RNS Number : 7272M
Hercules Site Services PLC
16 January 2023

16 January 2023

Hercules Site Services plc

("Hercules" or "the Company")

Final Results

Hercules Site Services plc (AIM: HERC), a leading technology enabled labour supply company for the UK infrastructure sector, is pleased to announce its audited results for the year ended 30 September 2022.

Financial Highlights

- 51% increase in revenue to £49.5m (2021: £32.7m) with growth achieved across all areas of the business
- Gross profit increased 44% to £9.8m (2021: £6.7m)
- Adjusted EBITDA* of £2.3m (2021: £2.4m), with significant investments made for future growth
- Pre-tax profit of £160,685 (2021: £515,517), including exceptional non-recurring items such as IPO costs
- Pre-tax profit before exceptional non-recurring items of £631,949 (2021: £1.4m)
- Proposed final dividend of 1.12 pence per share

*Adjusted EBITDA excludes research and development, share based payments, profit/(loss) on sale of assets and exceptional items

Operational Highlights

- AIM listing completed on 4 February 2022, raising £4m (gross) for the Company
- Growth achieved across the business with management delivering on each initiative set out at IPO, including:
    - Successful ramp up of labour supply to HS2 Phase 1 (northern section) and new contracts won
    - Rapid increase in Specialist Plant Services business - the Company now owns a fleet of 20 suction excavators with a further 10 due for delivery by 31 March
    - Organic growth achieved in Civil Projects division with an 18% increase in new clients during the period
    - Commenced monetisation of the Company's proprietary digital tools through the launch of the SEE Everything Portal, which has been developed in conjunction with the Balfour Beatty Vinci Systra (BBVS) joint venture
    - Progressed training academy strategy with lease agreement signed for an initial site in Nuneaton
- Significant investment in people and systems reflective of our growth strategy
- Strong pipeline of new business for FY 2023, underpinning future growth expectations

Brusk Korkmaz, Hercules' Chief Executive Officer, commented:

"Hercules has enjoyed positive year-on-year growth in 2022 which has seen us successfully deliver on our strategy and achieve momentum across all areas of our business. In doing so, we have continued our long-term track record of creating value for our stakeholders.

"The UK infrastructure sector continues to forge ahead, with the UK government recently making strong commitments to deliver significant investment in our rail infrastructure, while recent banking reforms announced by Chancellor Jeremy Hunt in December are being hailed as potentially unlocking billions of pounds of funding for UK infrastructure.

"As these results show, Hercules is ideally placed to benefit from the buoyant market conditions and we have invested in our business during the period to prepare for continued growth in the months and years ahead. We have been implementing a successful strategy to tackle wage inflation and post year end trading has been very encouraging, underpinning our confidence for the current year."

Retail Investor Webinar

CEO Brusk Korkmaz and CFO Paul Wheatcroft will deliver a live presentation regarding the Company's Final Results via the Investor Meet Company platform today at 9:30 a.m (GMT).

The presentation is open to all existing and potential shareholders. Questions can be submitted pre-event via the Investor Meet Company dashboard up until 9.00 a.m. today or at any time during the live presentation.

Although the Company may not be in a position to answer every question it receives, it will address the most prominent within the confines of information already disclosed to the market. Responses to the Q&A from the live presentation will be published at the earliest opportunity on the Investor Meet Company platform.

Investor feedback can also be submitted directly to management post-event to ensure the Company can understand the views of all interested parties.

Investors can sign up to Investor Meet Company for free and add to meet Hercules Site Services plc via:

https://www.investormeetcompany.com/hercules-site-services-plc/register-investor

Investors who already follow Hercules Site Services plc on the Investor Meet Company platform will automatically be invited.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 which has been incorporated into UK law by the European Union (Withdrawal) Act 2018.

For further information and enquiries, please visit https://www.hercules-construction.co.uk or contact:

Hercules Site Services plc	c/o SEC Newgate
Brusk Korkmaz (CEO)	
Paul Wheatcroft (CFO)	
SP Angel (Nominated Adviser and Broker)	+44 (0) 20 3470 0470
Matthew Johnson / Adam Cowl / Harry Davies-Ball (Corporate Finance)	
Grant Barker / Rob Rees (Sales and Broking)	
SEC Newgate (Financial PR)	+44 (0) 20 3757 6882
Elisabeth Cowell / Ian Silvera	Hercules@secnewgate.co.uk

About Hercules Site Services plc

Hercules is a leading tech enabled labour supply company for the UK infrastructure sector. Founded in 2008, Hercules has an established track record of profitability and fast-growth and has built a blue-chip customer base which includes Balfour Beatty, Costain, Kier, Skanska, Dyer & Butler and Volker Fitzpatrick. The Company has been appointed to provide labour for a range of high-profile infrastructure projects, such as HS2, due to its agile, innovative, digital first approach and complete service offering. It is well-placed to benefit from any government increase in infrastructure spending and its experienced management team has identified multiple opportunities for growth.

Chairman's Statement

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

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

Strong market dynamics

Strong market dynamics

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

Growth across all areas of the Hercules business

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

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

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

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

Dividend

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

Outlook

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

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

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

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

Henry Pitman

Non-executive Chairman

Date: 13 January 2023

Chief Executive Officer's Statement

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

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

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

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

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

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

Labour Supply

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

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

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

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

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

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

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

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

Specialist Plant Services

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

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

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

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

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

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

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. This division has had a strong year of growth, with an 18% increase in new clients brought on board. Civil Projects accounted for approximately 25% of revenue for the year ended 30 September 2022 (2021: 23%).

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

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

Additional growth initiatives

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

Hercules Digital

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

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

Training Academy

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

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

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

Creating positive social value

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

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

Additionally, we own a bespoke, fully equipped mobile health screening trailer, which can be deployed anywhere across the country and is staffed by SEQOHS-certified healthcare professionals to assist on-site works in a variety of health and wellbeing areas.

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

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

Outlook

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

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

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

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

Brusk Korkmaz

Chief Executive Officer

Date: 13 January 2023

Footnotes

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

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

<u>Chief Financial Officer's Review</u>

Introduction

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

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

Financial Performance

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

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

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

1) Suction excavator services expanded from 9 to 16 vehicles during the year requiring further management and administration provision. Depreciation, maintenance, insurance and operative training costs all rise in direct proportion to the number of vehicles in use.
2) Civil projects had a record year requiring more project managers and site supervision.
3) Labour supply has had to boost management structures (both in operational and commercial administration areas) in the last few years in readiness for what turned out to be very significant growth in 2021, 2022, and similar in FY 2023. Successful delivery of large projects is the key to future success, and this requires more senior experienced managers and administrators. The growth seen out on sites has also required more training.

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

During the year the Company delivered:

Pre tax profit of £160,685 (2021: £515,517)

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

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

	Year ended **30 September** **2022**	Year ended **30 September** **2021**
	£	**£**
Profit from operations	705,698	786,106
Depreciation	1,034,071	724,843
Research & development	36,555	17,505
Loss on sales of assets	21,218	11,297
Exceptional items (see below)	471,264	897,988
Share based payment expense	39,774	-
Adjusted EBITDA	**2,308,579**	**2,437,739**
Exceptional items related to:		
Cost relating to AIM admission	443,264	297,058
Employment settlement	28,000	-
NMCN bad debt	-	600,930
Total	**471,264**	**897,988**

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

Statement of Financial Position

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

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

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

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

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

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

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

Paul Wheatcroft

Chief Financial Officer

13 January 2023

Statement of Comprehensive Income

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

Earnings per share			
Basic	4	0.58p	(0.27p)
Diluted		N/A	N/A

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

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

Statement of Financial Position

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

Statement of Changes in Equity

	Share capital £	Share premium £	Share based payment reserve £	Retained earnings £	Total equity £
Balance at 1 October 2020	2	-	-	6,787,342	6,787,344
Loss for the year	-	-	-	(56,203)	(56,203)
Bonus issue of shares	49,998	-	-	(49,998)	-
Dividends paid	-	-	-	(3,294,191)	(3,294,191)
Balance at 30 September 2021	50,000	-	-	3,386,950	3,436,950
Profit for the year	-	-	-	320,852	320,852
Proceeds from issue of shares	8,650	4,359,70	-	-	4,359,704
Share issue costs	-	(942,636)	-	-	(942,636)
Share based payment	-	-	39,774	-	39,774
Dividends paid	-	-	-	(385,202)	(385,202)
Balance at 30 September 2022	58,650	3,417,068	39,774	3,322,600	6,838,092

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

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

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

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

Statement of Cash Flows

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

NOTES TO THE FINANCIAL STATEMENTS

Net debt

	At 30 September 2021	Cash flow	Non-cash movement	At 30 September 2022
Cash and cash equivalents				
Cash	1,465,292	(253,738)	-	1,211,554
Debt				
[illegible]	[illegible]	[illegible]		[illegible]

Bank loans	(3,139,463)	(3,389,287)	-	(6,528,750)
Lease liabilities	(7,545,985)	1,406,611	(6,791,883)	(12,931,257)
	(10,685,448)	(1,982,676)	(6,791,883)	(19,460,007)
Net debt	(9,220,156)	(2,236,414)	(6,791,883)	(18,248,453)

Non-cash movements represent new liabilities 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

South Cerney

Cirencester

GL7 5XL

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

2 **Summary of significant accounting policies**

Statement of compliance

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

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

The financial statements have been prepared on the following basis:

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

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

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

Changes in accounting policy and disclosures

(a) New and amended accounting standards

New Standards applicable for the year were as follows:

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

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

(b) Future standards

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

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

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

Going concern

Going concern

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

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

The Company increased its turnover by 51% in the year, and exceeded its forecast turnover and EBITDA (before extraordinary items). The Company is one of six labour suppliers selected for the Northern Section of HS2, which is currently the largest construction project in Europe. This will continue to underpin and grow turnover over the next few years. In addition, the Company raised funds to purchase another seven suction excavators, which further boosted turnover. Civil projects are expected to be similarly busy, due to the requirements of AMP7 being squeezed into three years rather than five.

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

Segmental reporting

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

Revenue

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

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

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

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

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

Labour Supply

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

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

Civil Projects

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

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

Under these contracts, the Company produces a monthly 'application' to the customer detailing the work performed to date and requesting payment accordingly. Within a period of one to two months (in the majority of cases) the customer will confirm agreement to the 'application' and remit the necessary funds to the Company. Historically, the Company's experience is that instances of customers materially disagreeing with the 'application' are rare and that this is therefore a reliable method by which to recognise revenue earned ("output method"). There have been

no new 'output' method projects started since March 2021, and internal valuations made under this method in the year ending 30 September 2022 would not change the position in any material way.

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

Suction excavators

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

Other

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

Other operating income - Government grants

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

Taxation

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

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

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

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

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

Research and Development tax claims

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

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less

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

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

Depreciation

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

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

Impairment

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

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

Financial instruments

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

instruments cease to be recognised at the date when the Company ceases to be party to the contractual provisions of the instrument.

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

(a) Trade receivables

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

(b) Borrowings

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

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

(c) Trade payables

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

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

(d) Contract assets

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

Assets at fair value through profit or loss

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

Cash and cash equivalents

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

Provisions

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

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

Leases

The Company as lessee

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

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

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

Share capital

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

Defined contribution pension obligation

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

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

Share-based payment

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

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

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

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each financial period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Consolidated Statement of Comprehensive Income, with a corresponding adjustment to equity. When the options are exercised, and the Group issues new shares to meet that obligation, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

3 Critical accounting judgements and key sources of estimation uncertainty

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

Key judgements

Lease discount rate

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

Key sources of estimation uncertainty

Revenue recognition (Civil projects)

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

Provision

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

Listing and fundraising costs.

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

4 Earnings per share

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

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

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

5 Segmental reporting

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

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

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

	Labour supply	Civil projects	Suction excavator services	Other	Total
	£	£	£	£	£
Revenue (all from external customers)	33,250,617	12,370,937	3,645,934	281,999	49,549,487
Cost of sales	-27,719,436	-10,355,715	-1,517,541	-177,682	-39,770,374
Gross profit	5,531,181	2,015,222	2,128,393	104,317	9,779,113
Administrative expenses	-1,284,275	-810,482	-1,085,008	0	-3,179,765
Operating profit from segments	4,246,906	1,204,739	1,043,385	104,317	6,599,348
Administrative expenses					
not attributable to segments					-5,893,650
Profit from operations					705,698
Fair value gains					691
Finance income					4,634
Finance costs					-550,338
Profit before tax					160,685

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

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

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

6 Revenue

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

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

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

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

Significant customers

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

Contracts with customers

The Company has contract assets relating to revenue earned from the supply of labour and construction services. Due to the nature of this revenue, balances defined as contract assets will vary and depend on the number, timing and nature of the contracts in progress at the balance sheet date. The relevant balances are shown as contract

assets in note 17. The increase in contract assets compared to the prior year represents the increased level of activity at the year end.

Revenue from contract assets

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

Contract balances

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

Significant changes in contract assets

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

7 Other operating income

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

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

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

8 Profit from operations

Operating profit is stated in the income statement after charging:

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

9 Auditors' remuneration

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

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

10 Staff costs

The aggregate employee benefit expenses were as follows:

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

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

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

Administrative and Managerial	[illegible]	[illegible]
	275	153

11 **Directors' remuneration**

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

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

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

Amounts paid to the highest paid director were as follows:

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

12 **Finance costs**

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

13 **Income taxes**

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

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

The differences are reconciled below:

	Year ended 30 September	
Continuing operations	2022	2021

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

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

14 Deferred tax

Deferred tax balances are analysed as follows:

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

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

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

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

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

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

15 Property, Plant and Equipment

	Plant and machinery	**Fixtures & office equipment**	**Right-of-use assets**	**Total**
	£	£	£	£
Cost				
At 1 October 2020	1,071,740	393,059	6,110,998	7,575,797
Additions	325,007	33,139	3,020,493	3,378,639
Disposals	(49,245)	-	-	(49,245)
At 30 September 2021	1,347,502	426,198	9,131,491	10,905,191

Additions	67,710	160,475	6,474,034	6,702,219
Disposals	(438,917)	-	-	(438,917)
At 30 September 2022	976,295	586,673	15,605,525	17,168,493
Depreciation				
At 1 October 2020	296,068	231,966	434,037	962,071
Charge	92,648	33,632	598,564	724,844
Disposals	(17,947)	-	-	(17,947)
At 30 September 2021	370,769	265,598	1,032,601	1,668,968
Charge	85,724	60,748	887,599	1,034,071
Disposals	(176,944)	-	-	(176,944)
At 30 September 2022	279,508	326,346	1,920,241	2,526,095
Net book value				
At 30 September 2022	696,787	260,327	13,685,284	14,642,398
At 30 September 2021	976,733	160,600	8,098,890	9,236,223
At 30 September 2020	775,672	161,093	5,676,961	6,613,726

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

16 **Assets at fair value through profit or loss**

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

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

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

17 **Trade and other receivables**

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

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

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

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

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

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

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

The maturity analysis of trade receivables is:

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

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

18 Trade and other payables

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

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

19 Provisions

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

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

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

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

20 Loans and borrowings

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

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

21 Leases

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

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

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

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

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

Maturity analysis

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

Future finance charges	(2,382,359)	(1,455,537)
	12,931,257	7,545,985

Amounts recognised in the Statement of Comprehensive Income

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

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

Amounts recognised in the Statement of Cash Flows

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

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

Low value leases and short-term leases

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

22 **Financial instruments**

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

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

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

	24,597,434	13,702,781

23 Financial Risk management

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

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

a) Market risk

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

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

b) Liquidity risk

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

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

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

c) Interest rate risk

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

d) Credit risk

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

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

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

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

Capital management

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

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

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

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

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

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

	30 September 2022	30 September 2021

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

24 **Share capital**

Issued capital

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

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

Share rights

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

Share redesignation and issues

On 20 January 2022, the 50,000 existing shares of £1 each were subdivided into 50,000,000 shares of 0.1p each.

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

25 **Share based payments**

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

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

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

Options

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

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

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

Expected life of options (years)	6 years
Exercise price	50.5p
Market value of share at date of grant	50.5p
Risk free rate	1.43%
Expected share price volatility	20%

Expected dividend yield	3.36%
Fair value per option	5.18p

Expected life of options

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

Risk-free rate

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

Dividend yield

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

Exercise price

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

Volatility

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

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

Warrants

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

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

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

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

Expected life of warrants

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

Risk-free rate

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

Dividend yield

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

Exercise price

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

Volatility

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

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

26 **Defined contribution pension scheme**

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

27 **Related party transactions**

Ultimate controlling party

Ultimate controlling party

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

Key management personnel compensation

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

Transactions with parent entity

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

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

Outstanding balances arising from sales/purchases of goods and services

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

28 **Capital commitments**

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

29 **Post Balance Sheet Events**

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

END

FR EXLFFXFLZBBD