# BUILDING FOR THE FUTURE. TOGETHER.


Annual Report and Consolidated Financial Statements for the year ended 30 September 2024

HERCULES
SITE SERVICES PLC

# ONE VISION. ONE TEAM. ONE SOLUTION.

## Our Mission

To be a world class service provider delivering an unrivalled experience to our clients, our workforce, and the local communities we work in, everything we do is underpinned by our core values.

## Our Values

At Hercules, our values define who we are and guide our actions every day.

**Collaborative**
In our approach and partnerships

**Committed**
To safety and quality assurance to drive excellence

**Trustworthy**
Transparency in all that we do

**Innovative**
To ensure we are industry leading

**United**
We recognise strength in everyone

## Our accreditations and memberships

Alongside certifications for our Quality, Environmental and Health & Safety Management Systems, and our industry accreditations, we also strive to demonstrate our ongoing commitment to our workforce, ethical business practice and to the communities we work in.

→ **Please visit hercules-construction.co.uk/about-us/#mission for further information.**

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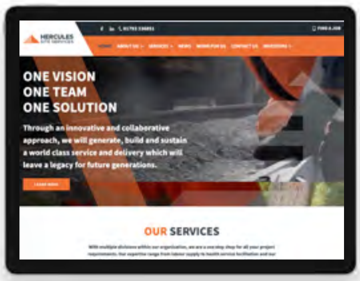
**Our website**

→ **Please visit hercules-construction.co.uk for further information.**



Performance highlights

# STRONG GROWTH ACROSS ALL DIVISIONS

## The past year has been one of remarkable growth and transformation for Hercules Site Services PLC.

In an environment of rapid change, we have adapted swiftly, seizing opportunities to expand our market presence and enhance our service offerings. Our robust financial performance, underpinned by a steadfast commitment to operational excellence, reflects our strategic focus on sustainable growth and value creation.

Through the hard work and dedication of our teams, we have strengthened our relationships with clients, optimised our service delivery, and invested in technology and innovation to meet the evolving needs of our industry. This section highlights our key achievements and metrics, showcasing our commitment to delivering value for shareholders and stakeholders alike as we continue to position Hercules for long-term success.

### Revenue

**£101.9M** ▲ 28%

| | |
|---|---|
| 2024 | £101.9m |
| 2023 | £79.8m |

### Profit before tax (adjusted)

**£2.6M** ▲ 42%

| | |
|---|---|
| 2024 | £2.6m |
| 2023 | £1.8m |

### Gross profit

**£15.0M** ▲ 18%

| | |
|---|---|
| 2024 | £15.0m |
| 2023 | £14.1m |

### Earnings per share

**3.47P** ▲ 173%

| | |
|---|---|
| 2024 | 3.47p |
| 2023 | 1.27p |

### EBITDA (adjusted)*

**£4.7M** ▲ 34%

| | |
|---|---|
| 2024 | £4.7m |
| 2023 | £3.5m |

*Adjusted EBITDA definition – earnings before interest, tax, depreciation, amortisation, profit/loss on sale of fixed assets, exceptional items and R&D expenditure.

Labour supply revenue

# £84.1M ▲ 32%

2024 £84.1m
2023 £63.8m

Labour supply (adjusted) operating profit

# £9.4M ▲ 9%

2024 £9.4m
2023 £8.7m

Civil projects revenue profit

# £17.5M ▲ 12%

2024 £17.5m
2023 £15.7m

Civil projects operating profit

# £2.2M ▲ 23%

2024 £2.2m
2023 £1.8m

/ Group Overview

# WE GENERATE, BUILD AND SUSTAIN

Hercules Site Services PLC is a leading provider for labour supply and contracting services to the UK's construction and infrastructure sectors.

## Who we are

Founded in 2008 by CEO, Brusk Korkmaz, with a vision to transform the way the construction and infrastructure industries operate, Hercules Site Services PLC, henceforth referred to as "the Company", "the Group" or "Hercules" has grown rapidly to become a trusted partner across multiple sectors. The Group combines deep industry expertise with innovative technology and a steadfast commitment to safety and sustainability. We work closely with our clients to understand their specific requirements and provide solutions that enhance productivity, efficiency, and quality.

## What we do

Our services span two core areas, each designed to support the complex needs of today's construction and infrastructure projects:

Labour supply

**83%**

Hercules is one of the UK's largest suppliers of skilled labour, providing flexible and reliable workforce solutions tailored to meet the demands of each project. Our team of highly trained professionals enables our clients to complete projects on time and within budget, while maintaining high standards of safety and quality.

Construction services

**17%**

We offer specialist construction services including the delivery of civils projects designed to address complex project requirements in the water sector and training services via our Construction Academy, launched to enhance and increase our talent pool as we continue to grow.

## Our sectors

- General civils
- Highways
- Utilities
- Railways
- Power and energy

## Our values

At Hercules, our values define who we are and guide our actions every day.

- **Collaborative**
  In our approach and partnerships
- **Committed**
  To the highest safety standards, and quality assurance, driving excellence in all that we do
- **Transparency**
  In all that we do
- **Innovative**
  To ensure we are industry leading
- **United**
  We recognise strength in everyone

## Our impact

With a nationwide presence and a reputation for reliability and expertise, Hercules is a key player in the UK's infrastructure development.

We are proud to support some of the country's most high-profile projects, from major rail and road initiatives to utilities and energy infrastructure. Our contributions help to shape communities, create jobs, and build a resilient, sustainable infrastructure for the future.

## Looking ahead

As we look to the future, we remain focused on growth, innovation, and creating value for our clients and stakeholders.

Our commitment to operational excellence and strategic investments in technology, training, and sustainability position us well to adapt to industry trends and meet the evolving needs of our clients. By staying true to our values and vision, we will continue to build on our successes and reinforce Hercules' position as a leader in the construction and infrastructure sectors.

/ Chairman's Report

# ANTICIPATING ANOTHER PRODUCTIVE FINANCIAL YEAR AHEAD

Hercules has had another very productive and successful year with revenue from continuing operations increasing by 28% to £101.9m over the previous year (2023: £79.8m) which once again means we are surpassing market expectations.

**Henry Pitman**
**Non-executive Chairman**

Following a strategic internal review of future activities and expected market demand and likely returns, the Board decided to focus on the Group's core labour supply and construction services divisions, and therefore decided to seek a buyer for our suction excavator services subsidiary. As such, the results of the suction excavator services division have been treated as discontinued activities within the results for the year. This strategic change will, when it concludes, reduce our debt significantly, enhance earnings and provide greater capacity to finance the future expansion of our core activities. Total revenue including that from discontinued operations was £106.9m (2023: £84.7m).

It was also pleasing to see our Construction Academy open its doors January 2024. We expect this facility to underpin our labour supply chain and training needs for many years to come. During the period, we have started building a number of relationships with both local (Warwickshire area) and national educational and training bodies as well as increasing the commercial training offering at the Academy.

"After a year of significant growth, the outlook for Hercules remains very positive. Revenue growth has averaged 48% (CAGR) over the last three years.

## Strong market dynamics

In terms of the wider market, interest rates have not yet shown significant reductions. Despite this, Hercules will continue to benefit from significant investment in infrastructure spending, which is high on the agenda for the new government. We also note that the election of the new government in July 2024 is not expected to have any impact on our existing contracts, nor our outlook for 2025 and beyond.

Whilst inflationary pressures affected the business in FY23, particularly pay levels, these challenges reduced during FY24, and we have continued to demonstrate our ability to regularly renegotiate increased pay levels with our clients. Looking ahead, it is also worth noting that the majority of the National Insurance cost increases announced in the recent government budget can be passed on to our clients. There is only a relatively small amount of the tax increase, relating to the management and administration functions, that has to be absorbed by the business.

## Dividend

The Board is pleased to propose a final dividend of 1.12 pence per share (2023: 1.12 pence). The dividend will be paid on 21 March 2025 to shareholders on the register at close of business on 21 February 2025. The shares will go ex-dividend on 20 February 2025.

## Outlook

After a year of significant growth, the outlook for Hercules remains very positive. Revenue growth has averaged 48% (CAGR) over the last three years; our pipeline for 2025 looks robust and we have experienced positive trading across all areas for the first three months of our current financial year. We entered the 2025 financial year with a strong balance sheet following a substantial equity fundraising of £8m and an invoice discounting debt facility for up to £15m, with which to fund our continued expansion and ongoing working capital needs. As part of the post-period-end fundraise, we were delighted to welcome two successful entrepreneurs to our register, testament to their shared belief in the trajectory and potential of Hercules. One of these individuals, Martin Tedham, has also been appointed as Non-Executive Director and we look forward to benefiting from his vast experience in growing successful companies in the years ahead.

We are progressing positively but selectively on the acquisition front with several early-stage discussions ongoing. We look forward to updating the market when appropriate.

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

We are anticipating another productive financial year ahead with exciting opportunities and initiatives on which the Company will focus.

**Henry Pitman**
**Non-executive Chairman**
10 January 2025


Revenue increase

**28%**

Operatives across all sites

**C.1,600**

Revenue increase CAGR 48% over the last three years

**48%**

Chief Executive Officer's Review

# WE ENTER 2025 WITH AN EXCELLENT FOUNDATION

We have yet again exceeded the market's expectations and achieved another record year. This has been achieved despite operating in an environment that was not without its challenges, with interest rates still relatively high.

**Brusk Korkmaz**
Chief Executive Officer

Revenue from continuing operations has increased by 28% year on year to £101.9m (2023: £79.8m). This included £1.5m of growth from the acquisition we made during the period. Total revenue, including discontinued operations, was £106.9m (2023: £84.7m).

Adjusted EBITDA from continuing operations for the year was £4.7m (2023: £3.5m), representing growth of 34%. Total adjusted EBITDA including that from discontinued operations was above market expectations at £5.1m (2023: £4.1m).

Revenue growth was accompanied by strong cash conversion and effective credit management. Net cash generated from continuing operations during the year was £7.5m (2023 £3.3m).

Our positive results have been achieved through growth across our Labour Supply and Civil Projects businesses, and we are pleased that cross-selling has continued to be a strong feature in 2024. This takes determination and coordination across our talented teams and given the challenges that all businesses have had to navigate this year, the Hercules team has worked incredibly hard and shown dedication throughout the year, and for that they have my sincere thanks.

The infrastructure and construction sectors are still experiencing continued buoyancy providing a supportive backdrop for our growth. Pleasingly, post the July 2024 election and the recent Budget, there is no evidence that there will be any reduction in infrastructure investment in the next few years. The Board believes that investment in infrastructure will increase.

Given the labour shortages experienced by the sector, and the effectiveness of our digital tools in placing operatives on projects, we are well placed to benefit from ongoing government investment in the months and years ahead. Demand for our range of complementary services has been strong and our pipeline is very robust.

## Labour Supply

Labour Supply is our core business, and we have a strong track record of working in partnership with blue chip construction companies to deliver key infrastructure, civil engineering, utilities, groundworks, highway and railway projects. It represented 82% of Hercules' revenue for the year ended 30 September 2024 (FY 2023: 80%).

This is our third year working with the Balfour Beatty Vinci Joint Venture on the HS2 (Birmingham section). This is our largest ever contract and the Company is now playing a huge part in the delivery of one of modern history's greatest legacy projects. We are the leading labour supplier on the six-supplier labour desk, now with circa 630 operatives on HS2 sites. This growth is expected to continue for the next 5–7 years with FY 2025 requirements expected to be greater than those in 2024.

During the year to 30 September 2024 the Labour Supply business has continued to achieve month-on-month growth, having supplied between 850 and 1,300 workers (average of 1,150). Compared with the FY 2023 monthly average of 850 this represents year on year growth in operatives deployed of circa 35%. We have supplied labour resources to over 40 clients and 300 different project locations during the last year. Our ability to deliver for our clients irrespective of their size, location or duration of their requirements has driven repeat business and built sustained trust in our delivery capability.

As shown by the contracts referenced above, we have traditionally supplied blue collar personnel. Having tested the white-collar market through organic initiatives, our 60% acquisition of Future Build Recruitment Ltd ("Future Build") during the period has provided exposure to the growing white-collar and permanent recruitment market.

With minimal overlap between clients, the acquisition enhances the service offering we are able to provide to our existing customer base and creates new cross-selling opportunities which are already starting to deliver.

The rail department, the newest part of the Labour Supply portfolio, had a relatively slow start to 2024. We carefully built a team from scratch and as such, income was slow in the early part of the year with a focus solely on the newly awarded Balfour Beatty Rail Framework. This coincided with the end of a control period (CP6), which meant there was time to focus on getting the appropriate structure in place and formulate the required processes, in a very compliance heavy part of the industry.

In the second half of the year, under the new control period of CP7 which comprises of £46 billion of planned investment, the rail department has flourished and started to gain traction due to all the early hard work and planning. As a result, we are expecting FY 2025 to show steady growth and development within the department. We have managed to diversify and increase our client base providing rail staff to Kier, Beaver Bridge and Octavius in the second half of the year, as well as strengthening our position with Balfour Beatty.

FY 2024 has been a successful year for our other sectors as well, having begun supplying labour at Sizewell C, we anticipate increases in workforce requirements heading into 2025. Within the water sector, we have supplied labour predominantly within the Thames Water, Severn Trent, Anglian, Southern, and Bournemouth Water regions. With £96 billion of planned investment through AMP8 (Asset Management Plan 8), starting in April 2025, we plan to expand our water specialism into new regions.

Our innovative mobile recruitment and onboarding apps give us a strong competitive edge and have been core to our success. Not only do they ensure that we supply the right person to the right location on time to fulfil client requirements, they enable us to source local labour, which often is a stipulation in government-funded projects. Indeed, our 'Hercules Construction Jobs' recruitment app, launched in October 2019, has more than 16,000 downloads and more than 8,265 registered users at the time of writing (FY 2023: 11,500 and 6,250 respectively).

I am pleased to report that we have a healthy pipeline which extends beyond 2025, so we look forward to delivering further growth in our Labour Supply business.

## 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. Revenue for Civil Projects grew by 12% to £17.5m (2023: £15.6m), accounting for approximately 16% of group revenue for the year ended 30 September 2024 (2023: 18%).

With the water industry facing enormous challenges, which have been well documented in the media, our Civil Projects team has leveraged its experience in this space to win significant levels of repeat work, mainly for key delivery partners for AMP 7. The Anglian Water Civils Framework continued at pace, with some sizeable projects being allocated to Hercules. The framework was also formally extended by two further years, taking the current end date well into AMP 8. Activity levels were high again this year, with an increase in size of project having a positive impact on revenue. One particular scheme for Thames Water was over £5m. Eight projects with individual values over £1m were started or completed in the year at various sites for clients such as Galliford Try, MWHT, Costain and the @one Alliance. Projects were spread across the Anglian, Severn Trent, Thames, and Southern Water regions.

> "The infrastructure and construction sectors are still experiencing continued buoyancy providing a supportive backdrop for our growth.

/ Chief Executive Officer's Review continued

> We enter 2025 with an excellent foundation for further growth, having exceeded market expectations and developed an array of accretive commercial workstreams which will expand our business and deliver additional revenue and profits.

Additional site management staff were recruited to supplement the existing teams to cover the larger, more complex projects. The business unit operated with an average of 150 operatives across all their sites, the largest number to date. They work closely with the Labour Supply division to cope with variances in workload. Overall, the Civils team is well positioned as the industry moves into the AMP 8 cycle.

## Divestment of the Suction Excavator business

As our Chairman notes in his Statement, the Board has decided to focus on core labour supply and civil projects, and therefore to seek a buyer for our suction excavator services subsidiary. This business has progressed well but is very capital intensive, unlike the rest of the Group's services. With this in mind, the results of the suction excavator services division have been treated as discontinued activities within the results for the year.

## Additional growth initiatives

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

### Construction Academy

The Academy, which was opened on 31 January 2024, was established to address the well documented skills shortages facing the infrastructure and construction industries. By providing excellent facilities in a strategic location, the Academy will not only serve the Hercules workforce (and thus reduce external training costs) but will also deliver specific training for clients across the infrastructure and construction industries. As such, we aim to attract new talent and upskill the current national workforce.

The Academy is expected to eventually deliver training to all of the existing Hercules clients, as well as new clients who are currently not using our other services.

During the period, we have been delivering a diverse range of accredited courses that cater to aspiring professionals and industry personnel alike. These include specialised technical training in areas such as plant operation, health and safety, utilities and other bespoke courses.

The facilities replicate the modern construction site giving learners a safe environment to train and qualify to be site-ready. Local Authority funded training is also being delivered at the Academy via bootcamps for new entrants to the construction industry. Some of these new entrants were able to gain themselves a position on our sites, thus closing the loop of 'find, train, employ'.

Looking ahead, as well as short duration courses, the Academy will run and manage NVQ assessments and apprenticeships. The Academy has commenced delivery of funded Skills Bootcamps in partnership with City & Guilds Training (a nationally recognised training provider). It was also awarded and benefitted from Local Authority funding which has helped introduce and upskill local unemployed residents to the Construction sector.

With these funded initiatives there is huge potential for the Academy to help the wider sector with its skills shortages, as well as providing an internal training function that supports Hercules Site Services PLC with their existing and future labour-force.

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

### Digital

This year we focused on advancing key digital initiatives to support our strategic goals. A significant highlight was the complete rebuild of our recruitment application, designed to improve user experience, streamline processes, and attract operatives more effectively. The SEE Everything portal continues to provide reliable value to customers and allows them to maintain strong engagement with their supply chains. Our investments in enhancements in cloud technology and cybersecurity have strengthened our operational resilience and safeguarded critical systems. These targeted advancements reflect our commitment to leveraging technology to drive operational excellence and deliver meaningful value to stakeholders.

## 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.

In 2024, the Hercules health screening trailer has continued to provide support nationwide, delivering on-site health and wellbeing services to our clients and their projects in a wide range of construction sectors. Among its deployments, the trailer has supported Blackwell Earthmoving at the EKFB section of HS2, Skanska at the A428 Highways project and Galliford Try for Thames Water initiatives.

Through our Hercules health screening trailer, we offer an array of medical services which can be tailored to the needs of our clients. Fitted out with a waiting area and two private consultation rooms, we offer vision and hearing tests, vaccinations, mental health support, safety-critical medical assessments, heart and blood pressure monitoring, lung function tests, and drug and alcohol testing. It also discreetly monitors modern slavery concerns and serves as a platform to enhance awareness of health and safety matters, fostering a culture of proactive care and compliance. This on-site capability eliminates the need for off-site visits by the workforce, thus minimising disruption to site operations whilst at the same time reducing the carbon footprint associated with workforce travel. As the trailer embarks on another busy year, it underscores Hercules commitment to improving wellbeing in construction.

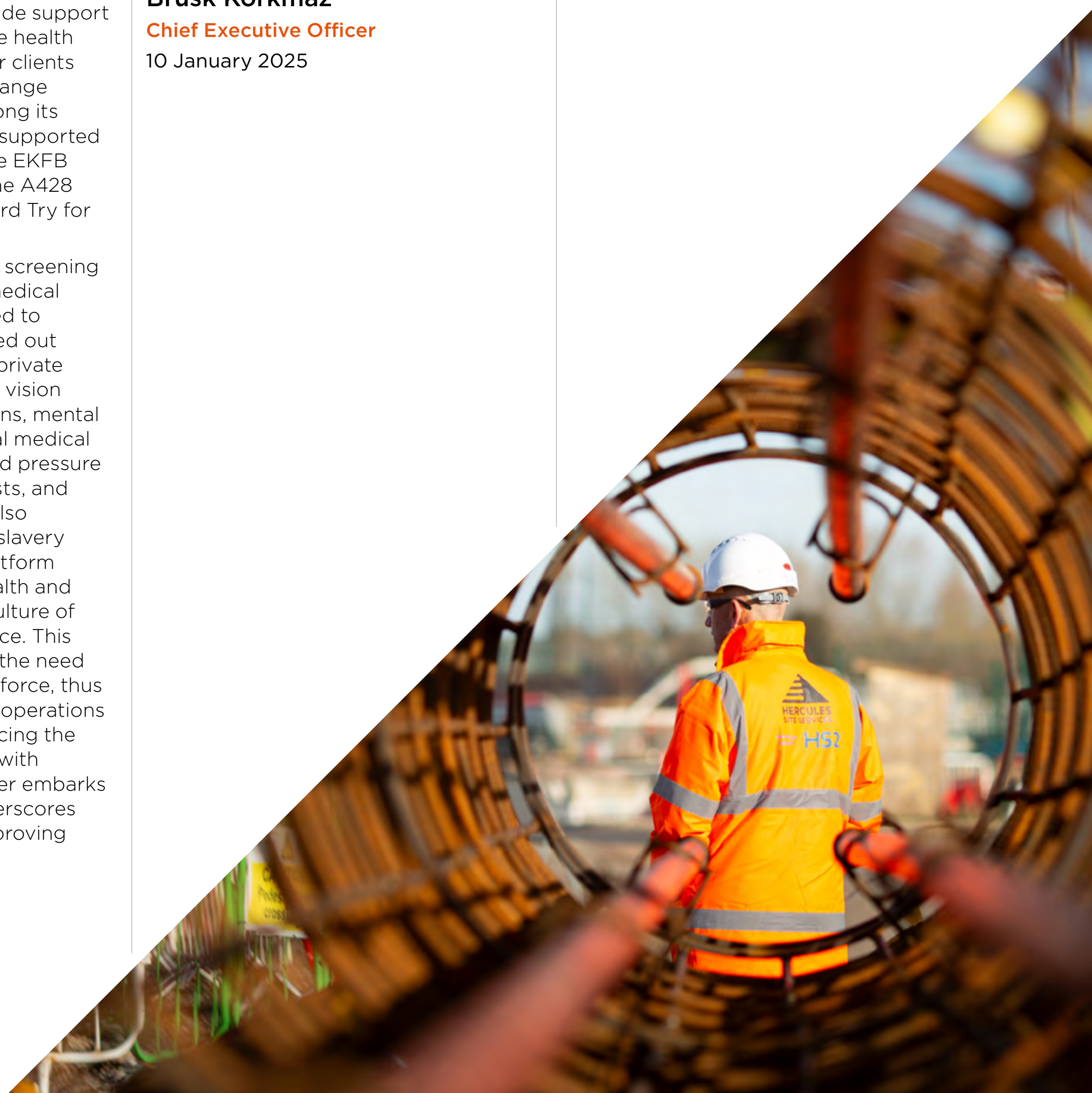
## Outlook

We enter 2025 with an excellent foundation for further growth, having exceeded market expectations and developed an array of accretive commercial workstreams which will continue to expand our business and deliver additional revenue and profits.

The first quarter of FY 2025 has again been successful, with a strong pipeline of new business across our divisions. Organic growth is also anticipated to be delivered through the Construction Academy, as well as continued development of our rail and white-collar labour supply offerings. When combined with the continued growth we intend to achieve through targeted acquisitions, we believe that the outlook for Hercules in the infrastructure sector remains buoyant.

As we move through and beyond the next reporting period, we will maintain that growth mindset which has served us well over the past 17 years.

**Brusk Korkmaz**
**Chief Executive Officer**
10 January 2025



Chief Financial Officer's Report

# THE DIRECTORS ANTICIPATE CONTINUED GROWTH

## Introduction

This year we are now a group with several subsidiaries, so the annual report is a consolidated one for the first time. In addition to this, the proposed divestment of the suction excavator services subsidiary requires us to distinguish between continuing and discontinued operations. This we have done in the key schedules and notes.

The Group made a pre tax profit on continuing operations of £2.2m (2023 restated: £1.5m). Post tax on continuing operations was £1.6m (2023 restated: £1.7m). The slight reduction in these post tax profits was solely down to tax – a deferred tax swing from a credit of £129k in 2023 to a debit £558k in 2024, and a write off of £53k corporation tax from 2021.

As part of the proposed divestment, we have taken an impairment charge of £2m as part of the discontinued operations loss of £3.3m (2023: £0.9m loss) anticipating the likely book loss on completion of the transaction. This moved the "All operations" profit into a loss of £1.7m (2023: £0.8m profit).

The year ended with inflation at manageable levels, much improved on the situation a year ago. Interest rates have in comparison not yet reduced in a similar manner from their peak. Inflation may rise a little in FY2025, but hopefully stabilise after that. Interest rates are unlikely to return to their previous low levels, but we don't see this affecting the level of work in the infrastructure sector in the next decade.

We expect the increase in employers national insurance contributions from April 2025 will be covered mainly by clients, but there will be a relatively minor additional cost in relation to office based management and staff.

The Directors anticipate continued growth for the Group driven by further significant investment in infrastructure as outlined post election by the new UK Government.

## Financial Performance

In the year ended 30 September 2024, revenue from continuing operations increased to £101.9m (2023: £79.8m) representing a 28% increase year-on-year.

Adjusted EBITDA from continuing operations (see next page) – increased by 34% to £4.7m (2023: £3.5m).

Net cash generated from operations of £7.5m in the year (2023: £3.3m) and labour supply debtor days reduced slightly to 39 (2023: 40) days.

Administrative costs from continuing operations were £11.6m (2023: £11.6m). As expected, cost levels have been kept under control following a few years of increases driven by the need to build up the internal infrastructure to support significant growth. Keeping control of administrative costs has been a major achievement in 2024.

**Paul Wheatcroft**
**Chief Financial Officer**

| | Year ended 30 September 2024 £000 | Year ended 30 September 2023 £000 |
|---|---|---|
| Labour Supply | **84,125** | 63,818 |
| Civil Projects | **17,535** | 15,656 |
| Other | **274** | 296 |
| | **101,934** | 79,770 |
| Discontinued operations | **5,055** | 4,895 |
| **Total all operations** | **106,989** | **84,665** |

* Discontinued operation

| | Year ended 30 September 2024 £000 | Year ended 30 September 2023 £000 |
|---|---|---|
| **Adjusted profit from continuing operations** | **3,372** | 2,479 |
| Added back | | |
| Depreciation & amortisation | **974** | 720 |
| Research & development | **5** | 4 |
| Loss on sales of assets | **210** | 43 |
| Exceptional items (see below) | **112** | 231 |
| Share based payment expense | **38** | 29 |
| **Adjusted EBITDA from continuing operations** | **4,711** | **3,506** |
| Discontinued operations | 364 | 633 |
| **Adjusted EBITDA all operations** | **5,075** | **4,139** |
| | | |
| **Exceptional items related to:** | | |
| Acquisition costs | **108** | **-** |
| Employment settlement | **9** | 7 |
| HMRC Consultancy | **19** | 7 |
| Bad Debt | **(17)** | 92 |
| CID planning | **-** | 37 |
| Partnership preparation | **-** | 17 |
| Adjudication | **(12)** | 71 |
| Academy launch | **5** | - |
| **Total** | **112** | **231** |

**During the year on continuing operations the Company delivered:**

Pre-tax profit – increased 21% to £2.2m (2023: £1.5m)

Pre-tax profit before exceptional non-recurring items – increased by 33% to £2.4m (2023: £1.8m)

**Discontinued operations (suction excavator services subsidiary):**

The results of the suction excavator business have been disclosed separately within these accounts, and we have taken into account an expected book loss on disposal of £2m, to reflect an impairment as at 30 September 2024.

This is included in the discontinued operations line in the income statement.

The Group categorises non-operational and development costs such as those to the left as exceptional.

**Statement of Financial Position**

As of 30 September 2024, the Group's net assets were £11.7m (2023: £8.7m) of which £6.4m (2023: £4.2m) were cash and cash equivalents.

Non-current assets at 30 September 2024 were £9.8m (2023: £20.8m). Current assets at 30 September 2024 were £25.9m (2023 (restated): £25.2m).

Net current assets at 30 September 2024 were £2.8m (2023 net assets: £1.5m).

The change in share premium in 2024 over 2023 reflects the net proceeds received from an issue of new shares of £5.8m on 10 September 2024.

Group loans & borrowings were £7.3m as at 30 September 2024 (2023: £10.0m). This is the balance utilised on a working capital facility provided by IGF of £15m that was introduced in November 2023.

Chief Financial Officer's Report continued

## Principal risks and uncertainties

Managing risks and opportunities to deliver our strategic objectives

### How we identify risk

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

### Mitigation of risk

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

### Management of risk

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

### Reviewing risk

The risk registers for the Group are updated and reported regularly to ensure that adequate information is available to the Board, allowing them the opportunity to challenge and review the risks identified and consider the various impacts of the risks and mitigations in place.

### Principal Risks

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

| Risk Description | Potential Impact | Mitigations |
|---|---|---|
| **1. Market downturn and cyclical nature of construction industry**<br>National and international economic downturns, including inflation, investor sentiment, availability and cost of credit, liquidity of global financial markets.<br>Maintaining sustainable levels of financial performance throughout construction industry market cycle.<br>A significant portion of our business is derived from contracts indirectly funded by the UK government and its agencies. | A deterioration of economic and financial conditions, or global or deeper recession, could result in a significant fall in expenditure in the infrastructure and construction industry, which could potentially have a material adverse effect on our financial performance.<br>Reductions in trading activity, asset impairments and lower profitability. | Diversification of markets, both in terms of sector and geography.<br>Focus on longer-term partnerships and building on existing client relationships. An increased debt facility of up to £15m provides headroom to withstand a market downturn. If required, this facility can be increased, or another funder engaged.<br>Long-term contracts in place relating to government commitments which tend to be more stable over longer economic cycles.<br>Contracts in place with a number of large water companies, which are unrelated to the public sector. More revenue can be generated from the energy sector where significant property assets continually need to be maintained and repaired. |
| **2. Work winning**<br>Failure to continue to win and retain contracts on satisfactory terms and conditions in our existing and new target markets if competition increases, customer requirements change, or demand reduces due to general economic conditions.<br>Maintaining and developing long-term relationships with key clients and customers in order to win repeat business from those clients and customers and to cross-sell our other products and services to those clients and customers. | Failure to achieve targets for revenue, profit and return on capital employed.<br>No guarantee that existing customer relationships will continue to grow or that key customers will not scale back their use of the Company or cease to contract with us altogether. Any failure to replace this revenue could have an adverse effect on operations and prospects. | Continual review of our existing and target markets to ensure we understand the opportunities that they offer.<br>Continually increasing cross-selling opportunities between divisions in order to differentiate our service provision from our competitors.<br>Collaborative working with key clients to develop joint initiatives and programmes.<br>Growth in Business Development function. |

| Risk Description | Potential Impact | Mitigations |
|---|---|---|
| **3. Concentration of key clients**<br>Each of our customers is subject to market conditions and general commercial exposures in the same way as us. There can be no guarantee that these companies will continue to trade or conduct business with Hercules.<br>Strong negotiating positions of key clients can result in contracts with less favourable and more onerous terms. | If any of our key customers cease trading with us, whether due to engaging other businesses or due to a change in their own strategic direction, there could be a significant negative impact on our ability to generate revenues and operate profitably.<br>Contract terms can include significant warranty and indemnity provisions and may include favourable termination rights for the customer. | We have gained exposure to many client Joint Ventures through prior work. This wide client base provides access to numerous projects across the UK.<br>Early engagement with long-term customers on new schemes, offering collaborative solutions to ensure involvement.<br>Delivery of services in different ways, offering additional services not offered by our competitors and cross selling these across business divisions. |
| **4. Health & Safety failure**<br>The Construction Industry sectors carry significant health and safety risks, including serious injury and fatalities.<br>Causing a fatality or serious injury to an employee or member of the public through failure to maintain high standards or safety and quality. | Loss of employee, customer, supplier, and other stakeholder confidence.<br>Damage to brand reputation in an area that we regard as top priority. Negative impact on reputation could affect ability to win new business, affecting operating and financial performance.<br>Potential investigations, prosecutions and/or civil or criminal litigation, each of which could be costly in terms of potential liabilities, settlements, and management time.<br>These liabilities may not be insurable or could exceed our insurance limits and therefore could have a material adverse effect on our operating results, business prospects and financial condition. | Board-led commitment to achieve zero accidents.<br>Visible management commitment with safety tours, safety audits and safety action groups.<br>We have embedded our Be Safe Work Safe behavioural based safety programme into our own operations. We utilise Hercules Observations reporting capability for highlighting both good practice and close calls across the whole business.<br>Additional experienced H&S personnel recruited to join the H&S Team.<br>Implementing management systems that conform to Occupational Health & Safety Systems (ISO 45001).<br>Comprehensive employee training programmes. |
| **5. Attraction and retention of key management and employees**<br>Inability to recruit, retain and motivate high-quality senior leaders, management and other personnel who have the relevant experience and knowledge to create an innovative, diverse, and flexible workforce. | Failure to maintain satisfactory performance in contract execution.<br>Failure to deliver strategic objectives and business targets for growth, in turn potentially resulting in an adverse effect on operations, financial conditions and prospects.<br>A raise in general wage may be expected in industry, increase in costs of pensions, and health and other insurances, could adversely affect us due to increased mobility of the workforce and pressure to match or better the level of salaries and/or benefits expected in the market. | Regular review of pay and benefits offerings to ensure market competitiveness.<br>Promotion of internal candidates to provide job progression within the business.<br>Employee engagement, personal development and leadership programmes developed and implemented to encourage and support employees achieve their full potential. |
| **6. Labour and skills shortages**<br>Dependence on ability to locate suitably skilled labour for clients. | Projects could become more drawn out or expensive, leading to failure to generate anticipated revenue in anticipated timeframes. | Utilising our Hercules Construction Academy to attract and upskill the next generation into the construction industry.<br>Upskilling existing employees through Hercules Apprenticeship Scheme and Personal Development Programmes.<br>Attracting labour from overseas via Sponsor Licence. |

## Chief Financial Officer's Report continued

| Risk Description | Potential Impact | Mitigations |
|---|---|---|
| **7. Availability and pricing of materials**<br>Shortage of building materials.<br>Price of materials affected by inflation to the UK economy. | Uncertainty around the price of materials affects our ability to submit tenders at an appropriate price level. Failure to win tenders could adversely affect revenue and financial performance.<br>Increased material costs has a negative effect on margins for some contracts, resulting in reduced profitability.<br>Delays to projects due to shortage of materials could affect cashflow.<br>Without long-term agreements for the supply of materials there can be no guarantee that we will not be adversely affected by shortages or increased cost of materials which could lead to increased costs, delays in completing projects and reduced profitability. | Spreading the risk by purchasing materials from several external suppliers allowing greater control of the availability and price.<br>Working on long-term agreements for supply of materials. |
| **8. Contract performance and dispute**<br>Failure to manage our contracts to ensure that they are delivered on time and to budget. | Failure to achieve project objectives could lead to contract losses, delays, reputational damage and reduced repeat work.<br>Unbudgeted expenses and delays could impact margins, affect cashflow, and potentially result in disputes with customers. | Ensuring understanding of all risks through the bid appraisal process and applying rigorous policies and processes to manage and monitor contract performance.<br>Ensuring we have high-quality people delivering projects.<br>Ensure high standard delivery with the 'Right First Time, Every Time' approach.<br>Promoting collaborative workshops with customers to discuss design development and programming and raise early warnings as a mechanism throughout contracts.<br>Month-by-month engagement until final account is agreed, reducing risk of disputes.<br>Agreed set of KPIs and ongoing reviews, support visits from operations managers, along with client liaison, to proactively engage on any issues. |

| Risk Description | Potential Impact | Mitigations |
|---|---|---|
| **9. Regulatory risk management**<br>Violations of laws, rules or regulations, or from non-compliance with internal policies or procedures or with the organisation's business standards, including as a result of new laws or changes in legislation. | Losing the trust of our clients, suppliers and other stakeholders resulting in adverse effects on our ability to deliver against our strategy and business objectives.<br>Increased costs of running the business in order to achieve compliance.<br>Substantial damage to our brand and/or potential fines for compliance failures.<br>Reduced attractiveness for investment in the business. | Regular and thorough review of our systems, policies, and relevant regulations to ensure compliance with obligations, including bi-annual legislation reviews.<br>Frequent external regulatory audits to confirm processes and procedures are compliant.<br>Constant communication and lessons learned feedback loop to ensure continual improvement.<br>Maintain training programmes to ensure our people fully understand requirements.<br>Operating and encouraging the use of anti-bribery and corruption and whistleblowing policies. |
| **10. Financial Risk**<br>**Civil projects risk:** Exposure to civil projects consists mainly of movements in contract value, where variations are requested, and material costs.<br>**Liquidity risk:** Ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash asset safely and profitably.<br>**Credit risk:** Principal financial assets are trade debtors and cash. Principal credit risk arises from trade debtors and accrued income. | Failure to continue in business or to meet liabilities. | Contract values are kept under review by Directors, with work certified at each stage. Prices agreed in advance with suppliers for materials and variations.<br>Short-term flexibility achieved by significant working capital facility. Short term cash flow forecasting is 3 months ahead, updated on a weekly basis. Facility is capped at £15m currently allowing us to draw down 50–90% immediately on all invoices raised.<br>Directors review customer payment history, third party credit references, and keep up a constant dialogue with all key customers. |

**Paul Wheatcroft**
CFO
10 January 2025

Our Stakeholders

# ENGAGING WITH OUR STAKEHOLDERS

## Section 172 statement

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

It is the Board's priority to ensure that the Directors have acted both individually and collectively in the way they consider, in good faith, would promote the success of the Company for the benefit of its members as a whole in regard to the stakeholders and matters set out in Section 172 (1) (a-f) of the Companies Act 2006 in the decisions that they have taken during the year ended 30 September 2024.

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

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

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

### Continued investment in all business areas

In our core Labour Supply business, our contract to supply labour to HS2 (Birmingham section) project has continued to grow, and we now have over 600 operatives on-site, additionally we have established our Rail Division with a specialist team now in place following our successful tender for Balfour Beatty Rail; we have expanded our Construction Academy business team following the successful launch in January; and our Civil Projects division has continued to increase its portfolio of clients.

These key decisions continued to require careful consideration of not just the opportunities but also the challenges to our company, such as impacts on existing projects under contract, management and staffing levels, working capital, and importantly, all stakeholders. Discussions surrounding these decisions commenced well in advance, ensuring that comprehensive plans were in place and ready for implementation as needed.

Continued investment across the business is in line with our strategic direction in terms of delivering successful business performance and continued plans for growth.

## Shareholder engagement events:

| Date | Event |
|---|---|
| January 2024 | FY2023 Final Results announced |
| March 2024 | Annual General Meeting |
| June 2024 | FY2024 Interim Results |
| Sept 2024 | New equity fund raise announced |

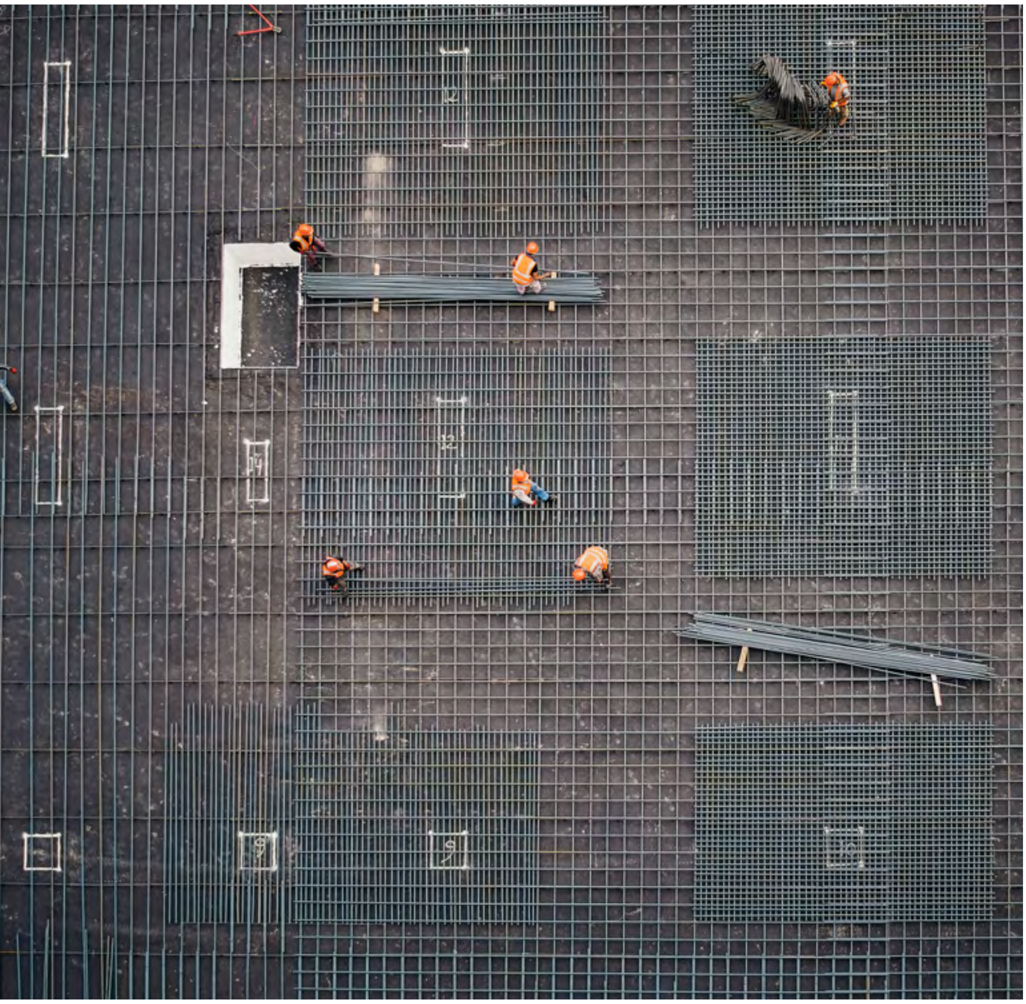
| Stakeholder | Why we engage | How we engaged |
|---|---|---|
| **a) Our people** | • Health & Safety<br>• Engagement<br>• People development<br>• Diversity | • Annual performance appraisals and reviews, which include personal development review, are undertaken for all staff during the year<br>• Annual Employee Survey is used to collate employee views and drive change and these responses are reviewed in management meetings<br>• Regular Senior Manager site visits are conducted to understand the experience of on-site operational staff<br>• SHEQ (Safety, Health, Environment, Quality) Committee meets quarterly to capture views and ideas from all areas of the business<br>• Quarterly newsletters and bi-monthly SHEQ E-Bulletins are issued to keep employees well informed<br>• Mental Health & Wellbeing initiatives and support are available, including our Hercules Helpline, Employee Assistance Programme, and awareness training |
| **b) Our clients** | • Maintain strong relationships<br>• Client engagement<br>• Quality and level of service<br>• Innovative contract delivery<br>• Generate further opportunities | • Regular meetings are held between senior management and key clients to maintain and develop long-term relationships<br>• Managers undertake regular site visits to manage quality and service levels on ongoing contracts<br>• Customer Satisfaction Questionnaires are analysed to drive continual improvement<br>• Our team worked collaboratively with our clients to develop innovative solutions to achieve project strategic goals and CSR targets<br>• Early project engagement to support planning |
| **c) Our shareholders** | • Company performance<br>• Strategic objectives<br>• Corporate governance<br>• ESG performance | • Presentation of interim and annual results, as well as other significant events, are held via our website Investor Page and Investor events.<br>• Regular trading updates, including updates for significant events, are made throughout the year<br>• The Annual General Meeting provides an opportunity for shareholders to meet with the Board and ask questions |
| **d) Our suppliers** | • Continuity of supply<br>• Strong supplier relationships<br>• Financial stability | • Regular review meetings are held between senior management and key suppliers to discuss relevant topics, such as pricing, supply continuity and service levels<br>• Hercules' funding structure and balance sheet strength are kept under constant review to ensure suppliers are paid in accordance with agreed terms and to ensure sufficient working capital management throughout the supply chain |
| **e) Our communities** | • Contribution to the community<br>• Sustainability<br>• Provide local employment opportunities | • An apprenticeship scheme is embedded within the organisation with an aim to have 5% of our total staff employed as graduates, apprentices or trainees<br>• Hercules aims to recruit locally, retain a skilled local workforce and build relationships with local community organisations<br>• Support local charities each year through fundraising, physical legacy projects, and volunteering opportunities<br>• Employees engage in various community events including tree planting and food bank volunteering through our volunteering scheme |
| **f) Regulatory bodies** | • Compliance with laws and regulations<br>• Appropriate corporate governance | • Clear and effective policies are in place to help prevent wrongdoing, including: whistleblowing, bribery and corruption, ethical business practice, modern slavery with training provided where appropriate<br>• Hercules adopts the QCA Code and operates policies to ensure compliance with the code<br>• Hercules is a member of several relevant sector associations, including the Supply Chain Sustainability School and RHA, providing forums to understand changes in relevant legislation and standards |

/ Market Overview

# A DYNAMIC MARKET

Hercules Site Services PLC operates within the UK construction and infrastructure sector, a dynamic market shaped by a combination of economic forces, regulatory frameworks, and technological advancements.

The company primarily specialises in providing labour supply, civil engineering, and other construction-related services. This overview offers insights into the macroeconomic environment, sector-specific trends, and the key drivers that are impacting the Hercules performance and outlook.



## 1 Macroeconomic Environment

The UK construction industry is highly sensitive to economic cycles, with demand influenced by GDP growth, government spending, interest rates, and business confidence. In recent years, the industry has faced both challenges and opportunities:

**Post-Pandemic Recovery:**
While the pandemic temporarily halted construction projects, the government's response, which includes infrastructure investments, has helped revive activity in the sector. Government policies aimed at 'Building Back Better' and initiatives such as the National Infrastructure Strategy (NIS) continue to drive demand.

**Inflation and Interest Rates:**
Inflationary pressures, particularly in raw materials and energy costs, have affected construction margins. Rising interest rates, implemented to combat inflation, can reduce access to affordable financing for large-scale projects, creating a more cautious investment environment. However, this has also increased demand for efficient services, which could benefit firms like Hercules that offer specialised and cost-effective labour and management solutions.

**Labour Market Pressures:**
A critical issue in the construction market is the ongoing labour shortage. Brexit and the pandemic have exacerbated this shortage, especially in the highly skilled labour force, causing a rise in wages and demand for efficient labour solutions. Hercules, with its access to a large labour pool and its focus on efficiency, is well-positioned to benefit from this trend.

## 2 Sector-Specific Trends

The construction industry is evolving rapidly, with several trends shaping its trajectory. These trends are both risks and opportunities for Hercules as it seeks to maintain its competitive edge.

**Infrastructure Investment:**
Large-scale infrastructure projects are a major driver of growth for Hercules. Government-backed infrastructure spending, particularly on projects like HS2 (High Speed 2), is one of the primary drivers of demand for the company's services. HS2 is the largest infrastructure project in Europe, and Hercules' role in providing labour for these high-value projects underscores the company's strategic importance within the sector. Other major investments in rail, water, highways, and renewable energy infrastructure, which includes nuclear, continue to offer growth prospects.

**Sustainability and Green Construction:**
With increasing regulatory pressure for sustainable practices, the UK construction industry is transitioning towards greener construction. The emphasis on reducing carbon footprints, improving energy efficiency, and adhering to stringent environmental standards means that companies involved in civil engineering, site services, and construction-related logistics must adapt. Hercules' services must increasingly align with green construction principles, particularly as environmental considerations become central to bidding processes for major contracts.

**Digital Transformation and Modern Methods of Construction (MMC):**
The construction sector is embracing digital solutions, including Building Information Modelling (BIM), and modern methods of construction such as offsite manufacturing, prefabrication, and 3D printing. These technologies are helping reduce project timelines and improve cost efficiency, while also addressing the labour shortage by automating certain tasks. Hercules is well-positioned to capitalise on this trend by incorporating digital tools in workforce management and logistics to enhance operational efficiency and through training courses offered via its Construction Academy.

**Urbanisation and Housing Development:**
The UK faces a significant housing shortage, leading to an ongoing focus on new residential construction. Government initiatives to increase housing stock, particularly affordable homes, offer significant opportunities for growth in residential construction. Hercules's comprehensive offering of labour, and construction services positions it as a key player in this market segment.

> "Large-scale infrastructure projects are a major driver of growth for Hercules. Government-backed infrastructure spending, particularly on projects like HS2 (High Speed2), is one of the primary drivers of demand for the company's services.

## 3 Regulatory and Policy Landscape

The regulatory environment within which Hercules operates is continually evolving, with implications for both risks and opportunities.

**Government Infrastructure Policy:**
The UK government remains committed to significant infrastructure spending. This includes not only large transport projects such as HS2, but also upgrades to digital infrastructure and renewable energy projects as part of the UK's commitment to net-zero carbon emissions by 2050. The government's 10-Point Plan for a Green Industrial Revolution provides additional momentum to projects that focus on renewable energy, carbon capture, and energy-efficient construction techniques, opening new avenues for Hercules.

**Health and Safety Regulations:**
The construction industry in the UK is one of the most regulated in terms of health and safety. Stringent regulations, particularly post-Grenfell fire, continue to place pressure on contractors and site service providers to ensure compliance. Hercules' focus on safety compliance, staff training, and certified labour supply remains a competitive advantage in a highly regulated environment.

**Skills and Apprenticeship Programs:**
The construction labour market continues to suffer from a shortage of skilled workers, prompting government initiatives to encourage apprenticeships and skills development within the sector. Hercules has taken the bold step to build its own Construction Academy in the West Midlands, and it has the potential to benefit from this drive, both in terms of increased access to skilled labour through government-funded programs and through its own recruitment initiatives, such as in-house training schemes.

/ Market Overview continued

## 4 Competitive Landscape

The market for construction services and labour provision in the UK construction industry is competitive, with numerous players ranging from large multinational firms to smaller, specialised contractors. Hercules competes with other labour supply agencies, and civil engineering contractors for large infrastructure contracts.

**Large Competitors**

Major construction companies often have integrated labour supply chains, but Hercules differentiates itself by offering specialist labour alongside plant hire and logistics. Larger competitors include Balfour Beatty, Kier Group, and Morgan Sindall, who have the advantage of scale but may lack the flexibility and specialised focus that Hercules provides.

**Small and Niche Players**

The market also includes smaller, niche providers that offer specialist labour services, often focused on geographic regions or project types. While these companies can be agile, Hercules' ability to operate at scale and leverage its established relationships in the infrastructure market provides a competitive edge.

> "Hercules' ability to adapt its services to meet environmental standards can help differentiate it in a market increasingly focused on green credentials.

## 5 Outlook and Opportunities

Looking ahead, the construction industry in the UK is expected to remain a key engine of economic recovery and growth, with infrastructure projects and housing development driving demand for skilled labour and construction services. Despite challenges related to inflation, labour shortages, and evolving regulatory requirements, Hercules is well-positioned to capitalise on these opportunities through its focus on large-scale infrastructure projects, efficiency, and innovation.

**Strategic Positioning in Infrastructure Projects**

Continued investment in large infrastructure projects such as HS2, highways improvements, and renewable energy developments provides Hercules with a solid pipeline of opportunities. The company's strategic focus on infrastructure ensures that it remains a key player in the UK's construction future.

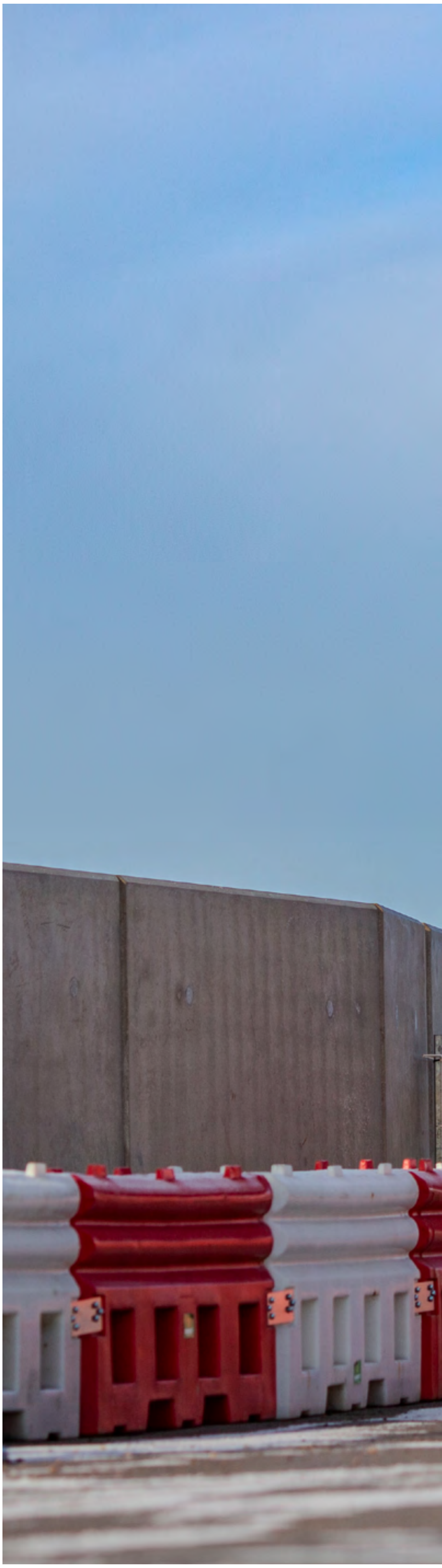
**Adapting to Green Construction**

The push towards sustainability in the construction industry is not only a challenge but also an opportunity. Hercules' ability to adapt its services to meet environmental standards can help differentiate it in a market increasingly focused on green credentials.

**Leveraging Technology for Efficiency**

With the integration of digital tools and modern construction methods, Hercules can enhance its operational efficiency and improve margins, addressing some of the industry-wide cost pressures while positioning itself as a forward-thinking provider of site services.

In summary, Hercules Site Services operates within a growing but challenging market. While macroeconomic pressures, regulatory developments, and competition will shape its operating environment, the group's focus on infrastructure projects, sustainability and technological adaptation offers significant opportunities for continued growth and market leadership.



Strategic Report

# KEY PERFORMANCE INDICATORS

The Directors present their strategic report for the year ended 30 September 2024.

## Fair review of the business

The 12 months ended 30 September 2024 can be summarised as yet another year of growth, which has seen us increase year on year revenue from continuing operations by approximately 28% to £101.9m (2023: £79.8m). Gross profit margin % on continuing operations has decreased to 15% (FY23 18%). This is mainly due to the blend of activities being weighted more heavily by HS2 than in the previous year.

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

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

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

## The KPIs on continuing operations are:

Turnover

**£101.9M**


Gross Profit

**£15.0M**


Adjusted EBITDA (see page 12)

**£4.7M**


> The Directors believe the Group's focus on workforce consultation and inclusion sets it apart from other providers of labour in the sector.

## Key Strengths

- The Group's service offering includes the supply of blue-collar labour, end-to-end project delivery and construction training services. The Directors believe that Hercules is in a strong position within the largely fragmented construction sector by offering a range of site services all under one roof.
- The Directors believe the Group's development of its digital business is a significant differentiator from its competitors and is helping to transform recruitment in the construction sector. The Group's digital applications for recruitment and onboarding improve the efficiency of the recruitment process versus traditional methods, enabling users to quickly complete their registration, upload their credentials and find appropriate work with Hercules.
- Hercules operates within the UK construction and infrastructure sector, which is poised for significant growth, with substantial public and private investments planned across various infrastructure projects.

**Investment Projections**

- Short-Term (2023/24 to 2024/25): An estimated £164 billion is allocated for major infrastructure and construction projects.
- Long-Term (Next 10 Years): Projected investments range between £700 billion and £775 billion, underscoring a strong commitment to enhancing the nation's infrastructure.

**Sector-Specific Developments**

- Rail: The Birmingham section of High-Speed 2 (HS2) remains a pivotal project, aiming to improve connectivity and stimulate economic growth in the region.
- Water: Significant investments are directed towards upgrading water infrastructure to address issues such as pollution and leakage. However, challenges persist, including underfunding and other regulatory complexities.
- Highways: Enhancements to strategic road connections, such as the A66 and the Lower Thames Crossing, are underway to improve transportation networks.
- Energy: Investments in nuclear power stations, including projects like Sizewell C, are advancing to ensure sustainable energy production.

**Industry Outlook**

- The construction industry is expected to experience growth, with forecasts indicating a need for an additional 251,500 construction workers by 2028 to meet anticipated demand. In summary, the UK construction sector is set to benefit from substantial investments across various infrastructure projects, fostering growth and development in the coming years.

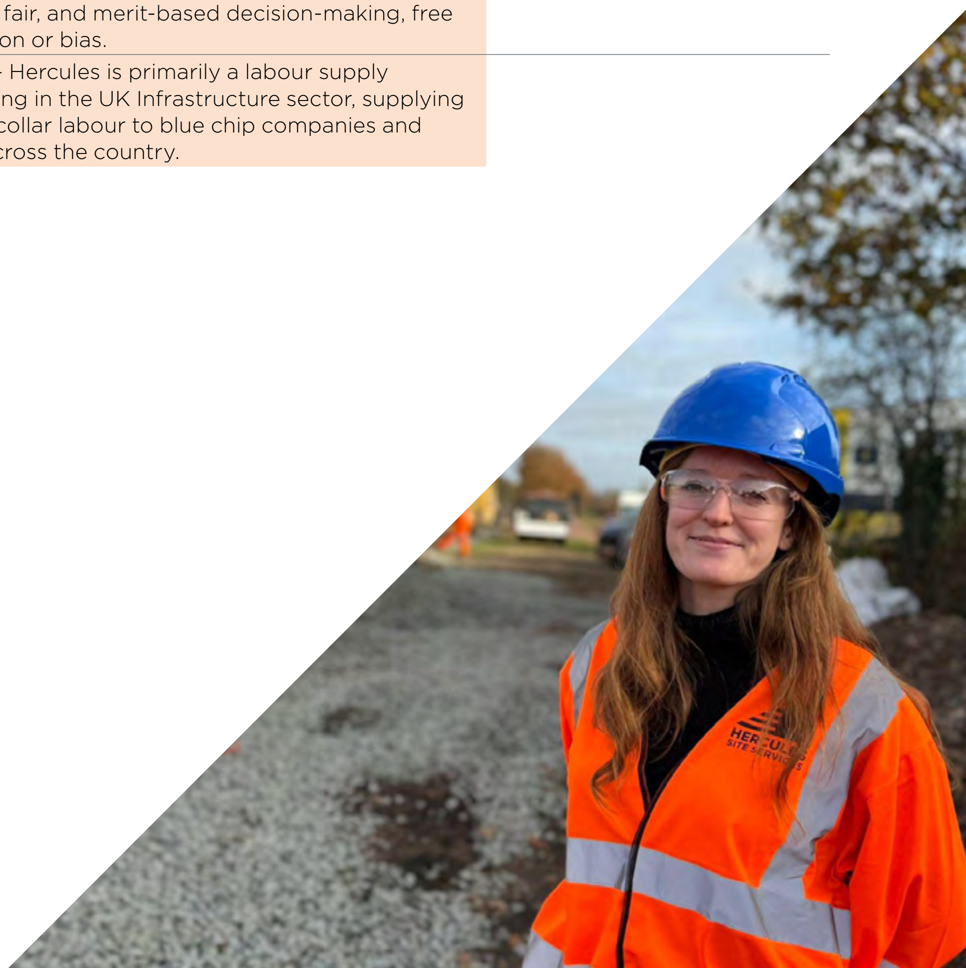
- The Directors believe the Group's focus on workforce consultation and inclusion sets it apart from other providers of labour in the sector. This approach means Hercules is recognised by workers as a forward-thinking employer in an industry with many traditional practices and the Directors believe this approach will help the Group attract and retain workers in a sector which is experiencing shortages of suitably qualified personnel.
- The Group maintains labour supply framework agreements with several of the UK's largest infrastructure organisations, including Balfour Beatty (Major Projects, Highways, Rail), Balfour Beatty Vinci JV (HS2), Kier Group, Costain, Volker Fitzpatrick, Skanska, Vinci, Taylor Woodrow, Galliford Try, and Keltbray. Our diverse spread of Tier 1 and 2 clients across multiple sectors, having supplied labour to 50+ clients has continued to drive positive growth for YE 2024.
- The Group's management team possesses extensive experience in the UK construction sector. The current management team has been instrumental in the Group's growth and diversification to increase the range of services that Hercules provides. The Directors believe that their ability to react to market trends has been fundamental in driving the Group's growth and profitability in recent years.
- Hercules maintains a strong focus on Corporate Social Responsibility, with an emphasis on upskilling the younger generation to meet the demands of a rapidly evolving industry. The Group actively contributes to the social and economic enhancement of the communities they serve through strategic initiatives, partnerships, and charity work.
- Hercules' CSR activities extend beyond contractual requirements, incorporating a proactive approach to creating additional social value. Internal initiatives, driven by their working groups, are fundamental in addressing the broader needs of the industry and the communities around the projects where its operatives are working.
- Hercules continuously strives to minimise the impact of its operations on the environment. Their comprehensive Environmental Management System underpins their commitment to energy efficiency, waste reduction, and pollution control, ensuring their activities promote continual improvement in these areas.

Strategic Report continued

# NON-FINANCIAL INFORMATION & SUSTAINABILITY STATEMENT

| Reporting Requirement | Relevant Information | Policies and Standards |
|---|---|---|
| **1. Environmental matters (including the impact act of the Company's business on the environment)** | **Our principles – Responsibility**<br>• Act in an environmentally responsible manner, ensuring our operations are sustainable and contributing positively to the ecosystems of the projects on which we operate.<br>• Minimise negative impacts on communities resulting from our business activities.<br>• Identify and promote sustainable practices whenever possible.<br>• Acknowledge the need to meet present needs without compromising the ability of future generations to meet their own.<br>• Consider the Three Pillars of Sustainability (Environmental Stewardship, Social Responsibility and Economic Prosperity) in our business activities.<br>• Work consistently to reduce our carbon footprint on our journey toward achieving our 2050 Net Zero target. | PD 02 – Environmental Policy<br>PD 18 – Social Value Policy<br>PD 12 – Ethical Business Policy |
| **2.The Company's Employees** | **Our principles – Integrity & Positive Impact**<br>• Exemplify high standards of ethical conduct, honesty, and professional and personal integrity.<br>• Cultivate, maintain, and enhance professional relationships based on mutual confidence, trust, and respect.<br>• Uphold the company's standards, reputation, and values.<br>• Avoid misuse of your professional position for personal, material, or financial gain.<br>• Ensure professional judgment remains uncompromised and unbiased<br>• Identify and address potential, apparent, and actual conflicts of interest transparently.<br>• Ensure impartial, fair, and merit-based decision-making, free from discrimination or bias.<br>• Promote fair, consistent, and equitable treatment for all.<br>• Demonstrate sensitivity to the diverse backgrounds, beliefs, and rights of others.<br>• Prohibit bullying, harassment, including sexual harassment, abuse, discrimination, victimisation, or any form of offensive behaviour in the work environment.<br>• Provide appropriate competence, supervision, support, and opportunities for the development of your team.<br>• Encourage open communication about workplace issues, supporting those who speak up and safeguarding them from reprisals or adverse treatment. | PD 06 – Equality, Diversity & Inclusion Policy<br>PD 10 – Personal Harassment Policy<br>IPD 18 – Sexual Harassment Policy<br>PD 14 – Mental Health & Wellbeing Policy |

| Reporting Requirement | Relevant Information | Policies and Standards |
|---|---|---|
| **3. Social Matters** | • Act in a socially responsible manner, supporting the company and contributing to the improvement of the communities in which we operate.<br>• Consider the social impact of our business and activities.<br>• Environment, Our People, Suppliers, Customers, Community, Human Rights and Modern Slavery<br>• Section 172 Statement – Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct. | |
| **4. Respect for Human Rights** | **Our principles – Eradicating Unethical Business Practices**<br>• Foster awareness of human rights, fraud, and corruption issues in our business relationships.<br>• Conduct due diligence on supplier relationships concerning modern slavery, human rights, fraud, and corruption.<br>• Continuously enhance knowledge of modern slavery, human rights, fraud, and corruption issues in the work environment.<br>• Responsibly manage business relationships where unethical practices may surface, taking appropriate action to report and remedy them. | PD 07 – Modern Slavery Policy<br>PD 08 – Whistleblowing Policy<br>PD 12 – Ethical Business Policy<br>HLPD – High Level Whistleblowing Policy |
| **5. Anti-Corruption and Anti-Bribery Matters** | **Our principles – Accountability**<br>• Exemplify high standards of ethical conduct, honesty, and professional and personal integrity.<br>• Cultivate, maintain, and enhance professional relationships based on mutual confidence, trust, and respect.<br>• Uphold the company's standards, reputation, and values.<br>• Avoid misuse of your professional position for personal, material, or financial gain.<br>• Ensure professional judgment remains uncompromised and unbiased.<br>• Identify and address potential, apparent, and actual conflicts of interest transparently.<br>• Ensure impartial, fair, and merit-based decision-making, free from discrimination or bias. | PD 05 – Anti-Bribery Policy<br>HLDP 01 – High Level Anti Bribery & Corruption Policy<br>PD 08 – Whistleblowing Policy<br>PD 12 – Ethical Business Policy<br>HLPD – High Level Whistleblowing Policy |
| **6. Business model** | • Business model – Hercules is primarily a labour supply company operating in the UK Infrastructure sector, supplying blue- and white-collar labour to blue chip companies and major projects across the country. | |



/ Strategic Report continued

# CORPORATE SOCIAL RESPONSIBILITY & SOCIAL VALUE

CSR is more than just a buzzword – it's a crucial aspect of how we define our role in society through our actions. And while every industry is undergoing rapid transformation the need for a skilled construction workforce is becoming more critical than ever, upskilling the young generation is emerging as a key pillar of a forward-thinking CSR strategy.

## Why?

Because by investing in the education and development of the future workforce, we can ensure our CSR efforts have a lasting, tangible impact, going beyond words to create meaningful change in both communities and industry. All while future-proofing our operations.

## How does upskilling contribute to the 5 key components of CSR?

As we move towards a greener future, we need a workforce that's skilled in sustainability practices. By integrating green skills training into upskilling programs, we can ensure our future employees are ready to take on the challenges of reducing carbon footprints, managing waste, and conserving resources. This approach embeds environmental responsibility into the very fabric of our workforce, making it a natural part of daily operations rather than an afterthought.

### Social Responsibility

Upskilling offers a powerful tool for social equity. By providing young people, especially those from underserved communities, with access to quality training and education, we can bridge the gap in employment opportunities. This reduces youth unemployment and promotes social mobility, allowing more individuals to participate in the economy and improve their quality of life.

### Economic Responsibility

A skilled workforce is the engine of economic growth. Investing in upskilling we are effectively contributing to the economic health of our communities by ensuring a steady pipeline of talent capable of driving innovation and productivity. In doing so, we are helping to create jobs, support economic development, and foster long-term prosperity.

### Ethical Responsibility

Ethical business practices extend beyond transparency and anti-corruption measures; they include a commitment to fairness and equity. By investing in the education and development of young people, we demonstrate a strong commitment to ethical responsibility. We ensure that future leaders are equipped with not only the technical skills but also the moral compass needed to navigate the complexities of modern business.

### Stakeholder Engagement

Upskilling is a collaborative effort, often involving partnerships with educational institutions, government bodies, and not-for-profits. By engaging with these stakeholders, we can tailor our upskilling initiatives to meet the needs of the future workforce while also addressing the concerns and expectations of the broader community. This collaborative approach strengthens relationships, enhances reputations, and aligns our business goals with societal needs.

# How do we embed upskilling in our CSR strategy?

## Align with Industry Needs

Start by identifying the skills gaps within our industry and align our upskilling initiatives to address these needs. This ensures that the training provided is relevant and beneficial not only for the individuals but also for the industry. By focusing on industry-relevant skills, companies can create a more skilled workforce that drives innovation and productivity.

## Work with the Innovators

Partner with cutting-edge organisations, educational institutions, and startups that are leading the way in smart upskilling initiatives. Collaborating with innovators allows companies to access the latest training technologies and methodologies, ensuring that the upskilling programs are effective, engaging, and future focused. These partnerships can also bring fresh perspectives and creative solutions to traditional skills development challenges.

## Foster Lifelong Learning

Encourage a culture of continuous learning within our organisation by offering ongoing training and development opportunities. This not only benefits employees by keeping their skills up to date but also ensures that we stay competitive in a rapidly changing market.

## Engage with Local Communities

Extend our upskilling efforts beyond our company by collaborating with local schools, colleges, and community organisations. By investing in the skills development of young people in our community, we can create a positive social impact, reduce unemployment, and build a stronger, more resilient local economy. This approach also strengthens our company's relationship with the community and enhances our CSR credentials.

## Measure and Communicate Impact

Establish clear metrics to track the effectiveness of our upskilling initiatives and regularly report on the outcomes. This not only helps refine our strategy but also demonstrates the tangible impact of our CSR efforts to stakeholders. Transparent communication about the success of our upskilling programs can build trust and inspire others to follow our lead, amplifying the positive effects of our efforts. Incorporating upskilling into our CSR strategy is more than just a smart business decision – it's a commitment to building a sustainable, equitable, and ethical future. By investing in the skills of the next generation, we can cultivate fresh ideas and perspectives that drive both social impact and corporate growth. In this way, upskilling becomes not just a CSR initiative, but a catalyst for long-term innovation and success.

> "Among the various approaches to Corporate Social Responsibility, upskilling the younger generation stands out as one of the most powerful and transformative strategies.

Strategic Report continued

# Social Impact Delivered

## Social Value Overview

Over the past year, Hercules has been dedicated to making a lasting, positive impact in our local community and the areas where we operate. Through various initiatives, we have focused on giving back and driving meaningful change.


## Head Office Volunteering

Our head office team has been actively engaged in several community initiatives across South Cerney, Cirencester, and Swindon. We organised litter pick-ups around our head office, donated essential supplies to local food banks, and volunteered in charity shops, assisting with sorting donations. Additionally, we helped paint classrooms at a local primary school and office spaces for the Churn Project, a local charity that supports the elderly. Our efforts also extended to fundraising, including hosting a bucket collection outside a supermarket to support Cirencester Housing for Young People (CHYP) as well taking part in a series of walks, challenges, bake sales, and a company skydive to raise money for Aurora, Mind, and the Alzheimer's Society.

## Engagement with our Projects

Working alongside our project teams, our CSR Coordinator has actively supported a range of initiatives with local charities and community groups. These efforts have included employment mornings, CV workshops, and organising work experience weeks for refugees to help them gain confidence and re-enter the workforce. Additionally, they have been involved in community gardening projects and revitalising essential spaces for charities such as the YMCA and Stepping Stones through painting and renovation work.

## School Engagement

We have attended career fairs at schools and colleges across the country, with a particular focus on the West Midlands and career opportunities available on HS2. These events have inspired young people to explore careers in construction and highlighted exciting prospects in the industry, encouraging future talent to pursue pathways in this field.

## Job Centres and Prisons

We've visited job centres and prisons to help vulnerable individuals return to employment. By offering interviews and guidance on entering the construction industry, we've provided meaningful opportunities for people to help rebuild their lives and careers.

## Boots 2 Roots

As part of our commitment to the environment, we have continued to push our Boots 2 Roots initiative, where we will donate a tree for every operative onsite. Through this program, we've provided trees to a local primary school as well as one of our project sites, helping to promote the importance of green spaces and environmental stewardship in our community.

# Leighton at the Hercules Construction Academy

## Background

Leighton is a student at the Hercules Construction Academy, a renowned institution focused on providing specialised training and mentorship for those pursuing a career in the construction industry. During a site visit, I had the opportunity to observe Leighton in action, and his performance made a strong impression, leading to an impromptu interview. This case study highlights Leighton's capabilities, attitude, and potential as he progresses through his training and work experience at Hercules.

## Observations of Leadership and Initiative

While observing Leighton during his training session at the Academy, it became evident that he possesses strong leadership qualities. On the day of my visit, he was leading a group of fellow students, demonstrating his ability to guide, motivate, and support his peers. His natural inclination to take charge, combined with his collaborative approach, suggested that he is not only comfortable in leadership roles but also effective in them.

Impressed by these qualities, I requested an interview with Leighton to further understand his perspective and approach to learning and development. He readily accepted the invitation, showing an eagerness to engage in the interview process and take on any additional challenges that came his way.

## Performance on Site

Leighton's dedication became even more apparent upon his arrival at our site. From the outset, he was keen to learn about our business operations and integrate himself into the team. His enthusiasm was reflected in his proactive approach; he sought opportunities to contribute and consistently displayed a willingness to take on new responsibilities.

Over the past two weeks, Leighton has worked with Hercules and has quickly adapted to the demands of the environment. His time with us has been marked by several noteworthy achievements:

- **Innovation and Problem-Solving:** Leighton has shown an aptitude for thinking on his feet, coming up with fresh ideas that have positively impacted the workflow on site. His ability to analyse situations and propose practical solutions has been an asset to the team.
- **Adaptability and Learning:** Leighton's capacity to absorb new information quickly and apply it effectively has been particularly impressive. He has demonstrated a strong understanding of the various aspects of construction work, indicating a sharp learning curve.
- **Responsibility and Ownership:** In addition to his on-site duties, Leighton has taken the initiative to manage additional paperwork, a task he approached with enthusiasm and efficiency. His attention to detail in administrative work compliments his hands-on skills, providing him with a well-rounded understanding of the industry.

## Future Potential

Based on his performance and attitude during the past two weeks, Leighton shows tremendous potential for a successful career in the construction industry. His combination of leadership, quick learning, and problem-solving skills makes him an asset in both team-oriented and independent roles. He has shown an eagerness to deepen his understanding of all facets of construction, positioning himself for continued growth and development.

Given his current trajectory, I am confident that Leighton has a promising future ahead of him in the construction field. His ability to adapt, lead, and think creatively will serve him well as he continues to gain experience and refine his skills.

> "Leighton shows tremendous potential for a successful career in the construction industry.

## Conclusion

Leighton's time at Hercules Academy and Hercules Site Services has showcased his capability as a leader, a quick learner, and a proactive contributor. He has already begun to make a mark within a short period, indicating a readiness to tackle new challenges. With continued guidance and exposure to the diverse aspects of the industry, Leighton is poised to become a highly effective and innovative professional in the construction sector.

Strategic Report continued

# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

We remain dedicated to enhancing resilience, transparency, and sustainability throughout our organisation. Our FY 2024 Climate-Related Financial Disclosure, aligned with the Task Force on Climate-related Financial Disclosures (TCFD) framework, outlines our approach across governance, strategy, risk management, and metrics.

Through this framework, we seek to improve on existing climate-related disclosures while demonstrating progress toward our Net Zero goal.

**We have made disclosures that are consistent with the TCFD's core elements and cover the 11 recommended disclosures, showing advancements in areas previously identified for improvement.**

### For more information

Please take a look at our Corporate and Social Responsibility Report.

→ Read more on page 28

### Quantitative Scenario Analysis

While we have not yet completed a quantitative scenario analysis, we have outlined a three-year strategy to strengthen our capacity for this critical element. We have begun by enhancing qualitative analysis, improving data collection systems, and incorporating quantitative modelling to achieve comprehensive scenario-based assessments by FY 2027.

### Expanded Scope 3 Emissions and Aligned Metrics

Building on our existing Scope 1 and 2 metrics, we have expanded Scope 3 data collection and developed new KPIs to further align with our climate-related risks and opportunities. Our FY 2024 metrics also provide greater insight into sustainable procurement, emissions reduction, and operational efficiency.

As we progress on our journey towards climate resilience, we will continue to draw upon the latest TCFD guidance and industry best practices to deepen our climate-related disclosures and demonstrate how our actions support the long-term sustainability of our business.

### Governance Disclosures

→ Read more on page 33

### Strategy Disclosures

→ Read more on page 34

### Risk Management Disclosures

→ Read more on page 37

### Metrics and Targets Disclosures

→ Read more on page 40

## Governance

| Recommended Disclosures | How this has been addressed |
|---|---|
| a. Describe the Board's oversight of climate-related risks and opportunities. | Our Board remains committed to providing comprehensive oversight of climate-related risks and opportunities, conducting quarterly reviews and assuming overall responsibility for our ESG Strategy. These reviews ensure alignment with our strategic priorities and reinforce the Group's overarching climate objectives. Our board is supported by our Carbon Management Committee (CMC) who meet quarterly to:<br>• Assess climate-related risks and opportunities relevant to projects and operations.<br>• Monitor regulatory changes and update compliance requirements as necessary.<br>• Evaluate the impact of climate initiatives on Hercules' risk profile and strategic goals.<br>• Report findings and recommendations directly to the Board.<br>In FY 2024, the CMC took steps toward a closer alignment with our overall sustainability plan, enabling a more integrated approach to climate risk management, carbon reduction and sustainability objectives. The Board, in alignment with these goals, approved KPIs for FY 2025 targeting emissions reduction, energy efficiency and sustainable procurement ensuring these targets support our Net Zero objectives.<br>The Board has also emphasised the importance of climate-related education and awareness. In FY 2024, we held multiple workshops in collaboration with the Supply Chain Sustainability School (SCSS) to support education on sustainability across our organisation and supply chain partners. Planned workshops for FY 2025 will continue this focus, reinforcing the Board's commitment to fostering a climate-conscious culture among employees and fostering sustainability within our supply chain. Workshop topics covered include Sustainable Construction, Measuring and Managing Sustainability and Science-Based Targets and Carbon Offsetting.<br>Our Compliance Director provides the Board with regular updates on climate-related performance, regulatory requirements and strategic recommendations for enhancing resilience to climate-related risks. Through this process, the Board plays an active role in setting our climate-related targets and advancing our Group's commitments in emissions reduction, energy efficiency, and waste management to meet our Net Zero by 2050 target. |
| b. Describe management's role in assessing and managing climate-related risks and opportunities. | Our management team play a pivotal role in implementing and advancing our climate-related strategies. While our Compliance, SHEQ, and Procurement Teams are principally involved in environmental compliance and emissions monitoring, every department integrates climate considerations into their daily operations and strategic planning. Our collaborative approach supports our comprehensive sustainability efforts and long-term resilience.<br>Every team in Hercules incorporates climate considerations into their respective areas, ensuring that Hercules' climate strategy permeates all business functions. Key areas of focus include:<br>• **Emissions Tracking and Reporting:** Monitoring Scope 1, 2, and 3 emissions, with each department responsible for collecting relevant data, improving emissions transparency and reporting accuracy.<br>• **Energy and Resource Efficiency:** Implementing energy-saving measures at our Head Office and in field operations, supported by our digital tools, such as our digital recruitment and onboarding solutions, to reduce environmental impact and improve operational efficiency.<br>• **Sustainable Fleet Management:** Expanding fleet sustainability through upgrades to hybrid and electric vehicles, tracking fuel consumption, and exploring options for low-carbon fuels to reduce Scope 1 emissions.<br>In FY 2024, climate-related initiatives involved contributions from teams across our organisation, including Human Resources, Finance, and Operations, ensuring a unified approach. Cross-departmental collaboration allows us to respond dynamically to evolving climate-related challenges and client sustainability requirements. |

Strategic Report continued

## Strategy

| Recommended Disclosures | How this has been addressed |
|---|---|
| a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term. | We recognise that climate-related risks and opportunities directly influence our operations, projects, and long-term business sustainability. Over the past year, we have expanded our focus on integrating climate resilience into all facets of its operations, ensuring that our business can adapt to, and mitigate, climate-related risks effectively. Our focus has included enhanced training initiatives to prepare our people for climate-related challenges, raising awareness of sustainable construction methods, and proactive engagement with regulatory developments and industry best practices. These actions ensure that we remain adaptable to evolving climate conditions and aligned with sustainability expectations.<br>We continue to identify a range of climate-related risks and opportunities across short-, medium-, and long-term horizons, which guide our strategic planning and decision-making:<br>**Climate-Related Risks & Opportunities:**<br>Short Term (0–5 Years):<br>• **Risks:** Increased risks from extreme weather events, including rainfall, flooding, and heatwaves pose risks to project timelines, equipment functionality, and worker safety. Supply chain disruptions due to extreme weather events and resource scarcity may also impact material availability and costs.<br>• **Opportunities:** Our newly established KPIs for FY 2025 will allow us to better track progress in emissions reduction, waste management, and sustainable procurement, creating opportunities to diversify services that support climate resilience. The introduction of fuel tracking, including diesel and HVO usage, establishes a baseline for increasing sustainable fuel use in projects, enabling us to respond to short-term market demands for low-carbon solutions.<br>Medium Term (5–10 Years):<br>• **Risks:** Anticipated regulatory changes may introduce stricter emissions standards and environmental reporting requirements, potentially increasing our compliance costs. Rapid technological advancements may require workforce upskilling and adaptation to sustainable construction methods.<br>• **Opportunities:** The medium-term outlook presents significant opportunities for us to integrate renewable energy solutions, adopt green construction techniques, and expand partnerships to meet the demand for sustainable infrastructure. Scenario analysis efforts are underway to support strategic planning for climate resilience under various scenarios, enabling proactive responses to regulatory and technological developments.<br>Long Term (10–30 Years):<br>• **Risks:** Long-term climate risks include rising sea levels, evolving public expectations for environmental responsibility, and increased complexity in project planning. Responding to these changes will require a sustained focus on climate-resilient infrastructure and sustainable practices to mitigate reputational and operational risks.<br>• **Opportunities:** Building long-term partnerships in the public and private sectors offers opportunities for collaboration on sustainable infrastructure projects, further enhancing our position in the market.<br>As we progress on our climate resilience journey, our strategic approach to identifying and responding to climate-related risks and opportunities remains essential. By addressing immediate challenges, anticipating future changes, and building strategic partnerships, we can position ourselves to navigate the ever-evolving climate landscape. The initiatives we implement will support our commitment to sustainability, long-term resilience, and climate-responsive growth. |

| Recommended Disclosures | How this has been addressed |
|---|---|
| b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning. | Climate-related risks and opportunities are integral to our business strategy, influencing our financial planning, capital allocation, and operational processes. Understanding the financial implications of the risks and opportunities that we identify allows us to anticipate regulatory changes, adjust project timelines, and make strategic investments that support long-term resilience and operational efficiency.<br><br>**1. Financial Implications of Climate-Related Risks**<br>Climate-related risks have the potential to increase costs across various aspects of our operations. For example:<br><br>• **Regulatory Compliance Costs:** As environmental regulations become stricter, compliance costs are anticipated to rise, affecting areas such as emissions standards and waste disposal. We monitor these regulations closely to ensure we budget for associated compliance costs and to allocate resources for required adjustments.<br>• **Insurance Premiums:** Increased frequency and intensity of extreme weather events, such as flooding or heatwaves, could lead to higher insurance premiums. This risk is particularly relevant to construction and project sites where physical assets and timelines are exposed to climate-related disruptions.<br><br>**2. Operational Adjustments and Strategy**<br>Climate risks impact our strategic planning and operational processes:<br><br>• **Project Timeline and Workforce Safety:** The threat of extreme weather, such as heatwaves or flooding, requires adjustments in project schedules and site safety protocols. These risks directly influence project costs, as delays can increase expenses, and additional health and safety measures may be required to protect workers.<br>• **Supply Chain Resilience:** Climate risks affecting suppliers, such as resource scarcity or transportation disruptions, could impact the availability and cost of materials. We are embedding climate resilience into our supplier selection criteria and actively track fuel usage and plant emissions to mitigate potential supply chain vulnerabilities.<br><br>**3. Capital Expenditure and Long-Term Financial Planning**<br>In line with our Net Zero by 2050 goal, we are adjusting our capital expenditure processes to include for sustainable practices:<br><br>• **Investment in Energy Efficiency and Fleet Upgrades:** Our transition to hybrid and electric vehicles within our fleet, coupled with ongoing monitoring of fuel use and vehicle efficiency, reflects our proactive stance on managing fuel costs and reducing Scope 1 emissions. Our investment is planned to reduce long-term operational costs associated with our vehicle fleet.<br>• **Renewable Energy for Facilities:** Our upcoming transition to a green energy tariff for our Head Office and planned installation of solar panels represent strategic capital allocations aimed at reducing energy-related costs and Scope 2 emissions over time. These changes support our overall resilience to energy price fluctuations and enhance our long-term financial stability.<br><br>**4. Long-Term Strategic Goals**<br>Our Net Zero by 2050 target shapes our approach to capital allocation, project planning, and operational strategy:<br><br>• **Scenario Analysis and Strategic Forecasting:** A phased scenario analysis approach will enable us to evaluate our financial resilience under different climate scenarios, informing capital allocation and resource management over the long term.<br>• **Client and Supplier Partnerships:** Our goal of becoming a climate-resilient business will lead us to strengthen partnerships with clients and suppliers who share our commitment to sustainability. These relationships will support both financial and operational resilience by ensuring access to sustainable materials and by building collaborative networks focused on climate-resilient practices.<br><br>By proactively addressing the financial and operational impacts of climate-related risks, we ensure our strategy remains resilient and adaptive to an evolving climate landscape. Through targeted investments, robust planning, and strategic partnerships, we are building a sustainable and financially stable future aligned with our long-term Net Zero goals. |

Strategic Report continued

## Strategy continued

| Recommended Disclosures | How this has been addressed |
|---|---|
| c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | We recognise the importance of evaluating the resilience of our strategy under varying climate scenarios. Understanding the potential impacts of different global warming pathways supports our strategic planning and long-term sustainability, ensuring that we are prepared to manage both physical and transition risks associated with climate change.<br>To date, we have conducted a qualitative scenario analysis that assesses risks under 2°C and 2.7°C warming scenarios. This analysis has provided valuable insights into potential climate impacts, including:<br>• **Project Delays and Increased Costs:** Extreme weather events, such as heavy rainfall and heatwaves, could delay project timelines, increase operational costs, and reduce productivity due to on-site work interruptions.<br>• **Supply Chain Disruptions:** Climate impacts on our suppliers, including resource scarcity and transportation challenges, may result in material shortages, delays, and increased costs.<br>• **Health and Safety Risks:** Rising temperatures and extreme weather present health and safety risks for workers, requiring us to implement additional protective measures and adapt project schedules to ensure worker safety and regulatory compliance.<br>These qualitative insights have been instrumental in forming our current risk mitigation strategies and building initial resilience measures. However, transitioning to a quantitative scenario analysis will be essential in order to deepen our understanding of the potential financial and operational impacts of different warming scenarios. Quantitative analysis will enable us to model specific outcomes, allowing us to plan resource allocation, set precise resilience targets, and make data-informed decisions that strengthen our climate resilience.<br>In FY 2024, we began developing a three-year action plan to advance our scenario analysis capabilities in alignment with TCFD recommendations:<br>• **FY 2025:** An expanded qualitative scenario analysis will further refine our understanding of risks and opportunities under a 2°C warming pathway, supporting the identification of targeted resilience measures.<br>• **FY 2025/2026:** We will enhance data collection across Scope 1, 2, and 3 emissions categories to provide a stronger foundation for quantitative analysis. Improved emissions tracking and data accuracy will support the development of a robust model reflecting our operational realities and climate exposure.<br>• **FY 2026/2027:** We are aiming to develop a quantitative scenario model that assesses financial and operational resilience under different climate scenarios, including 2°C and potentially a 1.5°C pathway. This model will allow us to quantify specific impacts on costs, revenues, and project timelines, ensuring that our strategic decision-making is rooted in data and comprehensive risk assessment.<br>Our structured approach enables us to align more closely with TCFD recommendations, ensuring that our strategy remains resilient and adaptive to various climate scenarios and regulatory environments.<br>Through structured scenario analysis, we will deepen our understanding of climate-related risks and refine our strategy further to address future challenges. Our commitment to transitioning from qualitative to quantitative analysis reflects our dedication to building a sustainable, data-driven approach to resilience, ensuring that we are well-positioned to navigate the evolving climate landscape. |

## Risk Management

| Recommended Disclosures | How this has been addressed |
|---|---|
| a. Describe the organisation's processes for identifying and assessing climate-related risks. | We have established comprehensive processes to identify and assess climate-related risks, involving collaboration across all business areas. Our approach addresses both physical and transition risks and relies on active contributions from departments and teams throughout the company. Each department integrates climate considerations into their operations, ensuring that we capture a full spectrum of risks and opportunities. By embedding climate resilience in fleet management, supply chain operations, project planning, and workforce safety, we enhance our ability to monitor, adapt, and respond to evolving climate challenges.<br><br>**Risk Mapping**<br>Risk mapping is fundamental to our climate resilience strategy. Departments across our business contribute to a structured risk mapping process that identifies, monitors, and assesses climate-related risks specific to their areas. Our Compliance, SHEQ, and Procurement Teams, along with individual operational units, work together to ensure that our risk register reflects real-time data and insights from every area of the business. In FY 2024, each department further incorporated climate risk assessments into daily activities, identifying and documenting risks such as fuel efficiency, material availability, and on-site safety challenges due to extreme weather conditions. This department-led risk mapping enables us to stay proactive and responsive in our climate risk management.<br><br>**Scenario-Based Analysis**<br>Our scenario-based analysis process provides a foundation for understanding potential climate impacts under varying conditions. To date, we have conducted qualitative scenario analyses, focusing on risks under 2°C and 2.7°C warming scenarios. This analysis identified several broad risks, including:<br>• **Project Delays:** Increased likelihood of extreme weather events impacting project schedules and costs.<br>• **Supply Chain Disruptions:** Climate-related disruptions to suppliers, leading to resource scarcity and delays.<br>• **Health and Safety Risks:** Rising temperatures and severe weather conditions posing risks to worker safety, requiring additional protective measures and scheduling adjustments.<br><br>To deepen our understanding, we have developed a three-year phased plan to enhance our scenario-based analysis. This plan involves a gradual transition from qualitative to quantitative analysis, with enhanced data collection across Scope 1, 2, and 3 emissions. The goal is to complete a quantitative model by FY 2027 that will allow us to evaluate specific financial and operational impacts under scenarios such as 2°C and potentially 1.5°C, aligning our resilience planning with industry standards.<br><br>**Integration of Best Practices**<br>We continually aim to integrate industry best practices into our climate risk assessment and identification processes. By monitoring evolving regulations and engaging in industry-wide discussions, we ensure that our approach remains aligned with high standards. In FY 2024, cross-departmental workshops facilitated the sharing of best practices within our organisation, focusing on areas such as resource efficiency, fleet management, and health and safety adaptations to climate change. Insights gained from these workshops are systematically reviewed, supporting our commitment to proactive risk management and continuous improvement.<br><br>**Stakeholder Engagement**<br>Stakeholder engagement is essential to our climate risk management. We regularly interact with clients, suppliers, regulatory bodies, and other partners to stay informed on emerging climate risks and shifting regulatory expectations. These interactions provide valuable insights into potential supply chain vulnerabilities, evolving client requirements, and regulatory developments, enabling us to adapt our risk management practices to remain comprehensive and up to date.<br><br>By embedding climate risk identification across all levels of our organisation, we ensure that our approach is both comprehensive and adaptable. Through collaborative efforts, scenario-based planning, and continuous integration of best practices, we are well positioned to anticipate and respond effectively to climate-related risks. This proactive stance supports our long-term commitment to resilience and sustainable growth. |

Strategic Report continued

## Risk Management continued

| Recommended Disclosures | How this has been addressed |
|---|---|
| b. Describe the organisation's processes for managing climate-related risks. | We take a structured approach to managing climate-related risks, with processes that are continually refined to meet evolving sustainability objectives and to enhance climate resilience across all areas of our business. Our approach leverages cross-functional engagement and emphasises proactive planning to ensure that climate-related risks are systematically managed.<br>We manage climate-related risks within each business division, embedding sustainability considerations into day-to-day processes. This divisional approach allows for climate risks to be considered alongside safety, quality, and operational risks, ensuring they are an essential component of our overall business management. Identified risks are documented within our business management system using our established risk registers and, where appropriate, Risk Assessments and Method Statements (RAMS), and Inspection and Test Plans (ITPs) are produced and reviewed regularly.<br>Our approach has also highlighted areas for further focus, such as resource efficiency. By prioritising resource efficiency within each division, we can enhance sustainability and reduce environmental impact, and this area has now become a focal point for ongoing process development.<br>While we have made strides in documenting and managing climate-related risks, our processes for risk mitigation and resilience planning continue to evolve. Over the next two to three years, we will work towards formalising and expanding risk mitigation planning for specific climate-related hazards. This will include developing resilience measures based on scenario analysis insights, allowing us to prepare for risks such as extreme weather events, resource scarcity, and supply chain disruptions. These planned enhancements will strengthen our operational resilience and ensure that mitigation strategies are fully integrated within our project planning processes.<br>In FY 2024, we introduced additional sustainability criteria into our supplier evaluation process, reflecting our commitment to sustainable procurement practices. Supplier selection now includes assessments of environmental performance, and we are working to develop this process further over the next two to three years. By prioritising suppliers with sustainable practices and commitments, we aim to build a more resilient and climate-conscious supply chain that is fully aligned with our environmental goals.<br>We continue to refine our waste management processes to improve environmental performance and reduce the impact of waste generation on climate. In FY 2024, we implemented improvements in tracking waste volumes and recycling rates, allowing for more effective management and reduction of landfill contributions. These advancements in waste management are part of our ongoing efforts to build resilience and efficiency into our processes, with a commitment to further develop and enhance these practices in the coming years.<br>Through our structured processes, targeted supplier evaluation, and continual improvement of waste and resource management practices, we are strengthening our ability to manage climate-related risks effectively. By embedding climate considerations within our core business processes and committing to future enhancements in risk management, we can ensure a resilient and adaptive approach to a changing environmental landscape. |

| Recommended Disclosures | How this has been addressed |
|---|---|
| c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management. | We integrate climate-related risk identification, assessment, and management processes directly into our overall risk management framework. Our approach ensures that climate-related risks are not siloed but are considered alongside other operational, safety, and strategic risks, allowing us to maintain a comprehensive and cohesive risk management strategy.<br><br>Climate-related risks are identified and assessed within each division, using the same documentation and review processes as other business risks. By embedding climate risk considerations into our business-wide risk registers, we ensure that these risks are continuously reviewed and updated in line with broader risk management practices. This integration enables us to treat climate-related risks as a fundamental component of our overall risk landscape, allowing departments to respond to them as they would to any critical business risk.<br><br>To maintain alignment across our organisation, climate-related risks are documented within the same business management systems used for all strategic and operational risks. Our approach allows for unified reporting and a streamlined view of risk at both divisional and Group-wide levels. Regular reporting ensures that insights from each division on climate-related risks are centralised and accessible, supporting oversight and coordination across all functions.<br><br>We promote close collaboration between all business divisions and departments in order to ensure that climate-related risks are addressed holistically. Cross-functional teams, including Compliance, SHEQ, Procurement, and Operations, share insights on climate-related risks, aligning their mitigation efforts with our overall risk management strategy. This collaboration ensures that mitigation actions taken in response to climate-related risks are consistent with our Group-wide objectives and that each department's efforts support our broader resilience goals.<br><br>We recognise the need to further refine our integration of climate-related risk management into our overall framework. As we enhance scenario analysis and risk mitigation capabilities, climate-related risks will become increasingly aligned with our risk management processes. Planned improvements in resource efficiency, supplier evaluation, and resilience planning will enable us to adapt proactively to evolving climate-related risks, strengthening our ability to manage these risks within the context of overall business continuity.<br><br>Through embedded documentation, cross-functional collaboration, and unified risk processes, we ensure that climate-related risks are integrated effectively into our overall risk management framework. This integrated approach enables us to anticipate, assess, and manage climate risks in alignment with our broader strategic objectives, building a resilient foundation for sustainable growth. |

Strategic Report continued

## Metrics and Targets

| Recommended Disclosures | How this has been addressed |
|---|---|
| a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. | We employ a range of metrics to assess climate-related risks and opportunities in line with our strategy and risk management processes. By systematically tracking these metrics, we aim to ensure that climate-related impacts are measured accurately and that progress toward sustainability goals is being effectively monitored. The current and planned metrics align with TCFD guidelines and form a critical part of our climate resilience strategy.<br><br>**Emissions Metrics**<br>We track emissions across Scope 1, Scope 2, and Scope 3 categories:<br>• **Scope 1:** Direct emissions from owned or controlled sources, including fuel consumption in fleet vehicles and equipment.<br>• **Scope 2:** Indirect emissions from purchased electricity, reflecting energy use in Head Office and facilities.<br>• **Scope 3:** Selected upstream emissions in the supply chain, focusing on areas where data availability allows for consistent tracking. As our data collection capabilities improve, we aim to expand Scope 3 reporting further.<br><br>In addition to total emissions tracking, we also calculate emissions intensity metrics, specifically emissions per revenue unit and emissions per people-hours worked. These intensity metrics allow us to monitor emissions efficiency as our business continues to grow, providing insight into the effectiveness of sustainability initiatives relative to business scale.<br><br>**Energy Use and Efficiency Metrics**<br>We are working to implement comprehensive energy use and efficiency tracking across all operations. Our energy metrics will cover:<br>• **Total Energy Consumption:** Measurement of all electricity and heating fuel use across our own facilities and project sites.<br>• **Renewable Energy Percentage:** Percentage of energy sourced from renewable sources, beginning with the planned transition to a green energy tariff for Head Office in 2025.<br><br>This energy tracking will support us in setting and monitoring energy reduction goals as part of our sustainability strategy.<br><br>**Water Use and Management Metrics**<br>Water use and management will be areas of focus for FY 2025, with efforts to establish metrics for total water consumption and potential opportunities for water reuse. We will aim to evaluate water usage in our operations and seek methods to reduce overall consumption, aligning with sustainable practices for resource conservation.<br><br>**Waste Management Metrics**<br>We have implemented waste tracking and recycling metrics, though limitations exist in data provided by our Head Office provider. Current waste metrics include:<br>• **Total Waste Generated:** Volume of waste generated at project sites, which is tracked monthly to monitor and reduce landfill contributions.<br>• **Recycling and Diversion Rates:** Percentage of waste diverted from landfill through recycling, recorded at project sites where data is readily available.<br><br>We are working with our Head Office provider to improve waste data reporting, with a goal of achieving greater accuracy and visibility.<br><br>**Resource Efficiency and Circular Economy Metrics**<br>Resource efficiency and circular economy practices will be investigated throughout FY 2025, with plans to assess our ability to fully measure material use and implement circular economy metrics where this is within our control. These metrics will provide a future framework for monitoring the use of recycled or renewable materials, as well as reducing reliance on non-renewable inputs in our operations.<br><br>**Climate-Related Financial Metrics**<br>In conjunction with planned system upgrades, we will explore the feasibility of implementing climate-related financial metrics over the course of the next financial year. This would include metrics for capital expenditures on sustainability initiatives and climate-related operating costs, supporting a more detailed understanding of the financial impacts of climate-related risks and opportunities.<br><br>By tracking and continuously expanding our climate-related metrics, we ensure that key environmental impacts are systematically measured and managed. These metrics provide a strong foundation for sustainability planning, supporting our commitment to data-driven climate resilience and continuous improvement. |

| Recommended Disclosures | How this has been addressed |
|---|---|
| b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions and the related risks. | We track greenhouse gas (GHG) emissions across Scope 1, Scope 2, and selected Scope 3 categories, enabling us to monitor emissions as comprehensively as possible and address associated risks effectively. This approach supports our efforts to mitigate regulatory and operational risks tied to emissions, while meeting client expectations for sustainable practices. We report our GHG emissions in accordance with UK regulations and the GHG Protocol Corporate Accounting and Reporting Standard methodology. |

| | **2024 $tCO_2e$** | **2023 $tCO_2e$** | **2022 $tCO_2e$** | **2021 $tCO_2e$** (Baseline year) |
|---|---|---|---|---|
| **Scope 1**<br>GHG emissions from combustion of gas and fuel for transport and operation | **1352.72** | **1661.4** | **789.637** | **338.386** |
| **Scope 2**<br>Purchase of electricity | **56.48** | **29.377** | **27.664** | **23.317** |
| **Scope 3**<br>Other indirect emissions | **41.76** | **54.84** | **29.305** | **19.875** |
| | Includes:<br>• Hotel stays<br>• Waste<br>• Water<br>• PPE<br>• Train travel<br>• Wastewater | Includes:<br>• Hotel stays<br>• Waste<br>• Water<br>• PPE<br>• Train travel<br>• Wastewater | Includes:<br>• Hotel stays<br>• Waste<br>• Water | Includes:<br>• Hotel stays<br>• Waste |
| **Total Emissions** | **1450.97** | **1745.63** | **846.606** | **381.578** |
| **Intensity Metric**<br>$tCO_2e$/£M | **14.37** | **20.69** | **18.813** | **11.650** |
| **Intensity Metric**<br>$tCO_2e$/people-hours | **0.0004399** | **0.0006757** | **0.0005325** | **0.0003308** |

Revenue from continuing operations for FY 2024 has significantly increased, up by approximately 28% compared to our previous financial year. Despite this growth in activity, we have achieved an overall reduction in total emissions from FY 2023 to FY 2024, demonstrating the effectiveness of our targeted emissions reduction initiatives and enhanced data accuracy.

Our intensity metrics have also improved as a result of the overall reduction in emissions, with reductions in emissions per £M revenue and per people-hour. This progress reflects our ongoing commitment to carbon reduction and supports the long-term objectives of our sustainability strategy.

**Scope 1 Emissions**

Our Scope 1 GHG emissions primarily include direct emissions from company-owned and controlled vehicles (vans, minibuses, cars, and suction excavators) used for business travel and operations. For FY 2024, Scope 1 emissions were 1,352.72 $tCO_2e$, down from 1,661.4 $tCO_2e$ in FY 2023. This reduction is attributed to our ongoing strategic efforts to modernise our fleet and improve fuel efficiency.

Key initiatives have included:

- **Fleet Monitoring and Usage Reduction:** Implementation of digital monitoring of vehicle usage, particularly on weekends, has enabled us to reduce unauthorised travel and therefore fuel consumption.
- **Hybrid and Electric Fleet Upgrades:** The ongoing transition to hybrid and electric vehicles has helped reduce fuel consumption and emissions from conventional vehicles.
- **Dashcam Implementation:** The installation of dashcams across the fleet supports fuel efficiency by promoting efficient driving behaviours, thereby reducing emissions.
- **Fuel Tracking and Sustainable Fuel Use:** We track diesel and Hydrotreated Vegetable Oil (HVO) usage, establishing a baseline for sustainable fuel use. This data supports future targets for sustainable fuel adoption, aligning with our emissions reduction goals.

Through these Scope 1 initiatives, we are mitigating the risks related to fuel costs, regulatory pressures, and client demand for sustainable practices.

Strategic Report continued

## Metrics and Targets continued

| Recommended Disclosures | How this has been addressed |
|---|---|
| b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions and the related risks (continued). | **Scope 2 Emissions**<br>Scope 2 GHG emissions arise from the consumption of purchased electricity for our office and operational facilities. For FY 2024, Scope 2 emissions increased to 56.48 $tCO_2e$ from 29.377 $tCO_2e$ in FY 2023. This increase is due to expanded office locations and more comprehensive electricity usage reporting.<br>We are taking steps to manage and eventually reduce Scope 2 emissions through:<br>• **Electricity Usage Monitoring:** Ongoing tracking of electricity consumption across facilities provides insights for targeted reductions.<br>• **Renewable Energy Transition:** We plan to transition to a green energy tariff for the Head Office by FY 2025, which is expected to lower Scope 2 emissions over time.<br>Managing Scope 2 emissions addresses risks associated with regulatory changes, rising energy costs, and supports financial stability and operational resilience.<br><br>**Scope 3 GHG Emissions**<br>Scope 3 emissions, encompassing indirect emissions within our value chain, totalled 41.76 $tCO_2e$ in FY 2024, a decrease from 54.84 $tCO_2e$ in FY 2023. This reduction is attributed to decreased train travel and increased procurement of more sustainable PPE options.<br>Key areas of focus for Scope 3 include:<br>• **Sustainable Procurement:** By sourcing Net Zero PPE, when possible, we have successfully reduced emissions associated with purchased goods.<br>• **Employee Commuting:** Although not yet within our Scope 3 boundary, we are now capturing average commuting data. This data, used as part of our Local Employment Initiative, encourages hiring close to project sites. Future upgrades in our reporting systems will enable more accurate tracking.<br>• **Enhanced Data Collection:** We anticipate that continued improvements in data collection will lead to more comprehensive Scope 3 reporting in future years, likely resulting in higher reported emissions as additional activities are captured.<br>Enhanced Scope 3 tracking aligns with client expectations for supply chain sustainability and prepares our business for regulatory requirements around value chain emissions reporting.<br>Through structured measurement and focused initiatives across Scope 1, 2, and 3 emissions, we have achieved an overall reduction in emissions from 1,745.63 $tCO_2e$ in FY 2023 to 1,450.97 $tCO_2e$ in FY 2024, despite increased operational activity. This progress aligns with our sustainability goals and provides a solid foundation for continued emissions reduction, supporting our long-term climate strategy. |
| c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. | As we move through our climate roadmap, we have made good progress with many of our short-term targets while making necessary adjustments to better align with realistic industry developments. We have successfully launched key initiatives focused on emissions reduction, local hiring to minimise commute-related impacts, energy efficiency improvements, and sustainable procurement practices.<br>Our climate action roadmap remains anchored in our 2021 emissions baseline, guiding us on our path toward Net Zero by 2050. The updated roadmap below outlines the short, medium, and long-term initiatives designed to address and mitigate climate-related challenges, enhance resilience, and support positive environmental impact. |

| Recommended Disclosures | How this has been addressed | | | |
|---|---|---|---|---|
| c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets (continued). | | **Short Term**<br>0–5 Years | **Medium Term**<br>5–10 Years | **Long Term**<br>10–15 Years |
| | **Responsible procurement** | • Implementation of sustainable procurement practices across the organisation<br>• Promotion of ethical sourcing standards and environmental criteria in supplier selection | • Commit to sourcing 100% of PPE from verified low- or zero-carbon suppliers<br>• Expand sourcing of core materials from certified low- or zero-carbon suppliers as part of a structured, phased approach<br>• Conduct regular evaluations of suppliers for alignment with sustainability targets | • Achieve significant reductions in supply chain carbon footprint through enhanced procurement processes<br>• Establish sustainability performance targets for all key suppliers |
| | **GHG emissions** | • Focus on Local Employment Initiative to reduce commute-related missions<br>• Expand Scope 3 emissions reporting to include more value chain activities<br>• Develop improved emissions data collection processes to enhance accuracy and coverage | • Expand Scope 3 boundary further to accurately capture all employee commuting emissions | • Update and refine Carbon Reduction Strategy to incorporate the latest technological advancements<br>• Achieve targeted emissions reductions, aligned with Net Zero by 2050 goal |
| | **Energy efficiency** | • Transition to a green energy supplier for Head Office to lower Scope 2 emissions<br>• Conduct energy audits to identify potential areas for efficiency improvements<br>• Install solar panels at Head Office to reduce reliance on non-renewable energy sources | • Implement solar panel installations at other key office locations to reduce grid dependency | • Achieve full transition to renewable energy sources for all primary facilities, minimising Scope 2 emissions |
| | **Efficient and lower carbon fleet** | • Continue to promote hybrid and electric vehicles for company car fleet<br>• Focus on Green Transport Programme to promote sustainable transportation options<br>• Monitor, and drive, Fuel efficiency improvements<br>• Implement fleet age limits to minimise emissions from older vehicles<br>• Aim for availability of Hydrotreated Vegetable Oil (HVO) at key locations to provide a low-carbon fuel option | • Install additional EV charging points at Head Office and operational hubs<br>• Introduce hybrid and electric vehicles for company commercial vehicle fleet<br>• Lower carbon alternative fuel options used | • Transition to a fully hybrid/electric company vehicle fleet<br>• Develop a hybrid/electric plant fleet, depending on available technology |

Strategic Report continued

## Metrics and Targets continued

| Recommended Disclosures | How this has been addressed | | | |
|---|---|---|---|---|
| c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets (continued). | | **Short Term** 0–5 Years | **Medium Term** 5–10 Years | **Long Term** 10–15 Years |
| | **Awareness** | • Deliver climate change and carbon reduction workshops across the company<br>• Roll out e-learning modules on sustainability topics for relevant staff<br>• Implement a company-wide program to raise awareness about sustainability practices | • Develop further awareness training delivery company-wide, including e-learning pathways and workshops<br>• Launch workforce programs focused on techniques for climate-resilient construction and operations | • Embed ongoing climate resilience training within workforce development programs for continuous improvement |
| | **Research & innovation** | • Investigate potential alternative fuel options for high-use equipment | • Pilot alternative fuels (e.g., green hydrogen, biofuels) in key operational areas<br>• Engage with industry stakeholders to trial low-carbon materials and innovative construction technologies<br>• Integrate low-carbon alternatives in tenders and client offerings where feasible<br>• Research hybrid/electric options and alternative fuels for company plant fleet | • Actively participate in industry trials and adoption of next-generation low-carbon materials and technologies |
| | **Workforce Development** | • Enhance/promote Flexible Working Policy to reduce commuting and emissions | • Introduce training on climate resilience and adaptation techniques to equip staff for changing operational conditions | • Develop comprehensive training programs on climate-related construction techniques, safety protocols, and emergency response |

In the short term, we have concentrated on high-impact, foundational actions that address immediate climate-related risks and set the stage for future emissions reductions and sustainable operations. Meeting targets such as introducing hybrid fleet options and beginning emissions data improvements has strengthened our operational resilience and positioned our company for long-term sustainability.

Transitioning into the medium term, we will expand our efforts by adding renewable energy installations, refining Scope 3 emissions reporting, and piloting alternative fuel options. In the long term, we aim to achieve full adoption of low-carbon technologies and practices, having embedded sustainability deep into our operational and strategic framework, demonstrating industry leadership in climate responsibility.

As we continue to grow, we remain committed to integrating climate resilience and sustainability into the core of our operations. FY 2024 has been a year of measurable progress in our climate strategy, demonstrated by the reductions seen in Scope 1 and 3 emissions, our expanded data collection, and the implementation of new sustainability KPIs. Our ongoing efforts to enhance the efficiency of our fleet, improve waste management, and adopt renewable energy solutions are foundational steps toward achieving our Net Zero by 2050 target.

Looking ahead, we will continue to strengthen our approach by further improving our data collection and analytics capabilities, by enhancing our Scope 3 reporting, and by integrating renewable energy sources across our facilities. Our phased approach to quantitative scenario analysis will also equip us to better assess the financial and operational impacts of climate risks, supporting data-driven decision-making and resilience planning.

As we move forward into 2025 and beyond, we will continue to build on our progress, adapting to evolving climate-related challenges and aiming to position ourselves as a future leader in sustainable construction. Our commitment to transparency, continuous improvement, and long-term value creation remains clear as we navigate an increasingly climate-conscious landscape.

**Brusk Korkmaz**
**Chief Executive Officer**
10 January 2025

Corporate Governance

## Board Balance

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

"Board's view that the Group's corporate culture is consistent with its objectives, strategy, and business model.

## Nomination Committee

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

## Performance Evaluation and Re-election

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

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

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

## Remuneration Committee

The Group's remuneration committee is responsible for the specific remuneration and incentive packages for each of the Group's executive directors, senior executives, and managers. The Group's Remuneration Committee consists of Richard Kilner as Chair, Robin Stevens, and Ahmet Iplikci. Further details of the Committee's remit are contained in the Directors' Remuneration Report on pages 52 and 53.

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

## Relations with Shareholders

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

| | Board meetings* | Audit Committee meetings* | Nomination Committee meeting* | Remuneration Committee meetings* |
|---|---|---|---|---|
| 2023 | 27 October | | | 27 October |
| | 19 December | | | |
| 2024 | 11 March | 11 January | | |
| | 3 June | 30 May | 3 June | |
| | 2 August | | | |

* fully attended

Paul Wheatcroft acted as Company Secretary during the year.

## Annual General Meeting

The AGM of the Group provides shareholders with the opportunity to be updated on the Group's progress and to ask questions of the Board.

## Financial Reporting and Internal Control

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

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

- An annual budget set by the Board
- Monthly management accounts with comparisons to budget
- Two forecast updates per annum
- Quarterly cashflow forecasts
- Separation of creation and approval of online bank payments
- Monthly meetings of the Executive Directors and Senior Management to review priorities and issues
- Full Board meetings at least 6 times per year, but in the year ended 30 September 2024 there were only 5

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

## Corporate Culture

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

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

## Audit Committee

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

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

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

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

The Group currently has no policy on auditor rotation, however CLA Evelyn Partners have replaced Mazars as the Group's Auditor in FY2024.

Corporate Governance continued

# BOARD OF DIRECTORS

## Henry John Pitman

**Non-Executive Chairman**

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

**Committees**

A N

## Brusk Kivilcim Korkmaz

**Chief Executive Officer**

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

## Paul David Wheatcroft

**Chief Financial Officer & Company Secretary**

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

## Ahmet Iplikci

**Independent Non-Executive Director**

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

**Committees**

N R

## Richard Anthony Kilner

**Independent Non-Executive Director**

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

**Committees**

A R

> The Board has continued to evaluate its effectiveness and performance during the year, taking into account the Financial Reporting Council's Guidance on Board Effectiveness.

**Committee membership key**

- A Audit Committee
- R Remuneration Committee
- N Nomination Committee
- Chair

/ Corporate Governance continued

## Robin Stevens

**Independent Non-Executive Director**

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

**Committees**

A R

## Martin Tedham

**Independent Non-Executive Director**

Martin Tedham controls the largest British independent group of companies supplying packaging services to the pharmaceutical industry as well as manufacturing pharmaceuticals and conducting clinical trials. He has successfully started up his own businesses and turned round failing ones. His companies employ over 900 personnel with a wide range of skills and qualifications. Martin has pioneered several innovations and holds worldwide patents for them.

> "The Board recognises the importance of good corporate governance in order to protect and build upon the substantial investments made by our shareholder base.

**Committee membership key**

- A Audit Committee
- R Remuneration Committee
- N Nomination Committee
- Chair

**Independence of Chairman and Chief Executive Officer**

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

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

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

The Board recognises the importance of good corporate governance in order to protect and build upon the substantial investments made by our shareholder base.

We have chosen to apply the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), which was developed by the QCA in consultation with several significant institutional small Group investors, as an alternative corporate governance code applicable to AIM companies. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the Group is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

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

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

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

**Henry Pitman**

**Chairman**

10 January 2025

| Name | Date Appointed | Role | Committees |
|---|---|---|---|
| Henry Pitman | 04/02/2022 | Non-Executive Chairman | Nomination, Audit |
| Brusk Korkmaz | 30/08/2008 | CEO | – |
| Paul Wheatcroft | 02/03/2020 | CFO/Co sec | – |
| Robin Stevens | 04/02/2022 | Non-Executive Director | Remuneration, Audit |
| Richard Kilner | 04/02/2022 | Non-Executive Director | Remuneration, Audit |
| Ahmet Iplikci | 04/02/2022 | Non-Executive Director | Remuneration, Nomination |
| Martin Tedham | 10/09/2024 | Non-Executive Director | – |

Directors' Remuneration Report

## Remuneration Committee

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

## Remuneration of executive directors

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

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

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

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

## Remuneration of non-executive directors

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

The bonus payments provided for Brusk Korkmaz and Paul Wheatcroft were based on EBITDA after bonuses were accrued for. A sliding scale was used, and the achieved EBITDA allowed maximum bonuses for both directors (Brusk Korkmaz 100% of salary, Paul Wheatcroft 100% of salary). No element or these bonus payments related to the share price. Benefits relate to company cars and private health insurance.

**Year to 30 September 2024**

| Director | Salary and fees £000 | Bonus £000 | Pension £000 | Benefits £000 | Share based payments £000 | Total £000 |
|---|---|---|---|---|---|---|
| B Korkmaz (Executive) | 198 | 168 | 10 | 28 | – | **404** |
| P Wheatcroft (Executive) | 161 | 142 | 43 | 4 | – | **350** |
| H Pitman (Non-executive) | 55 | – | – | – | – | **55** |
| R Stevens (Non-executive) | 40 | – | – | – | – | **40** |
| R Kilner (Non-executive) | 40 | – | – | – | – | **40** |
| A Iplikci (Non-executive) | 40 | – | – | – | – | **40** |
| M Tedham (Non-executive)* | 3 | – | – | – | – | **3** |
| | **537** | **310** | **53** | **32** | **–** | **932** |

*Appointed 10 September 2024

**Year to 30 September 2023**

| Director | Salary and fees £000 | Bonus £000 | Pension £000 | Benefits £000 | Share based payments £000 | Total £000 |
|---|---|---|---|---|---|---|
| B Korkmaz (Executive) | 166 | 104 | 60 | 8 | – | **338** |
| P Wheatcroft (Executive) | 140 | 44 | 34 | 3 | – | **221** |
| H Pitman (Non-executive) | 55 | – | – | – | – | **55** |
| R Stevens (Non-executive) | 40 | – | – | – | – | **40** |
| R Kilner (Non-executive) | 40 | – | – | – | – | **40** |
| A Iplikci (Non-executive) | 40 | – | – | – | – | **40** |
| | **481** | **148** | **94** | **11** | **–** | **734** |

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

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

On behalf of the Board

**Richard Kilner**

**Chairman of the Remuneration Committee**

10 January 2025

Directors' Report

# The Directors are pleased to present the annual report and audited financial statements of Hercules Site Services PLC for the year ended 30 September 2024.

## Dividends

The Directors recommend the payment of a final dividend of 1.12 pence per share for the year ended 30 September 2024, to be paid in March 2025. This follows the interim dividend of 0.6 pence per share paid in August 2024.

## Research & Development

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

## Substantial shareholdings

On 4 February 2022, the Company was admitted to the AIM market of the London Stock Exchange. As at 30 September 2024 Hercules Real Estate Ltd held 47.7% of shares in the Company (30 September 2023 67.1%), and as of today's date, 45.02% is held by Hercules Real Estate Ltd.

As of 2 October 2024, Wasdell Packaging Limited holds 12.69% of the shares in the Company. Wasdell Packaging is controlled by Martin Tedham, a Non-executive Director of the Company.

## Equality, Diversity & Inclusion Policy

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

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

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

## Corporate Social Responsibilities

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

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

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

Also, see S172 of the Strategic report.

## Directors

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

| | |
|---|---|
| **B Korkmaz** | E |
| **P Wheatcroft** | E |
| **H Pitman** | N |
| **R Stevens** | N |
| **R Kilner** | N |
| **A Iplikci** | N |
| **M Tedham*** | N |

E Executive
N Non-executive

*Appointed 10 September 2024

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

> The Group is committed to creating a fully inclusive environment and, as Partners of the Supply Chain Sustainability School, we will actively promote the requirements associated with Fairness, Inclusion and Respect.

## Statement of Directors' responsibilities

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

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

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

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

## Directors' interests

No changes occurred during the year.

## Going concern

See note 2.

## Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

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

## Annual General Meeting

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

## Reappointment of auditors

The auditors, CLA Evelyn Partners Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

## Financial risk management objectives and policies

See note 24.

## Engagement with others

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

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

## Post Balance Sheet events

The Board is pleased to propose a final dividend of 1.12 pence per share for the year ended 30 September 2024. The dividend will be paid on 21 March 2025 to shareholders on the register at close of business on 21 February 2025. The shares will go ex-dividend on 20 February 2025.

Approved by the Board on 10/01/2025 and signed on its behalf by:

**B K Korkmaz**
**Director**

# Independent Auditor's Report to the Members of Hercules Site Services PLC

## Opinion

We have audited the financial statements of Hercules Site Services PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2024 which comprise the Group statement of comprehensive income, the Group and Parent Company statement of financial position, the Group and Parent Company statement of changes in equity and the Group and Parent Company statement of cash flow and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2024 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Our approach to the audit

Of the group's four reporting components, we subjected one to an audit for group reporting purposes and one to specific audit procedures where the extent of our audit work was based on our assessment of the risk of material misstatement and of the materiality of that component. The latter was not individually significant enough to require an audit for group reporting purposes but was still material to the group.

The components within the scope of our work covered 98.5% of group revenue, 100% of group profit before tax, and 97.3% of group net assets.

For the remaining two components, we performed analysis at a group level to re-examine our assessment that there were no significant risks of material misstatement within these.

## Key audit matters

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

| Key audit matter | Description of risk | How the matter was addressed in the audit |
|---|---|---|
| **Revenue Recognition** | Revenue is a material balance for the Group and represents the largest balances within the Consolidation Statement of Comprehensive Income. The group revenue is derived the supply of labour services and civil projects. Within the calculation of civil projects revenues, there are significant judgements used to assess forecast costs, revenues and margins relating long term contracts. Under auditing standards, there is a presumed significant fraud risk associated with the recognition of revenues, and we considered the risk to be most significant for civil projects contracts spanning the period end. | **Civil projects**<br>• Obtaining a detailed summary of revenue recognised per contracts during the year and during the project life, reconciling this to the financial statements and trial balance;<br>• Using these summaries and through enquiries of management understanding the status of each contract and the stage of completion achieved;<br>• Performing substantive tests of detail on a sample of underlying contracts and signed variations to assess the accuracy of the reported contract value;<br>• Substantively testing contracts that were completed within the year, obtaining supporting evidence that demonstrated customer acceptance of work, and agreed the revenue recognised to invoice; |
| **Civil projects** | **Civil projects**<br>We see a risk of fraud or error in relation to revenue recognition principally relating to the accuracy and year-end cut-off of revenue recognised on civil projects. There are significant judgements and estimates relating to the costs to complete contracts in progress and in recognising contract assets at the year-end in line with the requirements of IFRS 15. | • Obtained management's estimate for contracts in progress at the year end, reviewing revenue recognised under the input method, performing tests of detail to gain comfort over the accuracy of the estimate by:<br>– Substantively testing costs allocated to contracts during the year;<br>– Assessing the accuracy of forecasting by reviewing actual costs incurred post year end against budgeted costs, we also obtained any variations agreed on contracts post year end; and |
| **Supply of labour** | **Supply of labour**<br>For revenue recognised through the supply of labour, the amount of revenue recognised is derived from contractual hourly rates. The risk of fraud or error in relation to revenue recognised from the supply of labour has been determined to relate to both the occurrence and year-end cut-off assertions. Invoicing is dependent on obtaining authorised timesheets, which are usually received in arrears, increasing the cut-off risk. | – Assessing potential risks to the contract, challenging management on their assessment of these risks and how these have been factored into contract forecasts.<br>• Substantively testing a sample of contract assets from the 30 September 2023 balance and comparing the estimated balances against actual outturn during FY24, and analysing the movements in gross margin.<br>**Supply of labour**<br>• Substantively testing a sample of revenue relating to labour supply, obtained supporting documentation for revenue recognised in the months pre and post year end and agreed nominal data to invoices and formally approved timesheets to ensure revenue had been recognised in the correct period |
| **Valuation of goodwill, intangibles & investment in respect of the acquisition of Hercules Site Services (White Collar) Ltd in the year** | There is a risk associated with the calculation underpinning the valuation of goodwill and other intangibles arising on acquisition, the valuation of contingent consideration, and the carrying value at the year-end of related goodwill, intangibles and investment balances. | • Substantively testing the carrying value of investments held in each entity and separate consideration of the net asset position and the forecast value in use of the entities;<br>• Substantively verifying the calculations used in the valuation of goodwill, intangibles and investment balances;<br>• Substantively verifying the calculations pertaining to contingent consideration;<br>• Engaging internal specialists to review the model used to assess the brand valuation within the purchase price agreement;<br>• Assessing the accuracy of key judgements used by management, engaging internal experts to test the accuracy of the discount rate and growth rate assumptions;<br>• Where impairment indicators were identified, a review of management's impairment assessment was performed;<br>• Comparing management's historic forecasts to actual outturn to assess management's ability to forecast. |

# Independent Auditor's Report to the Members of Hercules Site Services PLC continued

## Emphasis of Matter – forecast performance of Hercules Site Services (White Collar) Limited used for the valuation of investment and goodwill

We draw attention to note 3 and note 15 in the financial statements concerning key estimation uncertainty, and specifically, the revenue growth and the forecasted EBITDA of Hercules Site Services (White Collar) Limited used in assessing the recoverability of £1.96m of goodwill in the Group's statement of financial position; and £2.57m of investment value on the statement of financial position of the Company.

As described in note 3 and note 15 the valuation of these assets is dependent on the future performance of Hercules Site Services (White Collar) Limited and their achievement of forecasts, the actuality of which is not certain. The financial statements do not reflect any impairments that may be required if the above Group assets totalling £1.96m or the above Company assets totalling £2.57m are not recoverable. Our opinion is not modified in respect of this matter.

## Our application of materiality

The materiality for the group financial statements as a whole ("group FS materiality") was set at £1,604,000. This has been determined with reference to the benchmark of the group's turnover, which we consider to be one of the principal considerations for members of the company in assessing the group's performance. Group FS materiality represents 1.5% of the group's turnover from continuing and discontinued operations. The majority of the group's turnover is generated through labour supply and civil projects. The turnover relating to leasing out of suction excavation vehicles has been classified as held for sale at the year end, however, we have based materiality on the total of all group revenues, continuing and discontinuing.

The materiality for the parent company financial statements as a whole ("parent FS materiality") was set at £1,283,199. This has been determined with reference to the benchmark of the parent company's turnover at 1.278%. The company is the main trader within the group, with turnover relating to labour supply and civil projects.

Performance materiality for the group financial statements was set at £1,283,200, being 80% of group FS materiality, for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have set it at this amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds group FS materiality. We judged this level to be appropriate based on our understanding of the group and its financial statements, as updated by our risk assessment procedures and our expectation regarding current period misstatements. It was set at 80% to reflect the fact that few misstatements were expected in the current period and there are limited levels of judgement or estimation within the financial statements.

Performance materiality for the parent company financial statements was set at £1,026,559, being 80% of parent FS materiality. It was set at 80% to reflect the fact that few misstatements were expected in the current period and there are limited levels of judgement or estimation within the financial statements.

## Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Challenging the assumptions used in the detailed budgets and forecasts prepared by management for the financial years ending 2025 and 2026;
- Considering historical trading performance by comparing recent growth rates of both revenue and operating profit across the group's geographical and market segments;
- Assessing the appropriateness of the assumptions concerning growth rates and inputs to the discount rate against latest market expectations and macro-economic assumptions;
- Comparing the forecast results to those actually achieved in the 2025 financial period so far;
- Reviewing bank statements to monitor the cash position of the group post year end, and obtaining an understanding of significant expected cash outflows (such as capital expenditure) in the forthcoming 12-month period;
- Considering the group's funding position and requirements;
- Considering the sensitivity of the assumptions and re-assessing headroom after sensitivity.

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

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

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

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

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

## Matters on which we are required to report by exception

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

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

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

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 46, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We obtain a general understanding of the group's legal and regulatory framework through enquiry of management in respect of their understanding of the relevant laws and regulations. We also drew on our existing understanding of the group's industry and regulation.

We understand that the group complies with requirements of the framework through:

- Engaging external experts to ensure the Group remains in line with regulatory expectations and is aware of any updates to legislation.
- Given the management structure and reporting lines, any litigation or claims would come to the Directors' attention and are considered at board meetings.

In the context of the audit, we considered those laws and regulations which determine the form and context of the financial statements, which are central to the group's ability to conduct its business and where failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the group:

- The Companies Act 2006 and UK-adopted international accounting standards in respect of the preparation and presentation of the financial statements
- AIM rules and the UK Market Abuse Regulation
- Bribery Act 2010
- Health and safety regulations

We performed the following specific procedures to gain evidence about compliance with the specific laws and regulations defined above:

- Inspected board meeting minutes to ensure there are no reports of non-compliance with health and safety regulations or other laws and regulations
- Reviewed legal expense accounts to identify any potential legal issues which may indicate instances of non compliance
- Reviewed the bribery policy to understand and consider how this supports the prevention of instances of bribery occurring within the group

## Independent Auditor's Report to the Members of Hercules Site Services PLC continued

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the group's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of this discussion were:

- Manipulation of the financial statements through the posting of manual journals
- Valuation of intangible assets, goodwill and investments where estimates are made by management
- Incorrect recognition of revenues, especially on the Group's civil project contracts

The procedures we carried out to gain evidence in the above areas included:

- Testing a sample of manual journals back to supporting documentation
- Testing the basis on which revenues have been reported on the Group's civil projects contracts, by reference to the requirements of IFRS 15
- Testing the valuation of intangibles, goodwill and investment balances

Overall, the senior statutory auditor was satisfied that the engagement team collectively had the appropriate competence and capabilities to identify or recognise irregularities. In particular, both the senior statutory auditor and the audit manager have a number of years' experience in dealing with companies in the technology development sector and those with cross-border activities, and also with companies listed on the AIM market of the London Stock Exchange.

A further description of our responsibilities is available on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

### Use of our report

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

**Carl Deane**
**Senior Statutory Auditor**
for and on behalf of

**CLA Evelyn Partners Limited**
**Statutory Auditor**
Chartered Accountants
Portwall Place,
Portwall Lane,
Bristol
BS1 6NA

10 January 2025

# Consolidated Statement of Comprehensive Income

| Continuing operations | Note | Year ended 30 September 2024 £000 | Restated Year ended 30 September 2023 £000 |
|---|---|---|---|
| Revenue | 6 | **101,934** | 79,770 |
| Cost of sales | | **(86,961)** | (65,698) |
| **Gross profit** | | **14,973** | 14,072 |
| Other operating income | 7 | **–** | 10 |
| Administrative expenses | | **(11,601)** | (11,603) |
| **Profit from operations** | 8 | **3,372** | 2,479 |
| Finance income | | **59** | – |
| Finance costs | 12 | **(1,184)** | (939) |
| **Profit before tax expense** | | **2,247** | 1,540 |
| Tax (charge)/credit on profit | 13 | **(611)** | 129 |
| **Net profit for the year** | | **1,636** | 1,669 |
| **Discontinued operations** | | | |
| Loss for the year | 33 | **(3,307)** | (899) |
| **Total (loss)/profit for the year** | | **(1,671)** | 770 |
| **Earnings/(loss) per share** | 4 | | |
| Continuing operations – basic & diluted | | **2.55p** | 2.74p |

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

# Consolidated Statement of Financial Position

| | Note | 30 September 2024 £000 | Restated 30 September 2023 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Tangible assets | 17 | **7,430** | 20,799 |
| Intangible Assets | 15 | **2,322** | – |
| | | **9,752** | 20,799 |
| **Current assets** | | | |
| Inventories | | **30** | 51 |
| Trade and other receivables | 19 | **19,482** | 20,909 |
| Current tax receivable | | **28** | 83 |
| Cash and cash equivalents | | **6,393** | 4,151 |
| **Total current assets** | | **25,933** | 25,194 |
| **Disposal group assets held for resale** | 33 | **11,833** | – |
| **Total assets** | | **47,518** | 45,993 |
| **Equity and liabilities** | | | |
| Equity attributable to equity holders of the parent | | | |
| Share capital | 25 | **75** | 62 |
| Share premium | | **10,757** | 4,995 |
| Other reserve | | **107** | 69 |
| Retained earnings | | **769** | 3,531 |
| **Total equity** | | **11,708** | 8,657 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 14 | **750** | 158 |
| Deferred contingent consideration | | **1,037** | – |
| Lease liabilities | 22 | **1,316** | 13,496 |
| **Total non-current liabilities** | | **3,103** | 13,654 |
| **Current liabilities** | | | |
| Trade and other payables | 20 | **11,755** | 10,233 |
| Loans and borrowings | 21 | **7,295** | 9,960 |
| Lease liabilities | 22 | **4,057** | 3,489 |
| **Total current liabilities** | | **23,107** | 23,682 |
| **Disposal group liabilities held-for-sale** | 33 | **9,600** | – |
| **Total liabilities** | | **35,810** | 37,336 |
| **Total equity and liabilities** | | **47,518** | 45,993 |

Approved by the Board and authorised for issue on 10 January 2025 and signed on its behalf by:

**Brusk Korkmaz**
**CEO**
Company number: 06607001

## Company Statement of Financial Position

| | Note | 30 September 2024 £000 | Restated 30 September 2023 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Tangible assets | 17 | **5,951** | 20,799 |
| Investments in subsidiaries | 18 | **2,570** | – |
| | | **8,521** | 20,799 |
| **Current assets** | | | |
| Inventories | | **30** | 51 |
| Trade and other receivables | 19 | **19,137** | 20,909 |
| Amounts owed by group undertakings | | **283** | – |
| Current tax receivable | | **28** | 83 |
| Cash and cash equivalents | | **6,163** | 4,151 |
| **Total current assets** | | **25,641** | 25,194 |
| Disposal group assets held-for-sale (investment) | | **2,592** | – |
| **Total assets** | | **36,754** | 45,993 |
| **Equity and liabilities** | | | |
| Share capital | 25 | **75** | 62 |
| Share premium | | **10.757** | 4,995 |
| Other reserves | | **107** | 69 |
| Retained earnings | | **1,313** | 3,531 |
| **Total equity** | | **12,252** | 8,657 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 14 | **764** | 158 |
| Deferred contingent consideration | | **1,037** | – |
| Lease liabilities | 22 | **1,021** | 13,496 |
| **Total non-current liabilities** | | **2,822** | 13,654 |
| **Current liabilities** | | | |
| Trade and other payables | 20 | **11,526** | 10,233 |
| Loans and borrowings | 21 | **7,295** | 9,960 |
| Lease liabilities | 22 | **2,859** | 3,489 |
| **Total current liabilities** | | **21,680** | 23,682 |
| **Total liabilities** | | **24,502** | 37,336 |
| **Total equity and liabilities** | | **36,754** | 45,993 |

Approved by the board and authorised for issue on 10 January 2025 and signed on its behalf by:

**Brusk Korkmaz**
**CEO**
Company number: 10050043

## Consolidated Statement of Changes in Equity

| | Share capital £000 | Share premium £000 | Share based payment reserve £000 | Retained earnings £000 | Total Shareholder's equity £000 |
|---|---|---|---|---|---|
| Balance at 1 October 2022 | 59 | 3,417 | 40 | 3,322 | 6,838 |
| Total profit for the year | – | – | – | 770 | 770 |
| Issue of shares | 3 | 1,578 | – | – | 1,581 |
| Share based payment | – | – | 29 | – | 29 |
| Dividends | – | – | – | (561) | (561) |
| Balance at 30 September 2023 | 62 | 4,995 | 69 | 3,531 | 8,657 |
| Total profit for the year | – | – | – | (1,671) | (1,671) |
| Issue of shares | 13 | 5,762 | – | – | 5,775 |
| Share based payment | – | – | 38 | – | 38 |
| Dividends | – | – | – | (1,091) | (1,091) |
| **Balance at 30 September 2024** | **75** | **10,757** | **107** | **769** | **11,708** |

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 Group, less distributions, and similar items, since its incorporation.

Dividends were paid to the Company's shareholders during the year in two instalments – in March 2024 and August 2024. The first was a final dividend for the year ended 30 September 2023 of £710,000, 1.12p per share (FY 2022: £187,575), and the second an interim dividend for the year ended 30 September 2024 of £381,000, 0.06p per share (interim 2023: £374,568).

Hercules acquired 60% of FutureBuild Recruitment Ltd in November 2023. However, due to the nature of the acquisition and its associated partnership agreement, the acquisition has been treated in these accounts as 100%. This is the first partnership arrangement (which kicks in following the acquisition) the Group has entered in to, and it is cash generative.

# Company Statement of Changes in Equity

| | Share capital £000 | Share premium account £000 | Share based payment reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|
| Balance at 1 October 2022 | 59 | 3,417 | 40 | 3,322 | 6,838 |
| Profit for the year | – | – | – | 770 | 770 |
| Issue of shares | 3 | 1,578 | – | – | 1,581 |
| Share based payment | – | – | 29 | – | 29 |
| Dividends | – | – | – | (561) | (561) |
| Balance at 30 September 2023 | 62 | 4,995 | 69 | 3,531 | 8,657 |
| Loss for the year | – | – | – | (1,127) | (1,127) |
| Issue of shares | 13 | 5,762 | – | – | 5,775 |
| Share based payment | – | – | 38 | – | 38 |
| Dividends payable | – | – | – | (1,091) | (1,091) |
| **Balance at 30 September 2024** | **75** | **10,757** | **107** | **1,313** | **12,252** |

## Consolidated Statement of Cash Flows

| | Note | Year ended 30 September 2024 £000 | Restated Year ended 30 September 2023 £000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Profit after taxation on continuing operations | | **1,636** | 1,669 |
| Taxation Charge/(credit) | | **611** | (128) |
| Finance income | | **(59)** | – |
| Finance costs | | **1,184** | 938 |
| Share based payment charge | 26 | **38** | 29 |
| Depreciation of property plant and equipment | | **941** | 795 |
| Impairment of intangible assets | | **33** | – |
| Loss on disposal of Tangible assets | 16 | **201** | 43 |
| (Increase)/decrease in inventories | | **(4)** | 1 |
| Decrease/(Increase) in trade and other receivables | | **1,408** | (4,692) |
| Increase in trade and other payables and provisions | | **1,481** | 4,612 |
| **Net operating cashflows generated from continuing operations** | | **7,470** | 3,267 |
| Net operating cashflows (used in)/generated from discontinued operations | | **(1,396)** | 559 |
| **Net cashflow generated from/(used in) operating activities** | | **6,074** | 3,826 |
| | | | |
| **Cash flows from investing activities:** | | | |
| Purchase of tangible assets | | **(327)** | (63) |
| Proceeds from disposal of tangible assets | | **119** | 172 |
| Acquisition of subsidiaries (net of cash acquired) | | **(1,188)** | – |
| Interest received | | **59** | – |
| **Net investing cashflows (used in)/generated from continuing operations** | | **(1,337)** | 109 |
| Net investing cashflows (used in)/generated from discontinued operations | | **(76)** | (317) |
| **Net cashflow (used in) investing activities** | | **(1,413)** | (208) |
| | | | |
| **Cash flows from financing activities:** | | | |
| Payment of lease liabilities | | **(1,522)** | (1,838) |
| Interest paid | 12 | **(934)** | (726) |
| Net cash flows (to)/from invoice discounting facility | | **(2,665)** | 3,431 |
| Dividends paid | | **(1,091)** | (562) |
| Net proceeds from issues of shares | | **5,773** | 1582 |
| **Net financing cashflows (used in)/generated from continuing operations** | | **(439)** | 1,887 |
| Net investing cashflows (used in) discontinued operations | | **(1,679)** | (2,565) |
| **Net cashflows (used in) financing activities** | | **(2,118)** | (678) |
| | | | |
| **Net increase in cash and cash equivalents** | | **2,543** | 2,940 |
| Cash and cash equivalents at the start of the year | | **4,151** | 1,211 |
| | | | |
| **Cash and cash equivalents at the end of the year** | | **6,694** | 4,151 |
| Cash in discontinued operations | | **(301)** | – |
| | | | |
| **Cash and cash equivalents in continuing operations at end of year** | | **6,393** | 4,151 |

# Company Statement of Cash Flows

| | Note | Year ended 30 September 2024 £000 | Restated Year ended 30 September 2023 £000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Profit/(Loss) after taxation | | **(1,126)** | 1,669 |
| Taxation Charge/(credit) | | **725** | (128) |
| Finance income | | **(59)** | – |
| Finance costs | | **1,095** | 938 |
| Share based payment charge | 26 | **38** | 29 |
| Depreciation of property plant and equipment | | **767** | 795 |
| (Profit)/loss on disposal of Tangible assets | | **(223)** | 43 |
| (Increase)/decrease in inventories | | **(4)** | 1 |
| Decrease/(Increase) in trade and other receivables | | **1,404** | (4,692) |
| Increase in trade and other payables and provisions | | **1,400** | 4,612 |
| **Net cash flow generated from/(used in) operating activities** | | **4,013** | 3,826 |
| | | | |
| **Cash flows from investing activities:** | | | |
| Purchase of tangible assets | | **(394)** | (63) |
| Proceeds from disposal of tangible assets | | **530** | 172 |
| Acquisition of subsidiaries (net of cash acquired) | | **(2,037)** | – |
| Interest received | | **59** | – |
| **Net cashflow (used in) investing activities** | | **(1,842)** | (208) |
| | | | |
| **Cash flows from financing activities:** | | | |
| Payment of lease liabilities | | **(1,259)** | (1,838) |
| Interest paid | 12 | **(921)** | (726) |
| Net cash flows (to)/from invoice discounting facility | | **(2,665)** | 3,431 |
| Dividends paid | | **(1,091)** | (562) |
| Net proceeds from issues of shares | | **5,773** | 1582 |
| **Net cashflow (used in) financing activities** | | **(163)** | (678) |
| | | | |
| **Net increase in cash and cash equivalents** | | **2,012** | 2,940 |
| Cash and cash equivalents at the start of the year | | **4,151** | 1,211 |
| | | | |
| **Cash and cash equivalents at the end of the year** | | **6,163** | 4,151 |

## Notes to the Financial Statements

## Net debt

**Group**

| FY2023-FY2024 | At 30 September 2023 £000 | Cash flow £000 | Non-cash movement £000 | Reclassification to disposal group £000 | At 30 September 2024 £000 |
|---|---|---|---|---|---|
| **Cash and cash equivalents** | | | | | |
| Cash | 4,151 | 2,543 | – | (301) | **6,393** |
| **Debt** | | | | | |
| Bank loans | (9,960) | 2,790 | – | (125) | **(7,295)** |
| Lease liabilities | (16,985) | 3,603 | (1,357) | 9,366 | **(5,373)** |
| Financing liabilities | (26,945) | 6,393 | (1,357) | 9,241 | **(12,668)** |
| **Net debt** | (22,793) | 8,936 | (1,357) | 8,940 | **(6,275)** |

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

| FY2022-FY2023 | At 30 September 2022 £000 | Cash flow £000 | Non-cash movement £000 | At 30 September 2023 £000 |
|---|---|---|---|---|
| **Cash and cash equivalents** | | | | |
| Cash | 1,212 | 2,940 | – | **4,151** |
| **Debt** | | | | |
| Bank loans | (6,529) | (3,431) | – | **(9,960)** |
| Lease liabilities | (12,931) | 4,403 | (8,457) | **(16,985)** |
| Financing liabilities | (19,460) | 972 | (8,457) | **(26,945)** |
| **Net debt** | (18,248) | 3,912 | (8,457) | **(22,794)** |

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

**Company**

| FY2023- FY2024 | At 30 September 2023 £000 | Cash flow £000 | Non-cash movement £000 | At 30 September 2024 £000 |
|---|---|---|---|---|
| **Cash and cash equivalents** | | | | |
| Cash | 4,151 | 2,012 | – | **6,163** |
| **Debt** | | | | |
| Bank loans | (9,960) | 2,665 | – | **(7,295)** |
| Lease liabilities | (16,985) | 1,259 | 11,846 | **(3,880)** |
| Financing liabilities | (26,945) | 3,924 | 11,846 | **(11,175)** |
| **Net debt** | (22,794) | 5,936 | 11,846 | **(5,012)** |

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

| FY2022- FY2023 | At 30 September 2022 £000 | Cash flow £000 | Non-cash movement £000 | At 30 September 2023 £000 |
|---|---|---|---|---|
| **Cash and cash equivalents** | | | | |
| Cash | 1,212 | 2,940 | – | **4,151** |
| **Debt** | | | | |
| Bank loans | (6,529) | (3,431) | – | **(9,960)** |
| Lease liabilities | (12,931) | 4,403 | (8,457) | **(16,985)** |
| Financing liabilities | (19,460) | 972 | (8,457) | **(26,945)** |
| **Net debt** | (18,248) | 3,912 | (8,457) | **(22,794)** |

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

## 1 General Information

The Group incorporates a number of companies owned by Hercules Site Services plc, all limited by share capital incorporated and domiciled in England and Wales. The principal activity of the Group 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 5XZ

## 2 Summary of significant accounting policies

**Statement of compliance**

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

**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 Group for the years ended 30 September 2023 and 30 September 2024;
- 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 Group. 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 Group'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:

- IFRS 17 Insurance Contracts (1 January 2023)
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies (1 January 2023)
- Amendments to IAS 8: Definition of Accounting Estimates (1 January 2023)
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (1 January 2023)

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

(b) Future standards

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

- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback (1 January 2024)
- Amendments to IAS 1: Non-current Liabilities with Covenants (1 January 2024)
- Amendments to IAS 12: International tax reform (1 January 2023 for disclosure requirements)
- Amendments to IAS 7 and IFRS 7: Supplier Finance (1 January 2024)
- Amendments to IAS 21: Lack of Exchangeability (1 January 2025)
- Amendments to IFRS 9 and 7: Classification and Measurement of Financial Instruments (1 January 2026)
- IFRS S1: General requirements for disclosure of sustainability related financial information (1 January 2024) not yet endorsed for use in the UK
- IFRS S2: Climate related financial disclosures (1 January 2024) not yet endorsed for use in the UK
- IFRS 18: Presentation and Disclosure in financial statements (1 January 2027)
- IFRS 19: Subsidiaries without Public Accountability: Disclosures (1 January 2027)

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.

## Notes to the Financial Statements continued

## 2 Summary of significant accounting policies continued

### Going concern

The Directors have prepared a core forecast up to January 2026 using prudent assumptions, and assuming the Group 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 Group's existing working capital and management are of the opinion that the Group 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 Group's new working capital facility is now capped at £15m (but the directors believe could be extended if required) and is on a 3 month notice period on either side. A good relationship exists between the Group and the provider; therefore, the Directors do not believe the facility will be terminated within the going concern assessment period.

The Directors have undertaken assessments of revenue streams from key contracts, growth in several areas, overheads, cash levels, cash facilities where required, tax projections etc. This core scenario provides a very healthy view of the Group's cash position. A further "poor" scenario test with 5% lower sales than FY2024, and margins reduced below FY2024 levels by 2.3% still provides sufficient (but reduced) cash levels in the 12 months ahead. This is before considering likely mitigating actions (overhead reductions etc) the Group would take should such an unlikely scenario become reality.

The Group increased its turnover by 28% in the year and exceeded its forecast turnover and EBITDA. The Group is one of six labour suppliers selected for the Northern Section of HS2 (Birmingham section), which is currently the largest construction project in Europe. This will continue to underpin and grow turnover over the next few years. In addition, the Group raised funds to purchase another fourteen suction excavators, which further boosted turnover from discontinued operations. Civil projects are expected to be similarly busy, due to the requirements of AMP7 being squeezed into three years rather than five, and the well documented pressures on the water industry.

Based on the current status, the Directors have a reasonable expectation that the Group will be able to execute its plans in the medium term such that the Group will have adequate resources to continue in operational existence for the foreseeable future. This provides the Directors with assurance on the Group's ability to continue as a going concern, and therefore adopt the going concern basis of accounting in preparing the annual financial statements. Cash at the end of FY2024 was £6.4m (FY2023 £4.2m), as a considerable increase in liquidity has been achieved during the year following the significant equity fund raise September 2024. Following the fund raise in September 2024, a further 4,467,215 ordinary shares of 0.1p were issued at 49.5 pence per share, raising gross proceeds of £2,211k. 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.

### Basis of consolidation

The Consolidated financial statements consolidate the financial statements of the Group and its subsidiary undertakings drawn up to 30 September 2024.

As permitted by section 408 of the Companies Act 2006, no profit and loss account is presented for the Company.

A subsidiary is an entity controlled by the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Group or, if created directly, the subsidiary has been incorporated. The Group obtains control over an entity when it has:

a) power over the entity

b) exposure, or rights, to variable returns from its involvement with the entity

c) the ability to use its power over the entity to affect the amount of the Group's returns

Where applicable, the results of subsidiaries acquired during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

The acquisition method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill. No goodwill has arisen on consolidation of subsidiaries.

Inter-Group transactions, balances, and unrealised gains on transactions between the Group and its subsidiaries, which are related parties, are eliminated in full.

### 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 Group operates from one location but, in the Directors' opinion, has three reportable segments: Labour supply, civil projects, and other activities.

## 2 Summary of significant accounting policies continued

**Revenue**

Revenue arises from the provision of construction and civil engineering services under fixed price 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 Group 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 Group'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 19.

The key judgements and policies in respect of revenue from the Group'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 Group'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 Group 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 Group 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 several 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 Group either enhance an asset that the customer controls and/or do not create an asset with alternative use to the Group and there is an enforceable right to payment for performance completed to date. The Group therefore considers the delivery under these contracts to be a single performance obligation that is satisfied over time.

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

Under these contracts, the Group 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 Group. Historically, the Group's experience is that instances of customers materially disagreeing with the 'application' are rare and that this is therefore a reliable method by which to recognise revenue earned ("output method"). There have been no new 'output' method projects started since March 2021, and internal valuations made under this method in the year ending 30 September 2023 would not change the position in any material way.

At the balance sheet date, the Group includes a balance in receivables for the amount of revenue receivable on contracts based on the work performed. The Group 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.

Other

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

## Notes to the Financial Statements continued

## 2 Summary of significant accounting policies continued

**Other operating income**

Work done for Hercules Real Estate Ltd and reclaims of training costs from ex employees are included here, but are only applicable for FY2023.

**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 Group 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 Group. 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 Group's accounts all taxes are levied by H M Revenue and Customs. Management reviews the offset of deferred tax assets and liabilities to ensure such an offset is appropriate.

**Tangible assets**

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

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

**Depreciation**

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

| Asset class | Depreciation method and rate |
|---|---|
| Plant and machinery | 10% reducing balance |
| Fixtures, fittings and equipment | 20% reducing balance |
| Right-of-use assets | |
| *Cars* | Straight line over the term of the lease |
| *Vans* | 10% reducing balance |
| *Property* | Straight line over the term of the lease |
| *Plant & Machinery* | 8.3% reducing balance |

**Intangible assets**

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Negative goodwill arising on an acquisition is recognised on the face of the balance sheet on the acquisition date and subsequently the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered.

No amortisation is provided on goodwill in FY2024, but amortisation of some intangible assets (arising on the acquisition of Future Build) has been included. This is the brand, and is being amortised over 10 years.

**Impairment of non-financial assets**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately independent cash inflows (CGU). All non-financial assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment charge is recognised for the amount by which the assets or CGUs carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Value in use is assessed by discounting the estimated future cash flows that the asset is expected to generate throughout its useful life.

## 2 Summary of significant accounting policies continued

### Discontinued operations

Hercules has decided to dispose of its suction excavator services business. This disposal meets the definition of a discontinued operation as stipulated by IFRS 5. Based on the expected net proceeds of sale the group made an impairment charge of £2m in FY2024.

### Financial instruments

The Group 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 Group becomes a party to the contractual provisions of the instrument. Most financial instruments are initially recognised at fair value. Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price as defined in IFRS 15. Financial instruments cease to be recognised at the date when the Group 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 Group 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) 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.

(c) 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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(d) 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 Group 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.

(e) Contract assets

A contract asset is recognised within receivables where the Group 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.

# Notes to the Financial Statements continued

## 2 Summary of significant accounting policies continued

**Financial instruments** continued

(f) Leases

*The Group as lessee*

Short term leases (up to one year) or leases of low value (up to £500) are recognised as an expense on a straight-line basis over the term of the lease.

The Group 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 where impairment indicators exist, the right of use asset will be assessed for impairment.

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 Group'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.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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.

**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 Group 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 Group applies IFRS 2 to share-based payments. The Group operates a share-based payment compensation plan, under which the entity grants key employees the option to purchase shares in Hercules Site Services Plc at a specified price maintained for a certain duration. The Group 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 Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below. The impact of climate change are at present considered to be not material.

The Group has considered the nature of the estimates involved in deriving balances on long term contracts, and concluded that it is possible that outcomes within the next financial year may be different from the Group's assumptions applied as at 30 September 2024 and could require an adjustment (but not considered to be material) to the carrying amounts of these assets and liabilities in the next financial year. However, due to the level of uncertainty, combination of cost and income variables and timing across the Group's portfolio of contracts at different stages of their contract life, it is impracticable to provide a quantitative analysis of the aggregated judgements that are applied at a portfolio level.

**Key judgements**

Lease discount rate

IFRS 16 requires the carrying value lease liabilities and the corresponding right of use assets to be calculated using the net present value of future lease payments. This calculation inherently requires a discount rate to be applied, which requires judgement. The Directors have used the Group'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 24.

**Key sources of estimation uncertainty**

Revenue recognition (Civil projects)

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

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

Impairment of intangible assets

The Group has goodwill arising on a business combination. The group tests annually whether goodwill has suffered any impairment in accordance with the requirements of IAS 36, Impairment of Assets. The recoverable amounts have been determined based on value-in-use calculations reported in continuing operations (see note 15).

The recoverable amounts of all cash generating units classified as discontinued operations have been valued at fair value less cost to sell.

Investments

The company has investments in subsidiaries which are shown at cost, less provisions for impairment. Investments in subsidiaries are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The recoverability of investments is dependent on value-in-use calculations of the White Collar business and achieving the revenue growth and EBITDA within these forecasts, the actuality of which is not certain. The sensitivities to these cash flows are considered in the impairment of intangible assets note 15.

## Notes to the Financial Statements continued

### 4 Earnings per share

| | Year ended 30 September 2024 £000 | Restated Year ended 30 September 2023 £000 |
|---|---|---|
| **Basic and diluted** | | |
| Profit from continuing operations | **1,636** | 1,669 |
| Loss from discontinued operations | **(3,307)** | (899) |
| **(Loss)/profit from all operations** | **(1,671)** | 770 |
| Basic and diluted weighted average number of shares in issue | **64,062,371** | 60,803,022 |
| **Basic and diluted profit/(loss) pence per share:** | | |
| Continuing operations | **2.55** | 2.74 |
| Discontinued operations | **(5.16)** | (1.48) |
| **(Loss)/profit from all operations** | **(2.61)** | 1.27 |

The reduction in the basic eps was solely down to tax – a deferred tax swing from a credit of 129k in 2023 to a debit £558k in 2024, and a write off of £53k corporation tax from 2021.

| | 2024 £000 | Restated 2023 £000 |
|---|---|---|
| **Adjusted* basic and diluted** | | |
| Profit from continuing operations | **2,225** | 1,738 |
| Loss from discontinued operations | **(1,290)** | (899) |
| **(Loss)/profit from all operations** | **935** | 839 |
| **Adjusted* basic and diluted profit/(loss) pence per share:** | | |
| Continuing operations | **3.47** | 2.86 |
| Discontinued operations | **(2.01)** | (1.48) |
| **(Loss)/profit from all operations** | **1.46** | 1.38 |

* Adjustments refer to exceptional/non-recurring costs, and under provisions of corporation and deferred tax in previous years.

The Group has share options and warrants in issue as disclosed in note 26. However, the average share price during the period since issue was lower than the exercise price, therefore the potential shares arising are not dilutive.

## 5 Segmental reporting

The Group's management have identified three continuing operating segments: labour supply, civil projects, and other services. The segments are monitored by the Group's chief operating decision makers and strategic decisions are made based on the segments' operating results.

Segment information for the year ended 30 September 2024 is as follows:

**Continuing operations**

| | Labour supply £000 | Civil projects £000 | Other £000 | Total £000 |
|---|---|---|---|---|
| Revenue (all from external customers) | **84,125** | **17,535** | **274** | **101,934** |
| Cost of sales | **(72,985)** | **(13,819)** | **(157)** | **(86,961)** |
| Gross profit | **11,140** | **3,716** | **117** | **14,973** |
| Administrative expenses | **(2,215)** | **(1,514)** | **(364)** | **(4,093)** |
| Operating profit from segments | **8,925** | **2,202** | **(247)** | **10,880** |
| Administrative expenses not attributable to segments | | | | **(7,508)** |
| Profit from operations | | | | **3,372** |
| Finance income | | | | **59** |
| Finance costs | | | | **(1,184)** |
| Profit before tax | | | | **2,247** |

Other services include digital products, health trailer services Academy training.

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

| | Labour supply £000 | Civil projects £000 | Other £000 | Total £000 |
|---|---|---|---|---|
| Revenue (all from external customers) | 63,818 | 15,656 | 296 | 79,770 |
| Cost of sales | (53,192) | (12,410) | (96) | (65,698) |
| Gross profit | 10,626 | 3,246 | 200 | 14,072 |
| Administrative expenses | (1,961) | (1,455) | (226) | (3,642) |
| Other operating income | – | – | 10 | 10 |
| Operating profit from segments | 8,665 | 1,791 | (16) | 10,440 |
| Administrative expenses not attributable to segments | | | | (7,961) |
| Profit from operations | | | | 2,479 |
| Finance income | | | | – |
| Finance costs | | | | (939) |

## Notes to the Financial Statements continued

## 6 Revenue

The total turnover of the Group has been derived from activities wholly undertaken in the United Kingdom, being the operation of construction and engineering contracts, and other services. The Groups revenue from each activity is shown below and is all derived in the United Kingdom.

| | 2024 £000 | Restated 2023 £000 |
|---|---|---|
| Labour Supply | **84.125** | 63,818 |
| Civil projects | **17,535** | 15,656 |
| **Total from construction services** | **101,660** | 79,474 |
| Other | **274** | 296 |
| | **101,934** | 79,770 |
| Discontinued operations | **5,055** | 4,895 |
| **Total all operations** | **106,989** | 84,665 |

The Group 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 2024 one customer represented 41% (£49.2m) of revenue (2023 one customer 36% (£33.7m)), and another customer represented 9% (£11.1m) of revenue (2023 one customer 8% (£7.9m). These customers were primarily labour supply customers. No other customers represented more than 8% of revenue in either year.

### Contracts with customers

The Group 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 19. The decrease in contract assets compared to the prior year represents the decreased level of activity at the year end.

### Contract balances

The nature of the Group'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 2024 was £3.0m (2023: £6.1m).

### Significant changes in contract assets

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

## 7 Other operating income

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

| | Year ended 30 September 2024 £000 | Year ended 30 September 2023 £000 |
|---|---|---|
| Inter-Group sales | – | 3 |
| Reclaim of training costs | – | 7 |
| | – | 10 |

Inter-group sales in 2023 (£3k) were to Hercules Real Estate Ltd, the parent company.

## 8 Profit from operations

Operating profit is stated in the income statement after charging:

| | Note | Year ended 30 September 2024 £000 | Year ended 30 September 2023 £000 |
|---|---|---|---|
| Depreciation – owned assets | 17 | **108** | 135 |
| Deprecation – right-of-use assets | 17 | **833** | 584 |
| Loss on disposal of fixed assets | | **209** | 43 |
| Amortisation of intangibles | | **33** | – |
| Research and development costs | | **6** | 4 |

## 9 Auditors' remuneration

No non-audit services have been provided in the year.

| | Year ended 30 September 2024 £000 | Year ended 30 September 2023 £000 |
|---|---|---|
| Fees payable to the current auditors for the audit of the group financial statements including subsidiaries | **121** | – |
| Fees payable to the previous auditors for the audit of the group financial statements including subsidiaries | **–** | 80 |

## 10 Staff costs

**Group**

The aggregate employee benefit expenses were as follows:

| | Year ended 30 September 2024 £000 | Year ended 30 September 2023 £000 |
|---|---|---|
| Wages and salaries | **40,096** | 26,991 |
| Social security costs | **4,525** | 2,887 |
| Defined contribution pension costs | **553** | 467 |
| | **45,174** | 30,345 |

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

| | Year ended 30 September 2024 £000 | Year ended 30 September 2023 £000 |
|---|---|---|
| Site based operatives | **635** | 426 |
| Administrative and Managerial | **123** | 91 |
| | **758** | 517 |

## Notes to the Financial Statements continued

## 10 Staff costs continued

**Company**

The aggregate employee benefit expenses were as follows:

| | Year ended 30 September 2024 £000 | Year ended 30 September 2023 £000 |
|---|---|---|
| Wages and salaries | **38,792** | 26,991 |
| Social security costs | **4,443** | 2,887 |
| Defined contribution pension costs | **528** | 467 |
| | **43,763** | 30,345 |

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

| | Year ended 30 September 2024 £000 | Year ended 30 September 2023 £000 |
|---|---|---|
| Site based operatives | **633** | 426 |
| Administrative and Managerial | **102** | 91 |
| | **735** | 517 |

## 11 Key management remuneration

Key management of the Group are the Directors. Remuneration paid to the Directors (statutory and non-statutory) of the Group by the Group is set out below:

| | Year ended 30 September 2024 £000 | Year ended 30 September 2023 £000 |
|---|---|---|
| Salaries and benefits | **1,283** | 641 |
| Pension contributions | **81** | 94 |
| | **1,364** | 735 |

During the year retirement benefits were accruing to 2 directors (2023: 2) in respect of defined contribution pension schemes.

**Amounts paid to the highest paid Director were as follows:**

| | Year ended 30 September 2024 £000 | Year ended 30 September 2023 £000 |
|---|---|---|
| Salaries and benefits | **394** | 278 |
| Pension contributions | **10** | 60 |
| | **404** | 338 |

## 12 Finance costs

| | Year ended 30 September 2024 £000 | Year ended 30 September 2023 £000 |
|---|---|---|
| Lease finance costs | **201** | 142 |
| Interest on loans measured at amortised cost | **49** | 70 |
| Invoice discounting interest | **934** | 726 |
| | **1,184** | 938 |

## 13 Income taxes

| | Year ended 30 September 2024 £000 | Year ended 30 September 2023 £000 |
|---|---|---|
| **Current tax:** | | |
| UK corporation tax | – | – |
| Adjustments to prior periods | 53 | – |
| **Total current tax charge** | 53 | – |
| | | |
| **Deferred tax:** | | |
| Origination and reversal of timing differences | 349 | (62) |
| Adjustments in respect of prior periods | 209 | (67) |
| | 558 | (129) |
| **Tax charge/(credit) on profit on ordinary activities** | 611 | (129) |

Tax on profit on ordinary activities for the year is lower than the standard rate of corporate tax in the UK of 25%, (2023: 22%). The differences are reconciled below:

| Continuing operations | Year ended 30 September 2024 £000 | Year ended 30 September 2023 £000 |
|---|---|---|
| **Profit on ordinary activities before taxation** | 2,247 | 641 |
| | | |
| Tax at the UK rate of 25% (2023: 22%) | 562 | 141 |
| | | |
| **Effect of:** | | |
| Expenses not deductible for tax purposes | (122) | 46 |
| Fixed asset temporary differences | 8 | (242) |
| Adjustments in respect of prior periods* | 262 | (66) |
| Transfer of trade | (93) | – |
| Remeasurement of deferred tax for change in tax rates | – | (7) |
| Group relief | (6) | – |
| **Total tax charge/(credit)** | 611 | (129) |

* £53,000 Corporation Tax and £209,000 Deferred Tax were underprovided for in 2021 and 2023 respectively. However, as per usual practice prior years have not been restated and affect FY2024. These adjustments have been taken into account when adjusting profit after tax results and thereby earnings per share calculations (see p56).

## Notes to the Financial Statements continued

### 14 Deferred tax

**Group**

Deferred tax balances are analysed as follows:

| Deferred tax balances before offset | 30 September 2024 £000 | 30 September 2023 £000 |
|---|---|---|
| Deferred tax liability | **(869)** | (3,833) |
| Deferred tax asset | **119** | 3,675 |
| Total deferred tax liability | **(750)** | (158) |

| Deferred tax balances after offset | 30 September 2024 £000 | 30 September 2023 £000 |
|---|---|---|
| Deferred tax asset | **–** | – |
| Deferred tax liability | **(750)** | (158) |
| Total deferred tax liability | **(750)** | (158) |

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 £000 | Short term Temporary differences £000 | Fixed asset Temporary differences £000 | Business combinations £000 | Total £000 |
|---|---|---|---|---|---|
| **At 1 October 2022 asset/(liability)** | **1,709** | **2** | **(1,998)** | **–** | **(287)** |
| Tax credit/(charge) in respect of current year | 1,893 | 71 | (1,835) | – | 129 |
| **At 30 September 2023 asset/(liability)** | **3,602** | **73** | **(3,833)** | **–** | **(158)** |
| Discontinuing operations | (3,163) | – | 3,230 | – | 67 |
| Under provision charged to profit and loss | (439) | (41) | 271 | – | (209) |
| Tax credit/charge in respect of current year | 115 | (28) | (437) | – | (350) |
| Deferred tax on business combinations | – | – | – | (100) | (100) |
| **At 30 September 2024 asset/(liability)** | **115** | **4** | **(769)** | **(100)** | **(750)** |

The current year rate of 25% arises from changes to legislation enacted during 2021. The main rate of corporation tax in the UK increased from 19% to 25% with effect from 1 April 2023.

In June 2023 Finance Act (No.2) 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15% in line with the OECD Pillar Two model rules. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for periods starting on or after 31 December 2023. The new rules are not expected to have a material impact on the Company's operations or results

## 14 Deferred tax continued

**Deferred tax**

Company

All balances represent deferred tax liabilities. There are no deferred tax assets.

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 £000 | Short term Temporary differences £000 | Fixed asset Temporary differences £000 | Total £000 |
|---|---|---|---|---|
| **At 1 October 2022 – asset/(liability)** | **1,709** | **2** | **(1,998)** | **(287)** |
| Tax credit/(charge) in respect of current year | 1,893 | 71 | (1,835) | 129 |
| **At 30 September 2023 – asset/(liability)** | **3,602** | **73** | **(3,833)** | **(158)** |
| Discontinuing operations | (3,163) | – | 3,230 | 67 |
| Under provision charged to profit and loss | (439) | (41) | 272 | (208) |
| Tax credit/charge in respect of current year | – | (28) | (437) | (465) |
| **At 30 September 2024 – asset/(liability)** | **–** | **4** | **(768)** | **(764)** |

## 15 Intangible assets

**Group**

| | Brand value £000 | Goodwill £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| Arising on business combinations | 399 | 1,956 | 2,355 |
| Disposals | – | – | – |
| **At 30 September 2024** | **399** | **1,956** | **2,355** |
| | | | |
| **Amortisation** | | | |
| Charge | 33 | – | 33 |
| Disposals | – | – | – |
| **At 30 September 2024** | **33** | **–** | **33** |
| | | | |
| **Net book value** | | | |
| At 30 September 2023 | – | – | – |
| **At 30 September 2024** | **366** | **1,956** | **2,322** |

Goodwill arose on the acquisition of Future Build as set out in note 16. The directors have utilised the provisions of IFRS 3 in respect of determining fair values on business combinations provisionally, and will adjust goodwill accordingly in the year ended 30 September 2025 for any amounts arising from the finalisation of those fair value within 12 months of the respective acquisitions.

## Notes to the Financial Statements continued

## 15 Intangible assets continued

**Impairment testing**

The Directors consider that the Group comprises three single cash generating units ('CGU's) for its UK entities.

The Group tests goodwill, intangibles and company investments for impairment annually, using the value-in-use basis. This involves deriving a value for goodwill based on the net present value of future cash flows of the CGU. The directors used forecasts up to 2039 as the basis for the cash flow projections. The headroom, i.e. amount by which the cash generating unit's recoverable amount exceeds its carrying value in the impairment test for goodwill, is £379,496. The key assumption driving the recoverable amount estimate is revenue growth in the years ending 30 September 2025–2029. The table below sets out the impact of reducing the projected revenue growth estimates whilst holding EBITDA margins constant.

| Reasonably possible changes in revenue growth and impact on recoverable amount | Projected revenue growth in measurement of recoverable amount | Revenue growth level that would trigger impairment | Percentage reduction in projected revenue growth required to trigger impairment |
|---|---|---|---|
| Year ending 30 September 2025 | 17% | 11% | 35% |
| Years ending 30 September 2026–29 | 10% | 5% | 50% |

## 16 Business combinations

On 30 November 2023, Hercules Site Services plc acquired 60% of the issued share capital of Hercules Site Services (White Collar) Limited (formerly, Future Build Recruitment Limited), in turn obtaining control. However, due to the nature of the acquisition and its associated partnership agreement, the acquisition has been treated in these accounts as 100%. This is the first partnership arrangement (which kicks in following the acquisition) the Group has entered in to, and it is cash generative.

As part of the acquisition a partnership agreement was entered into with the owners of the remaining 40%, containing:

1) a call option allowing the group to acquire their remaining shares (if not already acquired) 10 years after the acquisition; and
2) a put option allowing the owners to sell their remaining shares to Hercules at specified points within a 10 year period post acquisition.

Therefore the business combination has been treated as Hercules Site Services plc acquiring 100% of the issued share capital of Hercules Site Services (White Collar) Limited.

Hercules Site Services (White Collar) Limited contributed £1.4m revenue and £Nil profit to the group's profit on continuing operations for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

| | Fair Value £000 |
|---|---|
| Assets and liabilities acquired | |
| Financial assets | 461 |
| Tangible assets | 3 |
| Financial liabilities | (148) |
| Intangible assets – brand value | 399 |
| Deferred tax provision | (100) |
| Total identifiable assets | 615 |
| Goodwill | 1,956 |
| Total consideration | 2,571 |

| | |
|---|---|
| **Satisfied by:** | |
| Cash | 1,001 |
| Equity | 250 |
| Working capital | 282 |
| Contingent consideration | 1,038 |
| Total consideration transferred | 2,571 |

| | |
|---|---|
| **Cash flow analysis:** | |
| Cash consideration | 1,533 |
| Less: cash and cash equivalent balances acquired | (345) |
| Net cash outflow arising on acquisition | 1,188 |

## 17 Tangible assets

| Group | Plant and machinery £000 | Fixtures & office equipment £000 | Right-of-use assets £000 | Assets under construction £000 | Motor Vehicles £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 October 2022 | 269 | 587 | 15,605 | – | 707 | 17,168 |
| Additions | 143 | 143 | 7,764 | 78 | 16 | 8,144 |
| Disposals | (34) | (22) | (123) | – | (225) | (404) |
| At 30 September 2023 | 378 | 708 | 23,246 | 78 | 498 | 24,908 |
| Discontinued operations | (144) | (26) | (14,028) | (272) | (14,470) | |
| Additions | 11 | 219 | 1,982 | 180 | – | 2,392 |
| Arising on business combinations | – | 3 | – | – | – | 3 |
| Disposals | – | – | (2,080) | (78) | (173) | (2,331) |
| **At 30 September 2024** | **245** | **904** | **9,120** | **180** | **53** | **10,502** |
| | | | | | | |
| **Depreciation** | | | | | | |
| At 1 October 2022 | 82 | 326 | 1,920 | – | 198 | 2,526 |
| Charge for the year | 23 | 100 | 1,604 | – | 45 | 1,772 |
| Disposals | (15) | (22) | (60) | – | (92) | (189) |
| At 30 September 2023 | 90 | 404 | 3,464 | – | 151 | 4,109 |
| Discontinued operations | (12) | (4) | (1,541) | – | (66) | (1,623) |
| Charge | 16 | 83 | 833 | – | 9 | 941 |
| Disposals | – | – | (279) | – | (76) | (355) |
| **At 30 September 2024** | **94** | **483** | **2477** | **–** | **18** | **3,072** |
| | | | | | | |
| **Net book value** | | | | | | |
| **At 30 September 2024** | **151** | **421** | **6,643** | **180** | **35** | **7,430** |
| At 30 September 2023 | 288 | 304 | 19,782 | 78 | 347 | 20,799 |
| At 30 September 2022 | 187 | 261 | 13,685 | – | 509 | 14,642 |

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

## Notes to the Financial Statements continued

### 17 Tangible assets continued

| Company | Plant and machinery £000 | Fixtures & office equipment £000 | Right-of-use assets £000 | Assets under construction £000 | Motor Vehicles £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 October 2022 | 269 | 587 | 15,605 | – | 707 | 17,168 |
| Transfer | 143 | 143 | 7,764 | 78 | 16 | 8,144 |
| Disposals | (34) | (22) | (123) | – | (225) | (404) |
| At 30 September 2023 | 378 | 708 | 23,246 | 78 | 498 | 24,908 |
| Additions | 11 | 201 | 393 | 180 | – | 785 |
| Disposals | (144) | (34) | (16,166) | (78) | (444) | (16,866) |
| **At 30 September 2024** | **245** | **875** | **7,473** | **180** | **54** | **8,827** |
| **Depreciation** | | | | | | |
| At 1 October 2022 | 82 | 326 | 1,920 | – | 198 | 2,526 |
| Charge for the year | 23 | 100 | 1,604 | – | 45 | 1,772 |
| Disposals | (15) | (22) | (60) | – | (92) | (189) |
| At 30 September 2023 | 90 | 404 | 3,464 | – | 151 | 4,109 |
| Charge | 16 | 79 | 663 | – | 9 | 767 |
| Disposals | (12) | (4) | (1,840) | – | (144) | (2,000) |
| **At 30 September 2024** | **94** | **479** | **2,287** | **–** | **16** | **2,876** |
| **Net book value** | | | | | | |
| **At 30 September 2024** | **151** | **396** | **5,186** | **180** | **38** | **5,951** |
| At 30 September 2023 | 288 | 304 | 19,782 | 78 | 347 | 20,799 |
| At 30 September 2022 | 187 | 261 | 13,685 | – | 509 | 14,642 |

### 18 Investments

**Company**

| | As at 30 September 2024 £000 | As at 30 September 2023 £000 |
|---|---|---|
| At 1 October | **–** | – |
| Hive down from Company | **2,088** | – |
| New investments in the year | **2,570** | – |
| Capital contribution | **2,504** | – |
| Impairment charge | **(2,000)** | – |
| Disposal group assets held-for-sale | **(2,592)** | – |
| At 30 September | **2,570** | – |

## 18 Investments continued

### Details of undertakings

Details of the investments in which the Group holds 20% or more of the nominal value of any class of share capital are given below. All subsidiaries are 100% owned in both the current unless otherwise stated. See disclosure below table for registered addresses of UK entities.

| Undertaking | Country | Holding | Company number |
|---|---|---|---|
| **Subsidiary undertakings** | | | |
| Hercules Site Services (White Collar) Limited* | England and Wales | Ordinary | 07235347 |
| Hercules Site Services (Suction Excavators) Limited | England and Wales | Ordinary | 14975649 |
| Hercules Site Services (Training) Limited | England and Wales | Ordinary | 14975482 |

* Hercules Site Services Limited owns 60% of the share capital in Hercules Site Services (White Collar) Limited at 30 September 2024.However, in the accounts they are treated as 100% (see note 16).

The registered address for all subsidiaries registered in England and Wales is, Hercules Court, Broadway Lane, South Cerney, Cirencester, GL7 5XZ.

As part of the investment above, Hercules Site Services Limited transferred £2.1m of assets as a capital contribution to Hercules Site Services (Suction Excavators) Limited. A £2m impairment charge has now been debited to the income statement to reflect the likely sale price of this business.

## 19 Trade and other receivables

| Group | As at 30 September 2024 £000 | Restated As at 30 September 2023 £000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade receivables | **11,080** | 10,328 |
| Other receivables | **–** | 49 |
| Contract assets | **2,957** | 6,137 |
| Prepayments and accrued income | **5,445** | 4,395 |
| | **19,482** | 20,909 |

| Company | As at 30 September 2024 £000 | Restated As at 30 September 2023 £000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade receivables | **10,842** | 10,328 |
| Other receivables | **14** | 49 |
| Contract assets | **2,957** | 6,137 |
| Prepayments and accrued income | **5,324** | 4,395 |
| | **19,137** | 20,909 |

### Prior Year Restatement

During the preparation of the financial statements for the year ended 30 September 2024, it was identified that accrued income balances had not been accurately recorded in the statutory accounts to 30 September 2023. An adjustment to increase prepayments and accrued income by £3,812k has been made, with an equal adjustment to reduce contract assets recognised at 30 September 2023. This adjustment has had no impact on the loss for the year ended 30 September 2024.

## Notes to the Financial Statements continued

### 19 Trade and other receivables continued

**Expected Credit Loss Provision**

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 Group'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 of 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 Group 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.

The Group believe the credit risk attached to its customer base is minimal, however at 30 September 2024 an amount of £17k was included as an ECL provision (FY 2023 Nil). This was based on an analysis of customers and debt ageing.

In addition to any provisions required for ECL, the Group also includes a provision against trade receivables and contract assets for disputed items. During the year ended 30 September 2024 the Group recorded a credit to the income statement of £72k in respect of changes in the dispute provision (2023: credit of £17k).

As at 30 September 2024 the balance of the dispute provision was £98k (2023: £170k).

The maturity analysis of trade receivables (stated gross of provisions) is shown below:

| | < 1 month £ | 1–2 months £ | 2–3 months £ | > 3 months £ | Total £ |
|---|---|---|---|---|---|
| **30 September 2024** | **5,162** | **4,939** | **1,546** | **(567)** | **11,080** |
| 30 September 2023 (restated) | 4,631 | 4,728 | 440 | 529 | 10,328 |

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

### 20 Trade and other payables

| Group | As at 30 September 2024 £000 | Restated As at 30 September 2023 £000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade payables | **969** | 331 |
| Amounts owed to parent undertaking | **–** | 39 |
| Social security and other taxes | **5,301** | 4,630 |
| Other payables | **4,554** | 4,781 |
| Accrued expenses | **931** | 452 |
| | **11,755** | 10,233 |

## 20 Trade and other payables continued

| Company | As at 30 September 2024 £000 | Restated As at 30 September 2023 £000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade payables | **888** | 331 |
| Amounts due to subsidiary | **–** | 39 |
| Social security and other taxes | **5,217** | 4,630 |
| Other payables | **4,534** | 4,781 |
| Accrued expenses | **887** | 452 |
| | **11,526** | 10,233 |

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

**Prior Year Restatement**

During the preparation of the financial statements for the year ended 30 September 2024, it was identified that certain balances had not been accurately recorded in the statutory accounts to 30 September 2023. An adjustment to increase payables by £1,688k has been made, with an equal adjustment to increase receivables at 30 September 2023. This adjustment has had no impact on the loss for the year ended 30 September 2024.

## 21 Loans and borrowings

| Group | As at 30 September 2024 £000 | As at 30 September 2023 £000 |
|---|---|---|
| **Included within current liabilities** | | |
| Bank loans | **7,295** | 9,960 |
| **Included within non-current liabilities** | | |
| Bank loans | **–** | – |

| Company | As at 30 September 2024 £000 | As at 30 September 2023 £000 |
|---|---|---|
| **Included within current liabilities** | | |
| Bank loans | **7,295** | 9,960 |
| **Included within non-current liabilities** | | |
| Bank loans | **–** | – |

**The Company**

The loan is a revolving facility with a 3 year term, is secured on trade receivables and attracts interest at a rate of 2.75% over base rate. The facility is currently capped at £15m, but can be increased as the business grows.

Notes to the Financial Statements continued

## 22 Leases

The Group leases certain vehicles, properties and 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 17) and a lease liability.

The Group had recognised 43 vehicle leases in 2024 (2023: 56), 57 plant and machinery leases (2023: 28) and 6 property leases (2023: 1)

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:

**Group**

| | Leasehold property £000 | Plant and machinery £000 | Motor vehicles £000 | Total £000 |
|---|---|---|---|---|
| **Net book value** | | | | |
| At 1 October 2022 | 5,248 | 7,109 | 1,328 | 13,685 |
| Adjustment to previous year | – | (3) | – | (3) |
| New leases recognised in the year | 86 | 6,540 | 1,138 | 7,764 |
| Leases terminated in the year | (38) | – | (22) | (60) |
| Depreciation charge for the year | (310) | (923) | (371) | (1,604) |
| At 30 September 2023 | 4,986 | 12,723 | 2,073 | 19,782 |
| New leases recognised in the year | 1,575 | – | 407 | 1,982 |
| Discontinued operations | (1,320) | (11,004) | (164) | (12,488) |
| Leases terminated in the year | (1,130) | (587) | (84) | (1,801) |
| Depreciation charge for the year | (329) | (94) | (410) | (833) |
| **At 30 September 2024** | **3,782** | **1,038** | **1,822** | **6,642** |

Maturity analysis

| | As at 30 September 2024 £000 | As at 30 September 2023 £000 |
|---|---|---|
| Due within one year | **1,455** | 3,489 |
| Due within two to five years | **1,998** | 10,562 |
| Due after five years | **3,099** | 6,260 |
| Future finance charges | **(1,179)** | (3,326) |
| | **5,373** | 16,985 |

**Amounts recognised in the Statement of Comprehensive Income**

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

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Depreciation charge of right of use asset | **833** | 635 |
| Interest expenses (within finance costs) | **250** | 212 |
| | **1,083** | 847 |

**Amounts recognised in the Statement of Cash Flows**

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

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Net cash outflows | **1,522** | 1,838 |

**Low value leases and short-term leases**

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

## 22 Leases continued

**Company**

| | Leasehold property £000 | Plant and machinery £000 | Motor vehicles £000 | Total £000 |
|---|---|---|---|---|
| **Net book value** | | | | |
| At 1 October 2022 | 5,248 | 7,109 | 1,328 | 13,685 |
| Adjustment to previous year | – | (3) | – | (3) |
| New leases recognised in the year | 86 | 6,540 | 1,138 | 7,764 |
| Leases terminated in the year | (38) | – | (22) | (60) |
| Depreciation charge for the year | (310) | (923) | (371) | (1,604) |
| At 30 September 2023 | 4,986 | 12,723 | 2,073 | 19,782 |
| New leases recognised in the year | 10 | – | 382 | 392 |
| Discontinued operations | (1,320) | (11,004) | (164) | (12,488) |
| Leases terminated in the year | (1,136) | (587) | (114) | (1,837) |
| Depreciation charge for the year | (178) | (94) | (391) | (663) |
| **At 30 September 2024** | **2,362** | **1,038** | **1,786** | **5,186** |

Maturity analysis

| | As at 30 September 2024 £000 | As at 30 September 2023 £000 |
|---|---|---|
| Due within one year | **1,055** | 1,446 |
| Due within two to five years | **1,422** | 2,870 |
| Due after five years | **2,004** | 4,534 |
| Future finance charges | **(601)** | (1,521) |
| | **3,880** | 7,329 |

**Amounts recognised in the Statement of Comprehensive Income**

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

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Depreciation charge of right of use asset | **663** | 608 |
| Interest expenses (within finance costs) | **147** | 202 |
| | **810** | 810 |

**Amounts recognised in the Statement of Cash Flows**

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

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Net cash outflows | **1,259** | 4,403 |

**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.

Notes to the Financial Statements continued

## 23 Financial instruments

| Group | As at 30 September 2024 £000 | Restated As at 30 September 2023 £000 |
|---|---|---|
| **Financial assets held at amortised cost:** | | |
| Trade receivables | 11,080 | 10,328 |
| Other receivables | – | 49 |
| Cash and cash equivalents | 6,393 | 4,151 |
| | 17,473 | 14,528 |

| Group | As at 30 September 2024 £000 | Restated As at 30 September 2023 £000 |
|---|---|---|
| **Financial liabilities held at amortised cost:** | | |
| Bank borrowings | 7,295 | 9,960 |
| Trade payables | 969 | 331 |
| Amounts owed to parent undertaking | – | 39 |
| Other payables | 4,554 | 4,781 |
| Accrued expenses | 931 | 452 |
| Lease liabilities | 5,373 | 16,985 |
| | 19,122 | 32,548 |

| Company | As at 30 September 2024 £000 | As at 30 September 2023 £000 |
|---|---|---|
| **Financial assets held at amortised cost:** | | |
| Trade receivables | 10,842 | 10,328 |
| Other receivables | 14 | 49 |
| Cash and cash equivalents | 6,163 | 4,151 |
| | 17,019 | 14,528 |

| Company | As at 30 September 2024 £000 | As at 30 September 2023 £000 |
|---|---|---|
| **Financial liabilities held at amortised cost:** | | |
| Bank borrowings | 7,295 | 9,960 |
| Trade payables | 888 | 331 |
| Amounts owed to subsidiary | – | 39 |
| Other payables | 4,534 | 4,781 |
| Accrued expenses | 887 | 452 |
| Lease liabilities | 3,880 | 16,985 |
| | 17,484 | 32,548 |

## 24 Financial Risk management

The Group 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 Group's operations.

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

**a) Market risk**

Market risk encompasses three types of risk, being currency risk, interest rate risk and price risk.

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

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

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

**b) Liquidity risk**

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs by closely managing its cash balance. The Group has significant levels of cash reserves available and continues to generate profit before taxation. In this context, liquidity risk is therefore considered to be low.

The Group's borrowing facilities are continually monitored against forecast requirements and timely action is taken to put in place, renew or replace credit lines.

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

The Group 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 Group also manages its liquidity needs by carefully monitoring cash outflows due on a day-to-day basis.

The Group'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 22 above. All other financial liabilities are expected to be settled within 12 months of the balance sheet date.

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

**c) Interest rate risk**

Interest rate risk is limited to interest paid on the Group'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 Group's principal financial assets are cash and trade receivables. Credit risk is also attached to contract assets that represent accrued income. The credit risk associated with cash is limited, as the counterparties have high credit ratings assigned by international credit-rating agencies. The credit risk associated with trade receivables is minimal as invoices are based on contractual agreements with long-standing customers. Debt levels with all customers are closely monitored, and a process involving informal and then formal communications is used where payments are delayed. New customers are carefully assessed using the usual credit risk agencies.

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

Notwithstanding the lack of historical credit losses, the Group maintains a provision against receivables. However, this is not necessarily linked to credit risk and the ageing of receivables is not the most relevant indicator to determine the potential impairment of a receivable. The nature of the Group'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.

Further details regarding expected credit losses can be found in note 19.

# Notes to the Financial Statements continued

## 24 Financial Risk management continued

**Capital management**

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

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

The Group 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 Group's industry and the wider economy. The Group has traded profitably and therefore generally levels of debt have been low. More recently a revolving credit facility has been increased to assist with working capital.

The Group's gearing has therefore reduced considerably. The Group raised further equity in September/October of 2024 from a number of key new strategic investors.

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 Group's gearing is shown below.

| | 30 September 2024 £000 | 30 September 2023 £000 |
|---|---|---|
| Total equity | **11,708** | 8,657 |
| Net debt | **6,275** | 22,794 |
| Total capital | **17,983** | 31,451 |
| Gearing ratio (net debt/capital) | **35%** | 72% |

## 25 Share capital

**Issued capital**

| | As at 30 September 2024 £000 | As at 30 September 2023 £000 |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| Ordinary shares of £1 each | **75** | 62 |

**Share rights**

The ordinary shares have attached to them full voting, dividend and capital distribution rights (including on winding up). They do not confer any right of redemption. In the FY2024, two tranches of new ordinary shares of 0.1p each have been issued by the Group:

| | |
|---|---|
| December 2023 | 994,431 |
| September 2024 | 11,729,998 |

Gross consideration of £6,056k, which amounted to £5,775k after issue costs.

## 26 Share based payments

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

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

| | Options | | Warrants | |
|---|---|---|---|---|
| | Number | Weighted average exercise price | Number | Weighted average exercise price |
| At 1 October 2023 | 3,225,754 | 51.0p | 716,379 | 50.5p |
| Lapsed | (293,250) | 51.0p | – | – |
| Issued on 14 February 2024 | 493,250 | 35.4p | – | – |
| **At 30 September 2024** | **3,425,754** | **48.8** | **716,379** | **50.5p** |

**Options**

The weighted average remaining contractual life of the share options outstanding at 30 September 2024 was 3 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 Group 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 valued using the following assumptions:

| Date of grant of option | 14 Feb 2024 | 4 Feb 2023 | 4 Feb 2022 |
|---|---|---|---|
| Expected life of options (years) | 5 years | 5 years | 5 years |
| Exercise price | 35.4p | 56.5p | 50.5p |
| Market value of share at date of grant | 35.4p | 56.5p | 50.5p |
| Risk free rate | 3.97% | 3.15% | 1.43% |
| Expected share price volatility | 57% | 42% | 20% |
| Expected dividend yield | 2.5% | 6.31% | 3.36% |
| Fair value per option | 14.31p | 9.20p | 5.18p |
| Total fair value of options | £56,000 | £27,000 | £121,000 |
| Charged to profit and loss in year | £7,760 | £6,747 | £24,298 |

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 respective.

Risk free rate

A risk free rate of 3.97% (2023 options: 3.15%) 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 Hercules Site Services plc since testing.

Exercise price

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

Volatility

Volatility was based on the share price of Hercules Site Services plc. The Directors consider this the most appropriate method of assessing expected volatility as there is no comparable listed Group 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 relating to each tranche that has been charged to profit and loss was included in staff costs. The total fair value of the options as shown above is being spread over the vesting period of 5 years in each case.

## Notes to the Financial Statements continued

## 26 Share based payments continued

**Warrants**

The weighted average remaining contractual life of the warrants outstanding at 30 September 2023 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 Hercules Site Services plc 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 Hercules Site Services plc 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.

## 27 Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represented contributions payable by the Group to the scheme and amounted to £553k ( 2023: £503k). Contributions totalling £55k (2023: £196k) were payable to the scheme at the end of the year and are included in other payables.

## 28 Related party transactions

**Ultimate controlling party**

The ultimate Parent Company is Hercules Site Services plc.

At 30 September 2023 the controlling party was Hercules Real Estate Ltd with a share holding of 67.1%, however at 30 September 2024 Hercules Real Estate Ltd held 47.7% of the shares, as such there is no overall controlling party.

**Key management personnel compensation**

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

**Transactions between key shareholder and subsidiary**

The following transactions occurred between Hercules Real Estate Limited ('HRE') and Hercules Site Services Plc ('HSS'):

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Lease payments (HSS to HRE) | **565** | 390 |
| Payment for building services (HRE to HSS) | **–** | 3 |
| Lease liability between HSS and HRE as at 30 September | **5,152** | 5,102 |

## 28 Related party transactions continued

**Outstanding balances arising from sales/purchases of goods and services**

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

| Group | As at 30 September 2024 £000 | As at 30 September 2023 £000 |
|---|---|---|
| **Current (payables)/receivables** | | |
| Hercules Real Estate Limited | – | 39 |
| | – | 39 |

| Company | As at 30 September 2024 £000 | As at 30 September 2023 £000 |
|---|---|---|
| **Current (payables)/receivables** | | |
| Hercules Real Estate Limited | – | 39 |
| | – | 39 |

## 29 Capital commitments

At 30 September 2024, the Group had orders committed to a value of £159k (2023: £74k).

## 30 Post Balance Sheet Events

The Board is pleased to propose a final dividend of 1.12 pence per share (2023: 1.12 pence). The dividend will be paid on 21 March 2025 to shareholders on the register at close of business on 21 February 2025. The shares will go ex-dividend on 20 February 2025.

## 31 Further issue of shares

Following the fund raise in September 2024, in October 2024, a further 4,467,215 ordinary shares of 0.1p were issued at 49.5 pence per share, raising gross proceeds of £2,211k. 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.

## 32 Provisions and contingent liabilities

| | As at 30 September 2024 £000 | As at 30 September 2023 £000 |
|---|---|---|
| At 1 October | – | 304,951 |
| Payments made | – | (304,951) |
| Additional provision for the year | – | – |
| At 30 September | – | – |

In 2021 the Directors 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 Group. 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 Group immediately commenced the process of voluntary disclosure to HM Revenue & Customs in this regard. A provision of £305k was made in 2022 and was fully paid in FY2023. This provision and payment was based on those roles that the Directors deemed were inside the scope of the Agency legislation. Any adjustment to this settlement, however, currently remains uncertain. The directors have not provided for a penalty which may be between 0% and 30% of any liability arising from the disclosure, on the basis that they are making a voluntary disclosure to HM Revenue & Customs. The Directors have used their best estimate based on the advice provided and their analysis of the potential underpayments.

HMRC have made progress in relation to this process in recent months and have confirmed:

1) They will no longer seek to review roles that the Directors considered outside of the Agency Legislation.

2) They are now solely focussed on reviewing a sample of sub-contractor tax returns for the relevant years.

At the time of writing HMRC have not responded with any final thoughts on this sampling exercise. The maximum figure is £510k plus any interest applicable, less the £305k already paid (£205k net). However, this will be reduced by any amounts under the right of set off, namely employees NIC and PAYE. The Directors are confident this set off will be close to the £205k.

## Notes to the Financial Statements continued

### 33 Discontinued Operations and Assets Held for Sale

Hercules has decided to dispose of its suction excavator services business. This disposal meets the definition of a discontinued operation as stipulated by IFRS 5. Based on the expected net proceeds of sale the Group made an impairment charge of £2m against fixed assets in FY2024.

The results of the Suction excavator services discontinued operation are presented below:

| Suction excavator services | FY2024 £000 | FY2023 Restated £000 |
|---|---|---|
| Revenue (all from external customers) | **5,055** | 4,895 |
| Cost of sales | **(2,621)** | (2,642) |
| Gross profit | **2,434** | 2,253 |
| Administrative expenses | **(3,156)** | (2,672) |
| Loss from operations | **(721)** | (419) |
| Impairment charge | **(2,000)** | – |
| Finance costs | **(586)** | (480) |
| **Loss before tax** | **(3,307)** | (899) |
| Taxation | **–** | – |
| **Loss after tax** | **(3,307)** | (899) |

The major classes of assets and liabilities classified as held for sale as at 30 September 2024 are, as follows:

| | £000 |
|---|---|
| **Assets** | |
| Tangible assets | **10,016** |
| Inventories | **71** |
| Trade & Other receivables | **1,445** |
| Cash & cash equivalents | **301** |
| **Assets held for sale** | **11,833** |
| **Liabilities** | |
| Deferred tax liabilities | **(67)** |
| Trade & other payables | **(293)** |
| Borrowings | **125** |
| Lease liabilities | **(9,365)** |
| **Liabilities held for sale** | **(9,600)** |
| **Net assets held for sale** | **2,233** |

### 34 Ultimate parent and controlling party

The ultimate Parent Company is Hercules Site Services plc.

At 30 September 2023 the controlling party was Hercules Real Estate Ltd with a share holding of 67.1%. At 30 September 2024 Hercules Real Estate Ltd held 47.7% of the shares, however, it is still deemed the controlling party.

# Company Information

## Directors

B Korkmaz
P Wheatcroft
H Pitman
R Stevens
R Kilner
A Iplikci
M Tedham
(appointed 10 September 2024)

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## Company Secretary

Paul Wheatcroft FCMA CGMA

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## Nominated Adviser and Joint Broker

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## Company number

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