.

During the year the Company made a number of payments on account in anticipation of a final settlement with HMRC and, as such, there was no remaining balance on the provision at the balance sheet date.

19 Loans and borrowings

	As at 30 September 2023	As at 30 September 2022
	£	£
Included within current liabilities		
Bank loans	9,959,646	6,528,750

The bank loan is secured by guarantees from the Company's major shareholder, Hercules Real Estate Limited. The loan is a revolving facility with a rolling 3 month notice period, is secured on trade receivables and attracts interest at a rate of 2.25% over base rate. The facility was capped at £11m and replaced post period end by a new, larger facility (see note 28).

20 Leases

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

The Company had recognised 4 property leases in 2023 (2022 – 4), 56 vehicle leases (2022 – 65) and 28 plant and machinery leases (2022 –17).

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

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

	Leasehold property	Plant and machinery	Motor vehicles	Total
	£	£	£	£
Net book value				
At 1 October 2021	4,231,347	3,713,061	154,482	8,098,890
New leases recognised in the year	1,251,157	3,840,541	1,382,337	6,474,035
Depreciation charge for the year	(234,968)	(444,072)	(208,559)	(887,599)
At 30 September 2022	5,247,536	7,109,530	1,328,260	13,685,326
Adj to PY	(1)	(2,871)		(2,872)
New leases recognised in the year	85,829	6,539,653	1,138,336	7,763,818
Leases terminated in the year	(37,752)	-	(22,482)	(60,234)
Depreciation charge for the year	(309,786)	(922,908)	(370,840)	(1,603,534)
At 30 September 2023	4,985,826	12,723,404	2,073,274	19,782,504

Maturity analysis

	2022	2021
	£	£
Due within one year	3,488,821	2,483,527
Due within two to five years	10,562,511	7,045,096
Due after five years	6,260,133	5,784,982
Future finance charges	(3,326,250)	(2,382,348)
	16,985,215	12,931,257

Amounts recognised in the Statement of Comprehensive Income

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

	2023	2022
	£	£
Depreciation charge of right of use asset	1,603,534	887,599
Interest expenses (within finance costs)	693,014	317,848
	2,296,548	1,205,447

Amounts recognised in the Statement of Cash Flows

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

	2023	2022
	£	£
Cash outflows	4,402,874	1,406,611

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.

21 Financial instruments

	As at 30 September 2023	As at 30 September 2022
Financial assets held at amortised cost:	£	£
Trade receivables	12,017,411	9,395,331
Other receivables	49,414	812,251
Cash and cash equivalents	4,151,565	1,211,554
	16,218,390	11,419,136

	As at 30 September 2023	As at 30 September 2022
Financial liabilities held at amortised cost:	£	£
Bank borrowings	9,959,646	6,528,750
Trade payables	2,019,417	2,742,981
Amounts owed to parent undertaking	38,938	-
Other payables	4,781,476	2,216,235
Accrued expenses	452,379	178,211
Lease liabilities	16,985,215	12,931,257
	34,237,071	24,597,434

22 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.

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.

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.

A change in interest rates of 1% would add additional cost of between £65,000 and £100,000 per year depending on the likely average level of the use of the invoice discounting facility.

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. 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.

A new invoice discounting facility was implemented in November 2023, with an initial cap of £15m. The only relevant covenant is the Company needs to keep a minimum headroom of £0.5m.

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.

Where the balances are due within 12 months the contractual undiscounted cash flow is considered to be their carrying value as the impact of discounting is not significant.

c) 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. Debt levels with all customers are closely monitored, and a process involving informal and then formal communications is used where payments a re delayed. New customers are carefully assessed using the usual credit risk agencies.

Credit losses historically incurred by the Company have consequently been immaterial, other than two bad debts incurred in the years ended 30 September 2021 and September 2023 of approximately £691,000 that the directors consider to be fairly exceptional. These arose due to the unexpected business failures of one major and one minor customer.

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

The Company's provision is broadly on the basis of any receivables that remain outstanding after 6 months. The Company had no material individual receivables past due or impaired at 30 September 2023 or 30 September 2022, other than the exceptional amount referred to above.

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

Capital management

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

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

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

Therefore, whilst the Company appears to be relatively highly geared, this is in line with the Directors' strategy to grow the business.

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

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

	30 September 2023	30 September 2022
	£	£
Total equity	8,657,202	6,838,092
Net debt	22,793,296	18,248,453
Total capital	31,450,498	25,086,545
Gearing ratio (net debt / capital)	72%	73%

23 Share capital

Issued capital

	As at 30 September 2023	As at 30 September 2022
Allotted, called up and fully paid	Number	Number
Ordinary shares of 0.1p each (2022: 0.1p each)	62,427,984	58,650,206

	As at 30 September 2023	As at 30 September 2022
Allotted, called up and fully paid	£	£
Ordinary shares of 0.1p each (2022: 0.1p each)	62,428	58,650

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.

In March 2023, the Company issued a further 3,777,778 ordinary shares of 0.1p each for total gross consideration of £1,700,000, which amounted to £1,582,224 after issue costs.

24 Share based payments

As part of its flotation on the AIM Market of the London Stock Exchange on 4 February 2022, the Company issued a number of share options and warrants to key employees and suppliers. 293,250 further options were granted during the year.

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

	Options		Warrants	
	Number	Weighted average exercise price	Number	Weighted average exercise price
At 1 October 2022	2,932,504	50.5p	716,379	50.5p
Issued on 4 February 2023	293,250	56.0p	-	-
At 30 September 2023	3,225,754	51.0p	716,379	50.5p

Options

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

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

The fair value of the options is estimated at the grant date using a Black-Scholes option-pricing model that uses assumptions noted in the table below. All options were granted on 6 February 2022 and were valued using the following assumptions:

Date of grant of option	4 Feb 2023	4 Feb 2022
Expected life of options (years)	5 years	6 years
Exercise price	56.5p	50.5p
Market value of share at date of grant	56.5p	50.5p
Risk free rate	3.15%	1.43%
Expected share price volatility	42%	20%
Expected dividend yield	6.31%	3.36%
Fair value per option	9.20p	5.18p
Total fair value of options	£26,986	£121,489
Charged to profit and loss in year	£4,498	£24,297

Expected life of options

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

Risk-free rate

A risk free rate of 3.15% (2022 options: 1.43%) was assumed in the option pricing model, based on the yield from dividend strip government bonds with a similar life to the options issued as close as possible to date of grant.

Dividend yield

This is based on the level of dividends paid by the Company in the period since listing on AIM.

Exercise price

The exercise price was fixed at the market price at the date of grant.

Volatility

Volatility was assumed to be 42% on average (2022 options: 20%). The directors based this assumption on the share price of the Company throughout the year. The Directors consider this the most appropriate method of assessing expected volatility as there is no comparable listed company from which to draw data. Taking into account factors such as liquidity and performance, this is expected to be a reasonable reflection of the expected volatility throughout the expected life of the options.

The cost that has been charged to profit and loss in respect of share options is shown above and was included in staff costs. The total fair value of the options as shown above is being spread over the vesting period of 5 years in each case.

Warrants

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

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

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

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

Expected life of warrants

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

Risk-free rate

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

Dividend yield

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

Exercise price

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

Volatility

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

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

25 Defined contribution pension scheme

The Company operates defined contribution pension schemes. The pension cost charge for the year represented contributions payable by the Company to the schemes and amounted to £503,035 (2022 - £265,586). Contributions totalling £195,709 (2022 - £5,766) were payable to the schemes at the end of the year and are included in other payables.

27 Related party transactions

Ultimate controlling party

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

Key management personnel compensation

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

Transactions with parent entity

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

	2023	2022
	£	£
Rental payments	390,000	379,156
Work done & insurance recharged	3,102	-

Hercules Real Estate Limited has provided a guarantee against the borrowings disclosed in note 19.

Outstanding balances arising from sales/purchases of goods and services

At 30 September 2023 the Company owed £38,938 to Hercules Real Estate Limited. There were no outstanding balances as at 30 September 2022.

27 Capital commitments

At 30 September 2023, the Company had orders committed to a value of £74,028 (2022: £6,506,472).

28 Post Balance Sheet Events

Hercules acquired 60% of Future Build Recruitment Ltd in November 2023, and as part of the acquisition a partnership arrangement was entered into with the owners of the remaining 40%. The consideration was £1,001,000 in cash and £250,000 satisfied through the issue of 994,431 shares. Future Build Recruitment Ltd are a business operating in the construction sector specialising in white collar placements.

Hercules sold two of the oldest suction excavators in October 2023, as they were of the "floppy arm" design, not the "power arm" design that most customers now expect. The Company now has 28 suction excavators in its fleet.

A new replacement invoice discounting facility was entered into in November 2023, with IGF Business Credit Limited and provides a facility up to £15m, further supporting Hercules' growth plans in the years ahead. The guarantee given by Hercules Real Estate Limited at that point became null and void.

The Board is pleased to propose a final dividend of 1.12 pence per share for the year ended 30 September 2023. The dividend will be paid on 22 March 2024 to shareholders on the register at close of business on 23 February 2024. The shares will go ex-dividend on 22 February 2024.

HERCULES SITE SERVICES PLC

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Our Motto

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