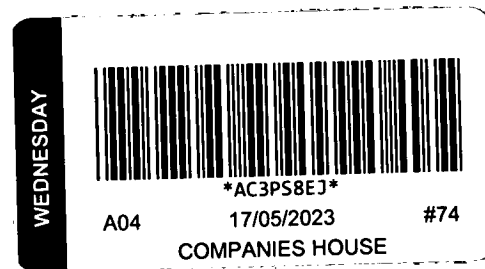


Registered number: 01617719

## HG CONSTRUCTION LIMITED

### ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022



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**HG CONSTRUCTION LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	Christopher Benham Kevin Quinn Greg Purkiss Conor Rice Adam Quinn Daniel Rock Christopher Yates
<b>Company secretary</b>	Daniel Rock
<b>Registered number</b>	01617719
<b>Registered office</b>	4 Hunting Gate Hitchin Hertfordshire SG4 0TJ
<b>Independent auditors</b>	MHA MacIntyre Hudson Statutory Auditor 2 London Wall Place London EC2Y 5AU

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**HG CONSTRUCTION LIMITED**

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## HG CONSTRUCTION LIMITED

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### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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#### Introduction

The Directors present their Strategic Report for the year ended 31 December 2022 to provide a review of HG Construction Group's business, principal risks and key performance indicators.

#### Business review

Our financial performance for 2022 has been greatly affected by numerous challenges. These include the inflationary consequences of post-COVID-19 shortages, the ongoing war in Ukraine, and a cost-of-living crisis which has increased energy and material prices, as well as volatility in the UK construction sector and the broader economy. As a result, we have faced significant cost pressures on our existing fixed-price contracts, and delays in the awarding of new contracts. Consequently, our margins have been reduced as we continue to support our supply chain, clients and deliver on contractual commitments.

Despite facing unprecedented trading conditions, the Group accomplished an impressive financial performance in 2022, generating a turnover of £336m and a gross profit of £22m. There was no additional margin contribution resulting from the release of historical contract cost accruals in 2022, as compared to 2021. These results can be attributed to our disciplined approach towards cost management, careful selection of tenders, the unwavering dedication of our staff and our diverse range of internal capabilities – all of which have ensured that budgets were safeguarded.

To address the challenges faced, we have prioritised vital business operations including:

1. Incorporating our supply chain and suppliers into the project estimating and delivery processes at an earlier stage, through effective communication.
2. Building strong connections with clients and supply chain partners and exchanging information on delivery strategies, so that we can preempt price increases.

The Group's closing cash position of £40m (compared to £48m in 2021) indicate a strong capital base which comfortably meets the liquidity level requirements of surety covenants. Our lower cash position reflects our commitment to supporting our supply chain by way of pre-purchasing materials, and we expect this trend to persist throughout 2023.

It is anticipated that the Group's secured order book for 2023 will surpass the record revenue level achieved last year. As we progress into the second quarter of 2023, we have observed a more stable situation concerning cost inflation, and we predict that the gross profit margins will be similar to or slightly above those achieved in 2022. Nonetheless, we are mindful of the volatility in the wider market and its potential impact on our business and supply chain. Our internal delivery capabilities enable us to mitigate risks, and we have demonstrated throughout the year that we have the expertise and capacity to intervene and self-deliver packages, thereby ensuring that programmes continue unaffected.

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## HG CONSTRUCTION LIMITED

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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#### Principal risks and uncertainties

##### *Inflationary Risk*

The Group's margins have been affected by the unpredictability of material and labour prices. To alleviate these risks during the year, the Group closely monitored high inflation rates and strengthened our already robust risk management protocols. Additionally, we adopted a more cautious approach towards price stability, tender validity, inflation risk, and project timelines. In most cases, our customers have demonstrated complete comprehension of the situation and collaborated with us and our primary supply chain to explore alternatives and minimise risks.

To ensure project success, we have implemented appropriate mitigation measures for many of our projects, such as:

- Proactively engaging with the supply chain at an earlier stage.
- Anticipating material cost increases.
- Procuring and stockpiling materials in advance.
- Modifying designs to reduce overall costs and minimise schedule impact, particularly when specific techniques or products are scarce or unfeasible.

Our proactive approach has enabled us to collaborate with our customers and identify potential mitigation measures. In cases where risks cannot be addressed through cost-reimbursable contract forms or fixed-price agreements with the supply chain at the contract's inception, we are incorporating allowances and price increase mechanisms into the contract agreements.

##### *Material Availability Risk*

Several factors have affected the supply of materials, such as delays at ports, a shortage of raw materials, and high demand. Brexit has resulted in customs checks, leading to delays at ports and longer lead times for imported materials. The COVID-19 pandemic and the war in Ukraine have caused factory shutdowns, resulting in a shortage of raw materials and a delay in the supply chain. Furthermore, the increased number of construction projects has caused a scarcity of materials due to high demand.

To address these issues, we have collaborated with suppliers to identify opportunities for early manufacturing commitments or securing materials on extended lead times. We have also procured off-site storage facilities, where applicable, to safeguard against potential delivery delays. We continuously monitor current and projected material and labour availability, enabling project teams to take the necessary steps to secure these resources for the project's benefit.

##### *Construction Industry Risk*

The performance of the UK construction market is inevitably impacted by a decline in the economy. However, the Group's diverse range of activities, coupled with a strategic focus on diversifying clients and markets, helps safeguard the business during periods of macroeconomic decline. Nonetheless, the Group is still susceptible to the general risks inherent in the UK construction industry, including economic and political changes such as taxation, policy, and legislation.

##### *Staff Risk*

The Directors of the Company acknowledge the importance of their staff and their role in the business, making staff retention and recruitment a key priority. The Group's success is dependent on attracting and retaining highly skilled and motivated staff, and failing to do so could have a negative impact on the Group's objectives. The Group remains committed to investing in employee retention and highly values the engagement and input of its employees. Various forums have been established to keep employees informed on matters that impact them directly, as well as factors which affect the overall performance of the Group.

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## HG CONSTRUCTION LIMITED

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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#### *Liquidity Risk*

The construction industry is subject to cyclical fluctuations, which can create liquidity risks for companies operating in the sector, particularly during economic downturns. Construction companies may face challenges such as tighter credit markets, delayed payments from clients, and supply chain disruptions, all of which can result in cash flow problems and jeopardise their survival.

To address liquidity risk, the Group closely monitors its cash flow, maintains sufficient reserves, and implements effective credit control policies. Furthermore, the Group does not hold any long-term financing debt.

#### *Subcontractor Risk*

The construction industry frequently relies on subcontractors to deliver projects on time and within budget. However, subcontractor risk is a significant concern, as it can lead to cost overruns, delays, and reputational damage. To mitigate this risk, The Group carefully vets subcontractors, establishes clear contracts and project requirements, and ensures that subcontractors have adequate insurance and resources to fulfil their obligations. Additionally, we secure additional financial protection for offsite manufactured products.

#### *Health and Safety Risk*

The Group places the safety of its employees, contractors and customers at the forefront of its operations and enforces clearly defined health and safety policies which include:

1. Strict compliance with all applicable legislation and a commitment to continuous improvement towards achieving industry best practice.
2. Mandating that all employees and contractors uphold its health and safety imperatives, ensuring a safe working environment across all locations.
3. Emphasising the importance of understanding obligations to work in a safe manner, in accordance with both legal requirements and industry best practice.

#### **Financial key performance indicators**

The Company continuously reviews both financial and non-financial key performance indicators (KPIs) in line with budget targets to effectively manage risks and potential uncertainties.

Key Finance KPIs are as follows:

		2022	2021
Turnover	(£m)	335.7	242.3
Gross profit	(£m)	22.0	29.9
Gross profit margin	(%)	6.5%	12.3%
Contract profit margin	(%)	6.0%	9.4%
Operating profit	(£m)	15.3	24.9
Operating profit margin	(%)	4.6%	4.5%
Cash at bank	(£m)	40.0	47.8

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## HG CONSTRUCTION LIMITED

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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#### Other key performance indicators

##### *Programme delivery:*

Despite the challenges faced last year, the Group were able to work closely with our customers to complete jobs on time and the business continued to invest further into its aftercare department which allows us to better service requests from our customers.

##### *Health and Safety:*

The Board recognises that the construction industry and site environment present continued challenges of new people, methods and suppliers. It strives for continuous improvement to ensure a safe and healthy environment is maintained and adequate resources are made available for these purposes.

The Accident Frequency Rate (AFR) continued to be low and we remain reassured that the positive incident statistics have been supported by the excellent engagement levels from all staff. The Group works tirelessly every day to create environments that are risk free for everyone and with continued investment in dedicated safety management resources for all staff, this allows our 'Safety by Choice Not by Chance' ethos to be instilled throughout the Group. The Group is also certified to ISO 45001 and continuously embrace new procedures and technologies to maximise site safety performance.

#### Directors' statement of compliance with duty to promote the success of the Group

The Directors consider, both individually and collectively, that in the decisions taken during the financial year they have satisfied the requirements of s172(1) of the Companies Act 2006 in acting in the way they consider, in good faith, would be most likely promote the success of the Company for the benefit of its members, as a whole, and in doing so having regard to the stakeholders set out below.

When making decisions, the Director should consider, among other factors:

- The potential long-term outcomes of the decision
- The welfare of the Company's employees.
- The importance of promoting the Company's employees.
- The preservation of the Company's business relationships with suppliers, customers, and other stakeholders.
- The impact of the Company's activities on the community and the environment.
- The Company's reputation for maintaining high standards of business ethics.
- The necessity of acting impartially between Company members.

This report was approved by the board and signed on its behalf.



**Christopher Benham**  
Director

Date: 4 May 2023

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## HG CONSTRUCTION LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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The directors present their report and the financial statements for the year ended 31 December 2022.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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 for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £12,547k (2021 - £20,437k).

During the year, dividends totalling £4,396k were paid (2021 - £17,812k).

#### **Directors**

The directors who served during the year were:

Christopher Benham  
Kevin Quinn  
Greg Purkiss  
Conor Rice  
Adam Quinn  
Daniel Rock  
Christopher Yates



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## HG CONSTRUCTION LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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#### Sustainability

As a socially responsible company, we acknowledge the significant role we can play in reducing our carbon footprint and recognise climate change as one of the biggest challenges facing both business and society. To minimise our environmental impact, we remain committed to promoting sustainability in our operations, encouraging our customers to opt for environmentally friendly products, reducing waste, and promoting energy-efficient systems in buildings wherever possible.

Building codes and standards that establish minimum energy performance criteria are one of the most effective policy measures to promote energy efficiency in construction. These codes and standards may include specifications for insulation, glazing, HVAC systems, lighting, and renewable energy sources, among other measures. We collaborate with partners and listen to our stakeholders to ensure transparency and improved performance, which enables us to measure our progress against our targets more effectively.

Government policies play a crucial role in promoting green building practices within the construction industry. Such policies may include incentivising the use of sustainable building materials, promoting the use of renewable energy sources, and mandating the recycling and reuse of construction waste. We are committed to complying with these policies and working collaboratively with our partners to find innovative and more sustainable ways to deliver our schemes.

We have established ambitious goals that are in line with the concerns that are of the utmost significance to both our stakeholders and the Group to guarantee that we continue to generate sustainable value.

#### Decision making and corporate governance process

The Directors convene on a regular basis, with Board meetings held monthly. The Board adheres to clear procedures when evaluating decisions that are deemed to be strategically and commercially significant. Decision-making processes and controls are in place so that the interests of all stakeholders are balanced whilst we pursue our business objectives. We are committed to good quality, ethical decision-making as we work towards our goals of successful, sustainable growth and the creation of long-term value.

#### Future developments

Despite current economic pressures, the Company remains resilient and is on track to exceed 2022's turnover level in 2023, thanks to the strong pipeline of work that we have retained.

#### Company's policy for payment of creditors

The Group's current approach to supporting our supply chain involves:

- 1) Establishing payment terms with suppliers at the time of entering into binding purchase agreements
- 2) Communicating payment terms to suppliers by including them in contracts
- 3) Adhering to the agreed payment terms once satisfied that the supplier has fulfilled their contractual obligations by providing the required goods or services.

#### Directors' indemnity provisions

Directors' liability and indemnity insurance was in force throughout the year to cover the directors' and officers of the company against actions brought against them in their personal capacity. Neither the insurance nor the indemnity provide cover where the individual has acted fraudulently or dishonestly.

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## HG CONSTRUCTION LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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#### **Engagement with employees**

We acknowledge that our employees are crucial to our business success, and we are dedicated to establishing a secure and encouraging work environment which fosters their well-being and advancement. Our strategic goals include attracting, promoting, and developing top-quality individuals through a merit-based framework which assures equal opportunities. We are committed to investing in employee training and have expanded our Positive Leadership Programme for the senior team, which fosters a culture of positive energy in individuals, in teams and throughout the company. A total of 16 graduate trainees were taken on in 2022, a new BIM internship position was created, and we also launched a Trainee of the Year Award.

The Directors maintain regular engagement with employees by conducting visits and meetings across the Group, including construction sites. An open and transparent dialogue is encouraged between Directors, employees, and our supply chain through social media channels, and regular reviews and updates are provided. Regular staff surveys are carried out to ensure that we are aware of pertinent issues and can address these. In 2022 a staff survey revealed that 89% would recommend HG as a good place to work and 84% had a strong feeling of teamwork and belonging. We continuously monitor employee concerns and strive to address these effectively to ensure we continue to foster a positive workplace culture.

We recognise the pressures of the construction industry and we are signed up to Mates in Mind, a charity which promotes the development of positive mental wellbeing within the workplace. All employees have access to free and confidential counselling through Mates in Mind.

The Company prioritises the health and safety of our employees, and we strongly believe in giving fair consideration in recruitment and training to individuals with disabilities, as well as providing them with support in career development. Where an existing employee becomes disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training. We are committed to being an equal opportunity employer, without discrimination based on age, ethnicity, or gender, and we strongly oppose all forms of discrimination.

#### **Engagement with suppliers, customers and others**

The Board is responsible for evaluating how the decisions made on behalf of the company impact the shareholders and other key stakeholders, in order to ensure the Company's success and create value for its shareholders. We engage with our employees through the recently launched staff intranet which allows effective communication on initiatives and matters affecting the Company. Regular meetings are held between management and employees to allow a free flow of information and ideas.

We employ various engagement mechanisms to connect with our key stakeholders, which includes collaborating with other industry organisations to promote safety initiatives. An example of client and stakeholder collaboration in action is our trial partnership with client Southern Housing Group in conjunction with the Department for Levelling Up, Housing & Communities. This collaboration has seen us adopt Golden Thread best practice and dedicated workshops designed to meet and exceed Building Safety Act regulations.

We support long-term business relationships with our suppliers, collaborating to align our mutual interests while ensuring our payment terms and practices do not hinder their ability to achieve their objectives.

The Group upholds customer relationships by providing exceptional customer service and maintaining regular interactions, allowing customers to provide feedback early in the design phase. The Group is increasingly engaged as construction partners earlier in the design process, leveraging their cost and design expertise to add value. To gather both quantitative and qualitative measures of success, the Group regularly conducts customer satisfaction interviews.

## HG CONSTRUCTION LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

#### Greenhouse gas emissions, energy consumption and energy efficiency action

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 implement the government's policy on Streamlined Energy and Carbon Reporting (SECR). The Group is required to report its energy usage and carbon emissions in accordance with these regulations.

The period covered for the SECR report is 1st January 2022 to 31st December 2022.

Under the requirements of SECR, an unquoted large company must report on the following:

- UK energy use from electricity, gas and transport in fuel in kWh
- Associated Greenhouse Gas Emissions (GHG) of activities HG Construction are responsible for. This will be in the form of Scope 1 (direct emissions), Scope 2 (indirect emissions)) and Scope 3 (grey fleet emissions), reported in tonnes of CO<sub>2</sub> (tCO<sub>2</sub>e)
- Methodology used in calculations of disclosures
- Information on energy efficiency action taken in the reporting period

#### HG Construction Energy Use in kWh (1st January 2022 to 31st December 2022)

Emissions Breakdown by Scope	2022 UK Emissions 2022	2021 UK Emissions	% Change	2020 UK Emissions	Base Year UK Emissions	% change Current Year to Base Year
	tCO <sub>2</sub> e	tCO <sub>2</sub> e		tCO <sub>2</sub> e	tCO <sub>2</sub> e	
Scope 1	1,556	1,430	9%	1,470	818	90%
Gas	83	71	16%	38	63	32%
Transport Fuels	1,473	1,359	8%	1431	755	95%
Other direct emissions	0	0	0%	0	0	0%
Scope 2 (electricity - Location based)	263	194	36%	91	188	40%
Scope 3 (Grey fleet)	160	128	26%	59	10	1,515%
Total Gross tCO <sub>2</sub> e	1,979	1,752	13%	1620	1,016	95%
Intensity Metric: tCO <sub>2</sub> e/turnover	5.86	7.20	-19%	8.04	6.75	-13%
	kWh	kWh		kWh	kWh	
Scope 1: Controlled Vehicles	1,154,061	341,529	238%	517,733	543,120	112%
Scope 1: On-site Vehicles	4,311,100	4,660,070	-7%	4,757,351	2,249,338	92%
Scope 1: Onsite fuel (Mains Gas)	452,912	389,162	16%	208,975	340,330	33%
Scope 1: Onsite Fuels (Other)	0	0	0%	0	0	0%
Scope 2: Electricity	1,360,286	913,606	49%	390,619	734,904	85%
Scope 3 Grey Fleet Transport	649,434	449,113	45%	237,885	40,013	1,523%
Total UK Energy Consumption	7,927,793	6,753,480	17%	6,112,563	3,907,706	103%

#### Methodology

The Group has used the main requirements of the Greenhouse Gas Protocol Corporate Standard to calculate our emissions, along with the UK Government GHG Conversion Factors for Company Reporting 2020. Any estimates included in our totals are derived from actual data extrapolated to cover missing periods. There are no overseas operations.

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## HG CONSTRUCTION LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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#### Data Sources

The data was collected from various sources as detailed below:

- Supplier Invoices – Details of type of fuel and quantities delivered.
- Expense Claim Forms – Data was collated from employees who drive for business purposes. To determine the emissions associated with each employee the total mileage claimed was multiplied by an average emissions conversion factor to determine total CO<sub>2</sub>e emissions.

#### Energy Efficiency Actions taken in 2022:

- Our updated Carbon Reduction Plan is being finalised for publication in June 2023 which will focus on developing procurement reporting criteria, supply chain data and assessment validation.
- 22 electric vehicles were purchased during the year.
- The Group continues to offer a Cycle to Work Scheme for all employees.
- Switch to fully renewable electricity tariffs for sites.
- Car-charging points continue to be installed across sites.
- Brompton Bikes are made available to employees for commuting purposes.

#### Longer term initiatives under consideration

- All company cars issued to employees will be electric.
- A pilot scheme of switching fuel to HVO will be carried out for direct fuel purchased for generators.

#### Disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the 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 to establish that the Company and the Group's auditors are aware of that information.

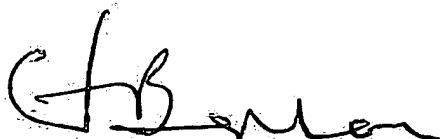
#### Post balance sheet events

On 20 March 2023, The Group purchased the shares of a bathroom pod supplier, which was then renamed HG Offsite Solutions Limited, as part of the Group's ongoing dedication to providing self-delivery solutions.

#### Auditors

The auditors, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



**Christopher Benham**  
Director

Date: 4 May 2023

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## HG CONSTRUCTION LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HG CONSTRUCTION LIMITED

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#### Opinion

We have audited the financial statements of HG Construction Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

*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 31 December 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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

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's or the 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.

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## HG CONSTRUCTION LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HG CONSTRUCTION LIMITED (CONTINUED)

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#### Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' 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.

#### Opinion 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 Group 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 Group 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 its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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.

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## HG CONSTRUCTION LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HG CONSTRUCTION LIMITED (CONTINUED)

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#### Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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.

#### Auditors' 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 Auditors' 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 Group financial statements.

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

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of entity staff in compliance functions to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing financial statement disclosures and testing to supporting documentation to access compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

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HG CONSTRUCTION LIMITED

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HG CONSTRUCTION LIMITED  
(CONTINUED)

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**Use of our report**

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



John Coverdale, BSc FCA (Senior Statutory Auditor)

for and on behalf of  
**MHA MacIntyre Hudson**

Statutory Auditor

London

Date: *5 May 2023*



HG CONSTRUCTION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Turnover	4	335,668	242,251
Cost of sales		(313,714)	(212,373)
<b>Gross profit</b>		<b>21,954</b>	<b>29,878</b>
Administrative expenses		(7,020)	(5,082)
Other operating income	5	198	90
<b>Operating profit</b>	6	<b>15,132</b>	<b>24,886</b>
Interest receivable and similar income		278	61
Interest payable and similar expenses		(113)	(80)
<b>Profit before tax</b>		<b>15,297</b>	<b>24,867</b>
Tax on profit	12	(2,750)	(4,430)
<b>Profit for the financial year</b>		<b>12,547</b>	<b>20,437</b>
<b>Profit for the year attributable to:</b>			
Owners of the parent company		12,547	20,437
		<b>12,547</b>	<b>20,437</b>

There was no other comprehensive income for 2022 (2021:£NIL).

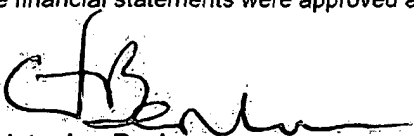
The notes on pages 23 to 40 form part of these financial statements.

**HG CONSTRUCTION LIMITED**  
**REGISTERED NUMBER: 01617719**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
<b>Fixed assets</b>			
Tangible assets	15	11,307	7,850
Investments	16	1,592	1,592
		<u>12,899</u>	<u>9,442</u>
<b>Current assets</b>			
Stocks	17	1,525	-
Debtors	18	86,595	62,879
Cash at bank and in hand	19	39,988	47,847
		<u>128,108</u>	<u>110,726</u>
Creditors: amounts falling due within one year	20	(89,858)	(79,462)
<b>Net current assets</b>		<u>38,250</u>	<u>31,264</u>
<b>Total assets less current liabilities</b>		<u>51,149</u>	<u>40,706</u>
Creditors: amounts falling due after more than one year	21	(2,878)	(1,795)
<b>Provisions for liabilities</b>			
Deferred tax	23	(2,159)	(950)
		<u>(2,159)</u>	<u>(950)</u>
<b>Net assets</b>		<u>46,112</u>	<u>37,961</u>
<b>Capital and reserves</b>			
Called up share capital	24	58	58
Capital redemption reserve	25	100	100
Profit and loss account	25	45,954	37,803
		<u>46,112</u>	<u>37,961</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
**Christopher Benham**  
 Director

Date: 4 May 2023

The notes on pages 23 to 40 form part of these financial statements.

**HG CONSTRUCTION LIMITED**  
**REGISTERED NUMBER: 01617719**

**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
<b>Fixed assets</b>			
Tangible assets	15	10,114	7,133
Investments	16	1,592	1,592
		<u>11,706</u>	<u>8,725</u>
<b>Current assets</b>			
Stocks	17	1,525	-
Debtors	18	81,560	58,411
Cash at bank and in hand	19	36,432	43,959
		<u>119,517</u>	<u>102,370</u>
Creditors: amounts falling due within one year	21	(83,655)	(73,801)
<b>Net current assets</b>		<u>35,862</u>	<u>28,569</u>
<b>Total assets less current liabilities</b>		<u>47,568</u>	<u>37,294</u>
Creditors: amounts falling due after more than one year	21	(2,742)	(1,692)
<b>Provisions for liabilities</b>			
Deferred taxation	23	(2,198)	(950)
		<u>(2,198)</u>	<u>(950)</u>
<b>Net assets</b>		<u><u>42,628</u></u>	<u><u>34,652</u></u>
<b>Capital and reserves</b>			
Called up share capital	24	58	58
Capital redemption reserve	25	100	100
Profit and loss account brought forward		34,495	32,780
Profit for the year		12,371	19,527
Other changes in the profit and loss account		(4,396)	(17,812)
		<u>42,470</u>	<u>34,494</u>
<b>Profit and loss account carried forward</b>		<u><u>42,628</u></u>	<u><u>34,652</u></u>

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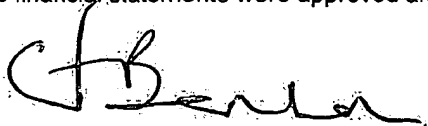
**HG CONSTRUCTION LIMITED**  
**REGISTERED NUMBER: 01617719**

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**COMPANY BALANCE SHEET (CONTINUED)**  
**AS AT 31 DECEMBER 2022**

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The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



**Christopher Benham**  
Director

Date: 4 May 2023

The notes on pages 23 to 40 form part of these financial statements.

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**HG CONSTRUCTION LIMITED**

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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	<b>Called up share capital</b>	<b>Capital redemption reserve</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 January 2021</b>	<b>58</b>	<b>100</b>	<b>35,178</b>	<b>35,336</b>
Profit for the year	-	-	20,437	20,437
Dividends: Equity capital	-	-	(17,812)	(17,812)
<b>At 1 January 2022</b>	<b>58</b>	<b>100</b>	<b>37,803</b>	<b>37,961</b>
Profit for the year	-	-	12,547	12,547
Dividends: Equity capital	-	-	(4,396)	(4,396)
<b>At 31 December 2022</b>	<b>58</b>	<b>100</b>	<b>45,954</b>	<b>46,112</b>

The notes on pages 23 to 40 form part of these financial statements.

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HG CONSTRUCTION LIMITED

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COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022

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	Called up share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2021	58	100	32,780	32,938
Profit for the year	-	-	19,527	19,527
Dividends: Equity capital	-	-	(17,812)	(17,812)
At 1 January 2022	58	100	34,495	34,653
Profit for the year	-	-	12,371	12,371
Dividends: Equity capital	-	-	(4,396)	(4,396)
At 31 December 2022	58	100	42,470	42,628

The notes on pages 23 to 40 form part of these financial statements.

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**HG CONSTRUCTION LIMITED**

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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>		
Profit for the financial year	<b>12,547</b>	<b>20,437</b>
<b>Adjustments for:</b>		
Depreciation of tangible assets	<b>1,253</b>	<b>882</b>
Loss on disposal of tangible assets	<b>(58)</b>	<b>(1)</b>
Interest paid	<b>113</b>	<b>80</b>
Interest received	<b>(278)</b>	<b>(61)</b>
Taxation charge	<b>2,750</b>	<b>4,430</b>
(Increase)/decrease in stocks	<b>(1,525)</b>	<b>-</b>
(Increase) in debtors	<b>(23,716)</b>	<b>(4,443)</b>
Decrease in amounts owed by groups	<b>-</b>	<b>10,003</b>
Increase/(decrease) in creditors	<b>10,015</b>	<b>(345)</b>
(Decrease)/increase in amounts owed to groups	<b>(56)</b>	<b>69</b>
Corporation tax (paid)	<b>(1,845)</b>	<b>(4,154)</b>
<b>Net cash generated from operating activities</b>	<b>(800)</b>	<b>26,897</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	<b>(4,960)</b>	<b>(3,033)</b>
Sale of tangible fixed assets	<b>308</b>	<b>221</b>
Interest received	<b>278</b>	<b>61</b>
HP interest paid	<b>(113)</b>	<b>(80)</b>
<b>Net cash from investing activities</b>	<b>(4,487)</b>	<b>(2,831)</b>

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**HG CONSTRUCTION LIMITED**

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**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Cash flows from financing activities</b>		
Repayment of/new finance leases	<b>1,824</b>	995
Dividends paid	-	(15,000)
Non-controlling interest dividends paid	<b>(4,396)</b>	(2,812)
<b>Net cash used in financing activities</b>	<b>(2,572)</b>	(16,817)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(7,859)</b>	7,249
Cash and cash equivalents at beginning of year	<b>47,847</b>	40,598
<b>Cash and cash equivalents at the end of year</b>	<b>39,988</b>	47,847
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	<b>39,988</b>	47,847
	<b>39,988</b>	47,847

The notes on pages 23 to 40 form part of these financial statements.



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HG CONSTRUCTION LIMITED

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CONSOLIDATED ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2022

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	At 1 January 2022 £000	Cash flows £000	At 31 December 2022 £000
Cash at bank and in hand	47,847	(7,859)	39,988
Debt due within 1 year	(6,038)	(2,015)	(8,053)
Finance leases	(2,616)	(1,824)	(4,440)
	<u>39,193</u>	<u>(11,698)</u>	<u>27,495</u>

The notes on pages 23 to 40 form part of these financial statements.

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## HG CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 1. General information

HG Construction Limited is a private company, limited by shares, incorporated in England and Wales.

The registered office and principal place of activity is 4 Hunting Gate, Hitchin, Hertfordshire, SG4 0TJ.

The Group and Company's functional and presentational currency is British Pound Sterling and the financial statements are presented in round thousands.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

##### 2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

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## HG CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 2. Accounting policies (continued)

##### 2.3 Revenue

Revenue comprises the contract sales valuation (excluding VAT and trade discounts) of goods and services in the normal course of business. Revenue is derived entirely from the provision of specialist building services within the United Kingdom.

Revenue represents, in the case of the long-term contracts, the proportion of contract value applicable to the activity in the year, ascertained by reference to the costs incurred to date. These costs are matched with the revenue, resulting in the reporting of attributable profit proportionate to the contract activity. Where the outcome of a contract cannot be foreseen with reasonable certainty but no loss is expected, revenue and costs are recorded as the activity progresses using a zero estimate of profit. In respect of short-term contracts the revenue is recorded at cost plus attributable overheads.

Estimates of total contract costs and revenues are reviewed periodically and the cumulative effects of changes are recognised in the period in which they are identified. All known or anticipated losses are provided for in full as soon as they are foreseen. All costs incurred are recorded as cost of sales. Revenues recognised in excess of amounts billed are classified as amount recoverable on contracts and included in debtors. Where cash is received in advance of the contract valuation, the balance is recognised as part of creditors due within one year, as payments received on account.

##### 2.4 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

##### 2.5 Interest income

Interest income is recognised in profit or loss using the effective interest method.

##### 2.6 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### 2.7 Pensions

###### Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

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## HG CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 2. Accounting policies (continued)

##### 2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### 2.9 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Plant and machinery	- 10-25% per annum on net book value basis
Motor vehicles	- 20-25% per annum on net book value basis

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

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## HG CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 2. Accounting policies (continued)

##### 2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

##### 2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

##### 2.12 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### 2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

##### 2.14 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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## HG CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 2. Accounting policies (continued)

##### 2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

##### 2.16 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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## HG CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 2. Accounting policies (continued)

##### 2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

#### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in accordance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### a) Critical judgments in applying accounting policies

- i) There are no judgments (apart from those involving estimates) that have had a significant effect on amounts recognised in the Financial Statements.

##### b) Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have the most significant potential impact upon the carrying values of assets and liabilities within the next financial year are as follows:

##### i) Revenue recognition on long term contracts

Recognition of revenue and profit is based on judgments made in respect of the ultimate profitability of a contract. Such judgments are arrived at through the use of estimates in relation to the costs and value of work performed to date and to be performed in bringing contracts to completion, including satisfaction of maintenance responsibilities. The Group has appropriate control procedures to ensure all estimates are determined on a consistent basis and subject to appropriate review and authorisation.

##### ii) Useful economic lives of tangible fixed assets

The useful economic lives used by the Group in respect of tangible fixed assets are set out in the accounting policies. These estimates are the best estimate based on past experience and expected performance and are regularly reviewed to ensure they remain appropriate.

#### 4. Turnover

The whole of the turnover is attributable to the Group's principal activity undertaken in the United Kingdom.

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HG CONSTRUCTION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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5. Other operating income

	2022 £000	2021 £000
Other operating income	194	90
Insurance claims receivable	4	-
	<u>198</u>	<u>90</u>

6. Operating profit

The operating profit is stated after charging:

	2022 £000	2021 £000
Other operating lease rentals	109	209
	<u>109</u>	<u>209</u>

7. Auditors' remuneration

	2022 £000	2021 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	71	50
	<u>71</u>	<u>50</u>

Fees payable to the Group's auditor and its associates in respect of:

Taxation compliance services	4	5
All other services	61	150
	<u>65</u>	<u>155</u>



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**HG CONSTRUCTION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**8. Employees**

Staff costs, including directors' remuneration, were as follows:

	<b>Group 2022 £000</b>	<i>Group 2021 £000</i>	<b>Company 2022 £000</b>	<i>Company 2021 £000</i>
Wages and salaries	<b>13,996</b>	9,657	<b>13,996</b>	9,657
Social security costs	<b>1,672</b>	1,312	<b>1,672</b>	1,312
Cost of defined contribution scheme	<b>231</b>	208	<b>231</b>	208
	<b>15,899</b>	11,177	<b>15,899</b>	11,177

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

	<b>2022 No.</b>	<i>2021 No.</i>
Administrative Staff	<b>35</b>	28
Sales Staff	<b>5</b>	4
Direct Staff	<b>135</b>	98
	<b>175</b>	130

The Company has no employees other than the directors, who did not receive any remuneration (2021 - £NIL)

**9. Directors' remuneration**

	<b>2022 £000</b>	<i>2021 £000</i>
Directors' emoluments	<b>1,986</b>	1,465
Group contributions to defined contribution pension schemes	<b>69</b>	68
	<b>2,055</b>	1,533

During the year retirement benefits were accruing to 6 directors (2021 - 6) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £497k (2021 - £368k).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £48k (2021 - £48k).

The Group considers the key management personnel to comprise the Directors only. Compensation paid to key management personnel is therefore the same as the disclosure of Directors' remuneration above.

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**HG CONSTRUCTION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**10. Interest receivable**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Bank and other interest receivable	278	61
	<u>278</u>	<u>61</u>
	<u><u>278</u></u>	<u><u>61</u></u>

**11. Interest payable and similar expenses**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Finance leases and hire purchase contracts	113	80
	<u>113</u>	<u>80</u>
	<u><u>113</u></u>	<u><u>80</u></u>

**12. Taxation**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Corporation tax</b>		
Current tax on profits for the year	2,032	4,282
Adjustments in respect of previous periods	(492)	(704)
	<u>1,540</u>	<u>3,578</u>
	<u><u>1,540</u></u>	<u><u>3,578</u></u>
<b>Total current tax</b>	<u><u>1,540</u></u>	<u><u>3,578</u></u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,210	852
	<u>1,210</u>	<u>852</u>
<b>Total deferred tax</b>	<u><u>1,210</u></u>	<u><u>852</u></u>
	<u><u>2,750</u></u>	<u><u>4,430</u></u>
<b>Taxation on profit on ordinary activities</b>	<u><u>2,750</u></u>	<u><u>4,430</u></u>

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HG CONSTRUCTION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £000	2021 £000
Profit on ordinary activities before tax	15,297	24,867
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	2,906	4,725
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	11	64
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	-	(704)
Other differences leading to an increase (decrease) in the tax charge	(167)	345
Total tax charge for the year	2,750	4,430

Factors that may affect future tax charges

The rate of corporation tax increased to 25% on 1st April 2023. Deferred tax balances have been calculated using this rate.

13. Dividends

	2022 £000	2021 £000
Dividends on Ordinary A Shares	-	15,000
Dividends on Ordinary B Shares	4,396	2,812
	4,396	17,812

Dividends paid to non-controlling interests totalled £4,396k (2021 - £2,812k).

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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**14. Parent company profit for the year**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £12,371k (2021 - £19,527k).

**15. Tangible fixed assets**

**Group**

	Plant and machinery £000	Motor vehicles £000	Total £000
<b>Cost or valuation</b>			
At 1 January 2022	11,473	313	11,786
Additions	4,863	97	4,960
Disposals	(480)	(18)	(498)
At 31 December 2022	15,856	392	16,248
<b>Depreciation</b>			
At 1 January 2022	3,787	150	3,937
Charge for the year on owned assets	273	47	320
Charge for the year on financed assets	933	-	933
Disposals	(231)	(18)	(249)
At 31 December 2022	4,762	179	4,941
<b>Net book value</b>			
At 31 December 2022	11,094	213	11,307
At 31 December 2021	7,687	163	7,850

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**HG CONSTRUCTION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**15. Tangible fixed assets (continued)**

**Company**

	Plant and machinery £000	Motor vehicles £000	Total £000
<b>Cost or valuation</b>			
At 1 January 2022	10,330	313	10,643
Additions	4,058	97	4,155
Disposals	(343)	(18)	(361)
At 31 December 2022	<u>14,045</u>	<u>392</u>	<u>14,437</u>
<b>Depreciation</b>			
At 1 January 2022	3,360	150	3,510
Charge for the year on owned assets	122	47	169
Charge for the year on financed assets	828	-	828
Disposals	(166)	(18)	(184)
At 31 December 2022	<u>4,144</u>	<u>179</u>	<u>4,323</u>
<b>Net book value</b>			
At 31 December 2022	<u>9,901</u>	<u>213</u>	<u>10,114</u>
At 31 December 2021	<u>6,970</u>	<u>163</u>	<u>7,133</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**16. Fixed asset investments**

**Group**

	Listed investments £000	Unlisted investments £000	Total £000
<b>Cost or valuation</b>			
At 1 January 2022	19	1,573	1,592
At 31 December 2022	<u>19</u>	<u>1,573</u>	<u>1,592</u>

**Company**

	Listed investments £000	Unlisted investments £000	Total £000
<b>Cost or valuation</b>			
At 1 January 2022	19	1,573	1,592
At 31 December 2022	<u>19</u>	<u>1,573</u>	<u>1,592</u>

**Subsidiary undertakings**

The following were all wholly owned subsidiary undertakings of the company:

<b>Name</b>	<b>Principal activity</b>
HG M&E Limited	Specialist construction activities
HG Leasing Limited	Leasing of motor vehicles
HG Civil Engineering Limited	Dormant

The registered office of all subsidiaries of HG Construction Limited is 4 Hunting Gate, Hitchin, Hertfordshire, United Kingdom, SG4 0TJ.

**HG CONSTRUCTION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**17. Stocks**

	<b>Group 2022 £000</b>	<b>Group 2021 £000</b>	<b>Company 2022 £000</b>	<b>Company 2021 £000</b>
Raw materials and consumables	1,525	-	1,525	-
	<u>1,525</u>	<u>-</u>	<u>1,525</u>	<u>-</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

**18. Debtors**

	<b>Group 2022 £000</b>	<b>Group 2021 £000</b>	<b>Company 2022 £000</b>	<b>Company 2021 £000</b>
<b>Due after more than one year</b>				
Trade debtors	9,702	6,588	9,702	6,588
Other debtors	21,324	19,500	21,324	19,500
	<u>31,026</u>	<u>26,088</u>	<u>31,026</u>	<u>26,088</u>
<b>Due within one year</b>				
Trade debtors	25,037	19,443	24,880	19,269
Amounts owed by group undertakings	-	-	1,933	626
Other debtors	3,263	1,016	2,933	879
Prepayments and accrued income	81	-	81	-
Amounts recoverable on long-term contracts	27,188	16,332	20,707	11,549
	<u>86,595</u>	<u>62,879</u>	<u>81,560</u>	<u>58,411</u>

**19. Cash and cash equivalents**

	<b>Group 2022 £000</b>	<b>Group 2021 £000</b>	<b>Company 2022 £000</b>	<b>Company 2021 £000</b>
Cash at bank and in hand	39,988	47,847	36,432	43,959
	<u>39,988</u>	<u>47,847</u>	<u>36,432</u>	<u>43,959</u>

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**HG CONSTRUCTION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**20. Creditors: Amounts falling due within one year**

	<b>Group 2022 £000</b>	<i>Group 2021 £000</i>	<b>Company 2022 £000</b>	<i>Company 2021 £000</i>
Trade creditors	<b>31,695</b>	19,203	<b>27,525</b>	16,230
Retentions	<b>8,053</b>	6,038	<b>7,542</b>	5,641
Amounts owed to group undertakings	<b>13</b>	69	<b>304</b>	912
Corporation tax	<b>7</b>	311	-	234
Other taxation and social security	<b>1,103</b>	889	<b>1,017</b>	841
Obligations under finance lease and hire purchase contracts	<b>1,562</b>	821	<b>1,380</b>	688
Other creditors	<b>343</b>	15	<b>341</b>	15
Accruals and deferred income	<b>138</b>	238	<b>117</b>	226
Accrued contract costs	<b>46,944</b>	51,878	<b>45,429</b>	49,014
	<b>89,858</b>	79,462	<b>83,655</b>	73,801

**Details of security provided:**

Liabilities under hire purchase arrangements are secured upon the assets concerned.

**21. Creditors: Amounts falling due after more than one year**

	<b>Group 2022 £000</b>	<i>Group 2021 £000</i>	<b>Company 2022 £000</b>	<i>Company 2021 £000</i>
Net obligations under finance leases and hire purchase contracts	<b>2,878</b>	1,795	<b>2,742</b>	1,692
	<b>2,878</b>	1,795	<b>2,742</b>	1,692

**Details of security provided:**

Liabilities under hire purchase arrangements are secured upon the assets concerned.



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**HG CONSTRUCTION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**22. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	<b>Group 2022 £000</b>	<b>Group 2021 £000</b>	<b>Company 2022 £000</b>	<b>Company 2021 £000</b>
Within one year	<b>1,562</b>	821	<b>1,380</b>	688
Between 1-5 years	<b>2,878</b>	1,795	<b>2,742</b>	1,692
	<u><b>4,440</b></u>	<u>2,616</u>	<u><b>4,122</b></u>	<u>2,380</u>

**23. Deferred taxation**

**Group**

	<b>2022 £000</b>	<b>2021 £000</b>
At beginning of year	(950)	(98)
Charged to profit or loss	(1,209)	(852)
<b>At end of year</b>	<u><b>(2,159)</b></u>	<u>(950)</u>

**Company**

	<b>2022 £000</b>	<b>2021 £000</b>
At beginning of year	(950)	(98)
Charged to profit or loss	(1,248)	(852)
<b>At end of year</b>	<u><b>(2,198)</b></u>	<u>(950)</u>

	<b>Group 2022 £000</b>	<b>Group 2021 £000</b>	<b>Company 2022 £000</b>	<b>Company 2021 £000</b>
Fixed asset timing differences	<b>(2,164)</b>	(950)	<b>(2,203)</b>	(950)
Short term timing differences	5	-	5	-
	<u><b>(2,159)</b></u>	<u>(950)</u>	<u><b>(2,198)</b></u>	<u>(950)</u>

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## HG CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 24. Share capital

	2022 £000	2021 £000
<b>Allotted, called up and fully paid</b>		
50,000 (2021 - 50,000) Ordinary A shares of £1.00 each	50	50
7,500 (2021 - 7,500) Ordinary B shares of £1.00 each	8	8
100 (2021 - 100) Ordinary C shares of £1.00 each	-	-
	<hr/>	<hr/>
	58	58
	<hr/>	<hr/>

The Ordinary A shares have full voting and dividend rights.

The Ordinary B shares vested on 1 January 2019 and since carry 48% of the votes. Ordinary B shares also carry the rights to 50% of dividends declared out of profits acquired since vesting. Upon the winding up of the business, Ordinary B shares also carry the right to 50% of any distributions of assets made out of reserves since Vesting.

The Ordinary C shares are growth shares and hold no voting rights.

#### 25. Reserves

##### Capital redemption reserve

Capital redemption reserve represents the nominal value of preference shares redeemed by the company.

##### Profit and loss account

Profit and loss account reserve includes all current and previous period retained profits and losses.

#### 26. Pension commitments

The Group operates two defined contributions pension schemes. The assets of the schemes are held separately from those of the Group in funds independently administered by Clerical Medical and Legal and General. The pension cost charge represents contributions payable by the Group to the funds and amounts to £231k (2021: £208k). Contributions totalling £44k (2021: £3k) were payable to the funds at the balance sheet date.

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## HG CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 27. Commitments under operating leases

At 31 December 2022 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	<b>Group 2022 £000</b>	<i>Group 2021 £000</i>	<b>Company 2022 £000</b>	<i>Company 2021 £000</i>
Not later than 1 year	321	184	321	184
Later than 1 year and not later than 5 years	438	113	438	113
Later than 5 years	286	-	286	-
	<u>1,045</u>	<u>297</u>	<u>1,045</u>	<u>297</u>

#### 28. Related party transactions

The Company has taken advantage under Financial Reporting Standard 102, not to disclose transactions with other 100% Group Companies since Consolidated Financial Statements are prepared by the Parent Company and are publicly available.

Arms length trading between related parties was conducted during the current and previous years, with balances outstanding at the balance sheet date.

Below is a summary of the related party transactions:

	<b>2022 £000</b>	<i>2021 £000</i>
Sales to related parties	41,533	17,288
Purchases from related parties	16,330	13,236
Amounts owed to related parties at the Balance Sheet date	308	1,270
Amounts due from related undertakings at the Balance Sheet date	21,827	21,471
	<u>79,998</u>	<u>53,265</u>

#### 29. Parent company and ultimate controlling party

The immediate parent company is HG Construction (Holdings) Limited. During the previous year HG Group (Holdings) Limited became the ultimate parent company.

The accounts of HG Construction Limited and its subsidiaries are included in the group accounts of HG Group (Holdings) Limited, which are available from Companies House.

The ultimate controlling party is Christopher Benham and Kevin Quinn.