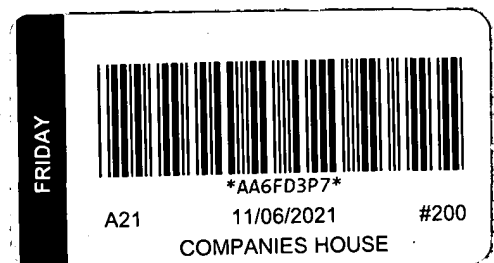


Registered number: 01617719

HG CONSTRUCTION LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020



HG CONSTRUCTION LIMITED

COMPANY INFORMATION

Directors	Christopher Benham Kevin Quinn Greg Purkiss Conor Rice Adam Quinn Daniel Rock Christopher Yates (appointed 13 January 2020)
Company secretary	Daniel Rock
Registered number	01617719
Registered office	4 Hunting Gate Hitchin Hertfordshire SG4 0TJ
Independent auditors	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors 2 London Wall Place London EC2Y 5AU

HG CONSTRUCTION LIMITED

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HG CONSTRUCTION LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The Directors present their Strategic Report for the year ended 31 December 2020 to provide a review of HG Construction Group's business, principal risks and key performance indicators.

Business review

The Group had another successful year achieving record turnover of £201,575k (2019: £150,474k), an increase of 34%, despite the COVID-19 pandemic fundamentally impacting the UK economy. Gross profit for the year amounted to £20,497k (2019: £14,991k) with the gross profit margin of 10.2% consistent to that achieved last year at 10.0%. These results are testament to the Group's 'Building Every Vision' ethos of providing a professional, personal and a complete customer service.

The Group's continued investment in groundworks, M&E, plant and piling divisions allows management to focus on cost certainty and by having a low overhead cost base, this allows flexibility when managing risk areas in construction for each project.

The financial position of the Group is presented in the balance sheet. The total shareholders' funds at 31 December 2020 were £35,336k (2019: £23,144k), net current assets were £28,816k (2019: £18,088k) and cash reserves improved to £40,598k (2019: £30,937k).

Principal risks and uncertainties

COVID-19

Whilst the long term impact of the pandemic on the general population and the economy as a whole is still unknown, the construction industry has been robust and has continued to operate during the pandemic. The Group is committed to ensuring the safety and welfare of employees with continued emphasis on the evolving social distancing methods and the Directors are frequently monitoring the impact of this, to ensure contracts are on programme and the extra costs associated with Covid safe working conditions are budgeted for.

Liquidity Risk

The Group has no long term financing debt and remains highly liquid with a healthy cash balance. Tight cost control and cash management has enabled the Group to maintain a strong cash position, despite the current economic landscape.

Price Risk

The risk of price increases in material and labour following Brexit could impact margins and the Group manages this risk on a project by project basis by limited forward buying and by negotiating annual rate with key suppliers.

Staff Risk

The retention and recruitment of skilled staff is always a key risk to the Group. During the year the Group facilitated a number of internal training courses and onboarded more apprentices compared to any previous year. As part of the Directors commitment to promote staff from within, the Board implemented a six month Senior Leadership Programme for individuals to aid their development and to ensure the Group's ethos is instilled across all departments. The Board would like to thank all employees for their efforts during a difficult but successful year.

HG CONSTRUCTION LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Financial key performance indicators

Financial and non-financial KPIs continue to be reviewed in line with budgets to ensure that risk and potential uncertainty within the Group are effectively managed.

Key Finance KPIs are as follows:

		2020	2019
Turnover	(£'000)	201,575	150,474
Gross profit	(£'000)	20,497	14,991
Gross profit margin	(%)	10.2%	10.0%
Operating profit	(£'000)	16,672	11,679
Operating profit margin	(%)	8.3%	7.8%
Cash at bank	(£'000)	40,598	30,937

Other key performance indicators

Programme delivery:

Despite the challenges faced due to the COVID-19 pandemic, the Group were able to work closely with our customers to complete jobs on time.

Health and Safety:

The Group strives for continuous improvement to ensure a safe and healthy environment is maintained and adequate resources are made available for these purposes. The Directors are pleased to report again that the Accident Frequency Rate (AFR) remained low and consistent to last year. While we are justifiably proud of our health and safety records across the Group, we continually seek ways to improve on procedures and training to all staff. The year saw the launch of a new well received Health & Safety 'Safety by Choice Not by Chance' campaign and the number of Health and Safety Managers employed increased, resulting in enhanced monthly monitoring.

HG CONSTRUCTION LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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 Group for the benefit of its members, as a whole, and in doing so having regard to the stakeholders set out in s.172(1) below:

Engagement with employees

The Group's strategy is to attract, retain and develop high calibre individuals through training initiatives recently launched. An employment engagement survey was carried out by an independent third party which allowed employees the opportunity to provide feedback on various topics. The Board has since used the information gathered to help shape strategies for individuals. The Group is keen for open and transparent dialogue between board members, employees and contractors through regular reviews and marketing updates. The Directors engage with employees through the 'Positive Leadership' programme, regular visits and meetings that take place across all construction sites.

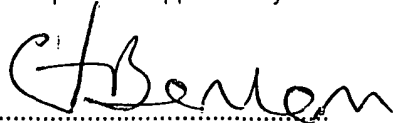
Health & Safety of employees is paramount and it is our policy to give sympathetic consideration, in both recruitment and training, for individuals who are disabled and to assist them in their career development.

Engagement with suppliers, customers and others

Long term business relationships exists with many of its key suppliers; working together to align business interest while ensuring our payment terms and behaviours do not prevent them from achieving their goals.

Customer relationships are maintained through regular interactions and by delivering excellent customer service, allowing customers the opportunity to provide input early in the design phase. This trend is increasing with the Group being engaged as construction partners earlier in the design process to add value with cost and design expertise. Customer satisfaction interviews are now completed to gather both quantitative and qualitative measures of success.

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



.....
Christopher Benham
Director

Date: 12/05/2021

HG CONSTRUCTION LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the financial statements for the year ended 31 December 2020.

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.

Principal activity

The principal activity of the Group is construction and house building, which is regarded by the Directors as a single class of business.

Results and dividends

The profit for the year, after taxation, amounted to £13,917k (2019 - £9,769k).

The Directors have recommended the payment of dividends totalling £1,725k (2019 - £4,650k). Non-controlling interests received dividends of £1,725k (2019 - £1,150k).

Directors

The Directors who served during the year were:

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

HG CONSTRUCTION LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Future developments

We continue to retain a strong pipeline of work and despite the current economic uncertainties, the Directors feel the Group is resilient and on course in 2021 to surpass the turnover level achieved this year. Further cash reserves may be utilised for property development purposes if the opportunities are presented.

Directors' indemnity insurance

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.

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.

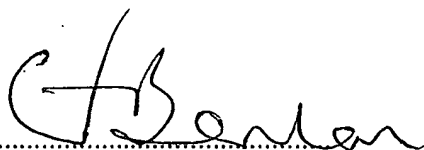
Post balance sheet events

There have been no significant events affecting the Group since the year end.

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: 12/05/2021

HG CONSTRUCTION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HG CONSTRUCTION LIMITED

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 2020, which comprise the Group Statement of Comprehensive Income, the Group and company Balance Sheets, the Group Statement of Cash Flows, the Group 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 2020 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.

Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included reviewing the results for the year ended 31 December 2020, reviewing the industry as a whole for changes as a result of COVID-19 and the future plans and budgets of the Company and wider group.

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.

HG CONSTRUCTION LIMITED

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

HG CONSTRUCTION LIMITED

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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. This description forms part of our Auditors' Report.

HG CONSTRUCTION LIMITED

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

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.



Atul Kariya, FCCA (Senior Statutory Auditor)
for and on behalf of
MHA MacIntyre Hudson
Chartered Accountants
Statutory Auditors
2 London Wall Place
London
EC2Y 5AU

Date: 20 May 2021

HG CONSTRUCTION LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
Turnover	4	201,575	150,474
Cost of sales		(181,078)	(135,483)
Gross profit		20,497	14,991
Administrative expenses		(3,872)	(3,416)
Other operating income		47	104
Operating profit		16,672	11,679
Interest receivable	8	61	82
Interest payable and similar expenses	9	(82)	(87)
Profit before taxation		16,651	11,674
Tax on profit	10	(2,734)	(1,905)
Profit for the financial year		13,917	9,769

There were no recognised gains and losses for 2020 or 2019 other than those included in the consolidated statement of comprehensive income.

The notes on pages 19 to 36 form part of these financial statements.

HG CONSTRUCTION LIMITED
REGISTERED NUMBER: 01617719

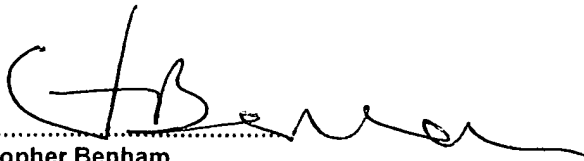
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Tangible assets	13		5,919		4,739
Investments	14		1,592		1,592
			<u>7,511</u>		<u>6,331</u>
Current assets					
Debtors: amounts falling due after more than one year	15	2,258		1,619	
Debtors: amounts falling due within one year	15	66,168		38,553	
Cash at bank and in hand	16	40,598		30,937	
		<u>109,024</u>		<u>71,109</u>	
Creditors: amounts falling due within one year	17	(80,208)		(53,021)	
Net current assets			<u>28,816</u>		<u>18,088</u>
Total assets less current liabilities			<u>36,327</u>		<u>24,419</u>
Creditors: amounts falling due after more than one year	18		(893)		(1,177)
Provisions for liabilities					
Deferred taxation	20	(98)		(98)	
			<u>(98)</u>		<u>(98)</u>
Net assets			<u><u>35,336</u></u>		<u><u>23,144</u></u>
Capital and reserves					
Called up share capital	22		58		58
Capital redemption reserve	23		100		100
Profit and loss account	23		35,178		22,986
			<u><u>35,336</u></u>		<u><u>23,144</u></u>

HG CONSTRUCTION LIMITED
REGISTERED NUMBER: 01617719

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

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


.....
Christopher Benham
Director

Date: 12/05/2021

The notes on pages 19 to 36 form part of these financial statements.

HG CONSTRUCTION LIMITED
REGISTERED NUMBER: 01617719

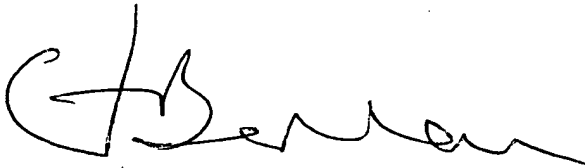
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Tangible assets	13		5,249		4,392
Investments	14		1,592		1,592
			<u>6,841</u>		<u>5,984</u>
Current assets					
Debtors: amounts falling due after more than one year	15	2,258		1,619	
Debtors: amounts falling due within one year	15	62,612		37,341	
Cash at bank and in hand	16	37,584		30,061	
		<u>102,454</u>		<u>69,021</u>	
Creditors: amounts falling due within one year	17	(75,595)		(51,888)	
Net current assets			<u>26,859</u>		<u>17,133</u>
Total assets less current liabilities			<u>33,700</u>		<u>23,117</u>
Creditors: amounts falling due after more than one year	18		(664)		(1,140)
Provisions for liabilities					
Deferred taxation	20		(98)		(98)
Net assets			<u><u>32,938</u></u>		<u><u>21,879</u></u>
Capital and reserves					
Called up share capital	22		58		58
Capital redemption reserve	23		100		100
Profit and loss account brought forward		21,721		17,223	
Profit for the year		12,784		9,148	
Dividends paid		(1,725)		(4,650)	
		<u></u>		<u></u>	
Profit and loss account carried forward			32,780		21,721
			<u><u>32,938</u></u>		<u><u>21,879</u></u>

HG CONSTRUCTION LIMITED
REGISTERED NUMBER: 01617719

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

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



.....
Christopher Benham
Director

Date: 12/05/2021

The notes on pages 19 to 36 form part of these financial statements.

HG CONSTRUCTION LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2019	58	100	17,867	18,025
Profit for the year	-	-	9,769	9,769
Dividends paid	-	-	(4,650)	(4,650)
At 1 January 2020	58	100	22,986	23,144
Profit for the year	-	-	13,917	13,917
Dividends paid	-	-	(1,725)	(1,725)
At 31 December 2020	58	100	35,178	35,336

The notes on pages 19 to 36 form part of these financial statements.

HG CONSTRUCTION LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2019	58	100	17,223	17,381
Profit for the year	-	-	9,148	9,148
Dividends paid	-	-	(4,650)	(4,650)
At 1 January 2020	58	100	21,721	21,879
Profit for the year	-	-	12,784	12,784
Dividends paid	-	-	(1,725)	(1,725)
At 31 December 2020	58	100	32,780	32,938

The notes on pages 19 to 36 form part of these financial statements.

HG CONSTRUCTION LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 £000	2019 £000
Cash flows from operating activities		
Profit for the financial year	13,917	9,769
Adjustments for:		
Depreciation of tangible assets	670	578
Loss on disposal of tangible assets	2	16
Interest paid	82	87
Interest received	(61)	(82)
Taxation charge	2,734	1,905
(Increase) in debtors	(28,269)	(5,714)
Decrease in amounts owed by groups	17	3,543
Increase in creditors	26,441	2,389
Corporation tax (paid)	(2,016)	(1,647)
Net cash generated from operating activities	13,517	10,844
Cash flows from investing activities		
Purchase of tangible fixed assets	(2,078)	(1,579)
Sale of tangible fixed assets	227	63
Interest received	61	82
HP interest paid	(82)	(87)
Net cash from investing activities	(1,872)	(1,521)
Cash flows from financing activities		
Repayment of/new finance leases	(259)	420
Dividends paid	-	(3,500)
Non-equity dividends paid	(1,725)	(1,150)
Net cash used in financing activities	(1,984)	(4,230)
Net increase in cash and cash equivalents	9,661	5,093
Cash and cash equivalents at beginning of year	30,937	25,844
Cash and cash equivalents at the end of year	40,598	30,937
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	40,598	30,937
	40,598	30,937

The notes on pages 19 to 36 form part of these financial statements.

HG CONSTRUCTION LIMITED

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	At 1 January 2020 £000	Cash flows £000	At 31 December 2020 £000
Cash at bank and in hand	30,937	9,661	40,598
Finance leases	(1,880)	259	(1,621)
	<u>29,057</u>	<u>9,920</u>	<u>38,977</u>

The notes on pages 19 to 36 form part of these financial statements.

HG CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

HG Construction Limited is a limited liability company incorporated in England and Wales.

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

The Group'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.

2.3 Going concern

The financial statements have been prepared on a going concern basis. The Directors have considered relevant information, including the annual budget, forecast future cash flows and the impact of subsequent events in making their assessment. In response to the COVID-19 pandemic, the Directors have performed a robust analysis of forecast future cash flows taking into account the potential impact on the business of possible future scenarios arising from the impact of COVID-19. This analysis also considers the effectiveness of available measures to assist in mitigating the impact

Based on these assessments and having regard to the resources available to the entity, the Directors have concluded that there is no material uncertainty and that they can continue to adopt the going concern basis in preparing the annual report and accounts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.4 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.

2.5 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.

2.6 Interest income

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

2.7 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.

2.8 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.9 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.

2.10 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.11 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.11 Tangible fixed assets (continued)

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 bases:

Plant and machinery	- 10-25% per annum on net book value basis
Motor vehicles	- 20-25% per annum on net book value basis
Other fixed assets	- 20% per annum on cost 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.

2.12 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.13 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.

2.14 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.

HG CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.15 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.

2.16 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.

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.18 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.

2.19 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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.

HG CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

5. Auditors' remuneration

	2020 £000	2019 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	39	39
Fees payable to the Group's auditor and its associates in respect of:		
Taxation compliance services	5	5
All other services	57	116

6. Employees

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

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Wages and salaries	6,699	5,178	6,699	5,178
Social security costs	836	592	836	592
Cost of defined contribution scheme	161	129	161	129
	7,696	5,899	7,696	5,899

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

	2020 No.	2019 No.
Administrative staff	24	24
Sales staff	3	4
Direct staff	64	48
	91	76

HG CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

7. Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	1,434	1,130
Company contributions to defined contribution pension schemes	81	60
	<u>1,515</u>	<u>1,190</u>

During the year retirement benefits were accruing to 6 Directors (2019 - 6) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £368k (2019 - £365k).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £48k (2019 - £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.

8. Interest receivable

	2020 £000	2019 £000
Bank and other interest receivable	<u>61</u>	<u>82</u>

9. Interest payable and similar expenses

	2020 £000	2019 £000
Finance leases and hire purchase contracts	<u>82</u>	<u>87</u>

10. Taxation

	2020 £000	2019 £000
Corporation tax		
Current tax on profits for the year	3,134	2,405
Adjustments in respect of previous periods	<u>(400)</u>	<u>(500)</u>
Taxation on profit on ordinary activities	<u>2,734</u>	<u>1,905</u>

HG CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

10. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	16,651	11,674
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	3,164	2,218
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	21	79
Non-taxable income	-	(113)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(400)	(500)
Other differences leading to an increase (decrease) in the tax charge	(51)	221
Total tax charge for the year	2,734	1,905

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

11. Dividends

	2020 £000	2019 £000
Dividends paid on Ordinary A shares	-	3,500
Dividends paid on Ordinary B shares	1,725	1,150
	1,725	4,650

Dividends paid to non-controlling interest totalled £1,725k (2019 - £1,150k).

HG CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

12. 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 £12,784k (2019 - £9,148k).

13. Tangible fixed assets**Group**

	Plant and machinery £000	Motor vehicles £000	Other fixed assets £000	Total £000
Cost or valuation				
At 1 January 2020	7,106	564	73	7,743
Additions	2,069	9	-	2,078
Disposals	(386)	(160)	-	(546)
At 31 December 2020	8,789	413	73	9,275
Depreciation				
At 1 January 2020	2,623	308	73	3,004
Charge for the year	610	60	-	670
Disposals	(183)	(135)	-	(318)
At 31 December 2020	3,050	233	73	3,356
Net book value				
At 31 December 2020	5,739	180	-	5,919
At 31 December 2019	4,483	256	-	4,739

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2020 £000	2019 £000
Plant and machinery	3,392	3,385
Motor vehicles	32	58
	3,424	3,443

HG CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

13. Tangible fixed assets (continued)

Company

	Plant and machinery £000	Motor vehicles £000	Other fixed assets £000	Total £000
Cost or valuation				
At 1 January 2020	6,524	564	73	7,161
Additions	1,562	9	-	1,571
Disposals	(255)	(160)	-	(415)
At 31 December 2020	7,831	413	73	8,317
Depreciation				
At 1 January 2020	2,388	308	73	2,769
Charge for the year	481	60	-	541
Disposals	(107)	(135)	-	(242)
At 31 December 2020	2,762	233	73	3,068
Net book value				
At 31 December 2020	5,069	180	-	5,249
At 31 December 2019	4,136	256	-	4,392

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2020 £000	2019 £000
Plant and machinery	2,889	3,145
Motor vehicles	32	58
	2,921	3,203

HG CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. Fixed asset investments**Group**

	Listed investments £000	Unlisted investments £000	Total £000
Cost or valuation			
At 1 January 2020	19	1,573	1,592
At 31 December 2020	<u>19</u>	<u>1,573</u>	<u>1,592</u>

Company

	Listed investments £000	Unlisted investments £000	Total £000
Cost or valuation			
At 1 January 2020	19	1,573	1,592
At 31 December 2020	<u>19</u>	<u>1,573</u>	<u>1,592</u>

HG CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

15. Debtors

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Due after more than one year				
Trade debtors	2,258	1,619	2,258	1,619
	<u>2,258</u>	<u>1,619</u>	<u>2,258</u>	<u>1,619</u>
Due within one year				
Trade debtors	13,174	11,251	13,172	11,248
Amounts owed by group undertakings	10,003	10,020	10,398	10,425
Other debtors	18,833	2,956	18,754	2,857
Amounts recoverable on long term contracts	24,158	14,326	20,288	12,811
	<u>66,168</u>	<u>38,553</u>	<u>62,612</u>	<u>37,341</u>

16. Cash and cash equivalents

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Cash at bank and in hand	40,598	30,937	37,584	30,061

HG CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

17. Creditors: Amounts falling due within one year

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Trade creditors	19,251	11,559	17,466	11,005
Amounts owed to group undertakings	-	-	130	233
Corporation tax	887	169	693	45
Other taxation and social security	515	495	479	475
Obligations under finance lease and hire purchase contracts	729	703	562	612
Other creditors	15	5	21	6
Accruals and deferred income	163	353	148	347
Accrued contract costs	58,648	39,737	56,096	39,165
	80,208	53,021	75,595	51,888

Details of security provided:

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

18. Creditors: Amounts falling due after more than one year

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Net obligations under finance leases and hire purchase contracts	893	1,177	664	1,140

Details of security provided:

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

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Within one year	729	703	562	612
Between 1-5 years	893	1,177	664	1,140
	1,622	1,880	1,226	1,752

HG CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

20. Deferred taxation**Group**

	2020 £000	2019 £000
At beginning of year	(98)	(98)
At end of year	<u>(98)</u>	<u>(98)</u>

Company

	2020 £000	2019 £000
At beginning of year	(98)	(98)
At end of year	<u>(98)</u>	<u>(98)</u>

The provision for deferred taxation is made up as follows:

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Accelerated capital allowances	<u>98</u>	<u>98</u>	<u>98</u>	<u>98</u>

21. Financial Instruments

All financial instruments are held at amortised cost.

HG CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22. Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
50,000 (2019 - 50,000) Ordinary A shares of £1.00 each	50	50
7,500 (2019 - 7,500) Ordinary B shares of £1.00 each	8	8
100 (2019 - 100) Ordinary C shares of £1.00 each	-	-
	<u>58</u>	<u>58</u>

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.

23. 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.

24. Pension commitments

The Group operates two defined contributions pension schemes. The assets of the scheme 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 amounted to £161k (2019: £129k). Contributions totalling £21k (2019: £15k) were payable to the funds at the balance sheet date.

HG CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

25. Commitments under operating leases

At 31 December 2020 the Group and the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Not later than 1 year	175	158	175	158
Later than 1 year and not later than 5 years	370	494	370	494
	<u>545</u>	<u>652</u>	<u>545</u>	<u>652</u>

Operating lease rentals expensed through the profit and loss account amounted to £174k (2019 - £158k)

26. 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 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:

	2020 £000	2019 £000
Purchases from related parties	13,829	9,372
Amounts due to related parties at the Balance Sheet date	-	514
Amounts due from related undertakings at the Balance Sheet date	<u>18,225</u>	<u>1,111</u>

27. Controlling party

The parent company is HG Construction (Holdings) Limited.

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

The ultimate controlling party is Christopher Benham and Kevin Quinn.