

Company Registration No. SC350707 (Scotland)

COMPANIES HOUSE

21 JUN 2023

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FOR SC128301

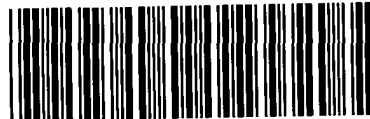
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HFD CONSTRUCTION GROUP LIMITED

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

FOR THE PERIOD ENDED 30 JUNE 2022

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COMPANIES HOUSE

HFD CONSTRUCTION GROUP LIMITED

COMPANY INFORMATION

Directors	Mr W K Hill Mr W D Hill	(Appointed 1 April 2022)
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Company number	SC350707
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Registered office	177 Bothwell Street Glasgow Scotland United Kingdom G2 7ER
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Auditor	Johnston Carmichael LLP 227 West George Street Glasgow G2 2ND
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HFD CONSTRUCTION GROUP LIMITED

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HFD CONSTRUCTION GROUP LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 30 JUNE 2022

The directors present the strategic report for the period ended 30 June 2022.

Fair review of the business

The company acts as the holding company of a trading group whose principal activities are that of property construction and development.

Construction Group turnover in the period amounted to £15,529,000 (2021 £56,298,000). At the year end the group had shareholders' funds of £30,151,000 (2021 £30,833,000).

Construction Group turnover has decreased in the period due its main project coming to the final stages of the construction phase and the prior period being 18 months. The Group has posted a loss in the year which can be attributed to significant delays in its main project resulting in increased costs, the project has been completed post year end therefore the Group has more cost certainty. Overall, the directors are satisfied with the performance of the group in the period given the challenging conditions. The directors are confident the future outlook of the business remains positive and that the group has the resilience to navigate any further headwinds caused by the uncertain economic outlook.

Principal risks and uncertainties

The group finances its operations through a mixture of retained profits and secure bank deposits. The group does not rely upon any bank debt to finance its current construction activities. The board closely monitors the economic outlook within the construction sector with a view to manage risk to achieve:

- Maximum return on funds employed through construction and development activities;
- Retention of sufficient funds for day-to-day obligations and to cover potential unforeseen risks and liabilities;
- Reduce price, building and delivery risk to acceptable levels;

The principal risks impacting the group are price and delivery risk, these are monitored through a competitive tender process with suppliers and subcontractors and actively monitoring progress on site.

Key performance indicators

The directors use a number of indicators to monitor and improve the position of the business. The directors consider the financial key performance indicators of the group to be profitability, cashflow and return on capital employed. Non-financial key performance indicators include customer satisfaction levels.

On behalf of the board

Mr W D Hill
Director

6 April 2023

HFD CONSTRUCTION GROUP LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30 JUNE 2022

The directors present their annual report and financial statements for the period ended 30 June 2022.

Principal activities

The principal activity of the group continued to be that of property construction and development.

Results and dividends

The results for the period are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Mr W K Hill

(Appointed 1 April 2022)

Mr W D Hill

Mr D J Shearer

(Resigned 31 March 2022)

Future developments

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments.

Auditor

Johnston Carmichael LLP was appointed as auditor to the company during the period and is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

Mr W D Hill

Director

6 April 2023

HFD CONSTRUCTION GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2022

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 ;
- prepare the on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

HFD CONSTRUCTION GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HFD CONSTRUCTION GROUP LIMITED

Opinion

We have audited the financial statements of HFD Construction Group Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 30 June 2022 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including 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 the parent company's affairs as at 30 June 2022 and of the group's loss for the period 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 Auditor 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 UK, including the FRC'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 and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other Information

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

We have nothing to report in this regard.

HFD CONSTRUCTION GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HFD CONSTRUCTION GROUP LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

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

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

Extent to which the audit is considered capable of detecting irregularities, including fraud

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.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

HFD CONSTRUCTION GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HFD CONSTRUCTION GROUP LIMITED

(Extent to which the audit is considered capable of detecting irregularities, including fraud, continued)

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and the parent company and the sector in which they operate, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- Companies Act 2006;
- Tax legislation (specify jurisdictions); and
- UK Generally Accepted Accounting Practice.

We gained an understanding of how the group and the parent company are complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

- Management override of controls
- Revenue recognition

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the group's procurement of legal and professional services
- Performing audit work procedures 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 judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

HFD CONSTRUCTION GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HFD CONSTRUCTION GROUP LIMITED

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

James Hamilton (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

6 April 2023

Chartered Accountants
Statutory Auditor

227 West George Street
Glasgow
G2 2ND

HFD CONSTRUCTION GROUP LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2022

		Period ended 30 June 2022 £000	18 Months ended 23 June 2021 £000
	Notes		
Turnover	3	15,529	56,298
Cost of sales		(15,944)	(55,751)
Gross (loss)/profit		(415)	547
Administrative expenses		(2,148)	(2,007)
Operating loss		(2,563)	(1,460)
Interest receivable and similar income	6	1,786	2,288
Interest payable and similar expenses	7	-	(35)
(Loss)/profit before taxation		(777)	793
Tax on (loss)/profit	8	95	-
(Loss)/profit for the financial period	17	(682)	793

(Loss)/profit for the financial period is all attributable to the owners of the parent company.

Total comprehensive income for the period is all attributable to the owners of the parent company.

There were no items of other comprehensive income in the current or prior period.

HFD CONSTRUCTION GROUP LIMITED

GROUP BALANCE SHEET

AS AT 30 JUNE 2022

		30 June 2022	23 June 2021
	Notes	£000	£000
Current assets			
Stocks	11	285	137
Debtors	12	68,982	74,566
Cash at bank and in hand		1,028	3,327
		<u>70,295</u>	<u>78,030</u>
Creditors: amounts falling due within one year	13	(11,195)	(19,039)
Net current assets		59,100	58,991
Creditors: amounts falling due after more than one year	14	(28,949)	(28,158)
Net assets		<u>30,151</u>	<u>30,833</u>
Capital and reserves			
Called up share capital	16	-	-
Profit and loss reserves	17	30,151	30,833
		<u>30,151</u>	<u>30,833</u>

The financial statements were approved by the board of directors and authorised for issue on 6 April 2023 and are signed on its behalf by:

Mr W D Hill
Director

HFD CONSTRUCTION GROUP LIMITED

COMPANY BALANCE SHEET

AS AT 30 JUNE 2022

		30 June 2022	23 June 2021
	Notes	£000	£000
Fixed assets			
Investments	9	488	963
Current assets			
Stocks	11	285	137
Debtors	12	38,992	39,740
Cash at bank and in hand		1,025	3,287
		<u>40,302</u>	<u>43,164</u>
Creditors: amounts falling due within one year	13	<u>(10,989)</u>	<u>(14,932)</u>
Net current assets		29,313	28,232
Total assets less current liabilities		29,801	29,195
Creditors: amounts falling due after more than one year	14	(734)	-
Net assets		<u>29,067</u>	<u>29,195</u>
Capital and reserves			
Called up share capital	16	-	-
Profit and loss reserves	17	29,067	29,195
Total equity		<u>29,067</u>	<u>29,195</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £128,437 (2021 - £528,890 profit).

The financial statements were approved by the board of directors and authorised for issue on 6 April 2023 and are signed on its behalf by:

Mr W D Hill
Director

Company Registration No. SC350707

HFD CONSTRUCTION GROUP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2022

	Profit and loss reserves
	£000
Balance at 24 December 2019	30,040
	<hr/>
Period ended 23 June 2021:	
Profit and total comprehensive income for the period	793
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Balance at 23 June 2021	30,833
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Period ended 30 June 2022:	
Loss and total comprehensive expenditure for the period	(682)
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Balance at 30 June 2022	30,151
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HFD CONSTRUCTION GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2022

	Profit and loss reserves
	£000
Balance at 24 December 2019	28,666
Period ended 23 June 2021:	
Profit and total comprehensive income for the period	529
Balance at 23 June 2021	29,195
Period ended 30 June 2022:	
Loss and total comprehensive expenditure for the period	(128)
Balance at 30 June 2022	29,067

HFD CONSTRUCTION GROUP LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2022

			Period ended 30 June 2022 £000		Period ended 23 June 2021 £000
	Notes	£000		£000	
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	20		(2,558)		104
Interest paid			-		(35)
Income taxes refunded/(paid)			259		(2,547)
Net cash outflow from operating activities			(2,299)		(2,478)
Net decrease in cash and cash equivalents			(2,299)		(2,478)
Cash and cash equivalents at beginning of period			3,327		5,805
Cash and cash equivalents at end of period			1,028		3,327

HFD CONSTRUCTION GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2022

1 Accounting policies

Company information

HFD Construction Group Limited ("the company") is a private limited company domiciled and incorporated in Scotland. The registered office is 177 Bothwell Street, Glasgow, Scotland, United Kingdom, G2 7ER.

The group consists of HFD Construction Group Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102 and has taken advantage of the exemption available from the requirement to present a company only cash flow statement and related notes and disclosures.

1.2 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company HFD Construction Group Limited together with all entities controlled by the parent company (its subsidiaries).

All financial statements are made up to 30 June 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are consolidated in the group's financial statements from the date that control commences until the date that control ceases.

1.3 Going concern

The directors are required to prepare the statutory financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. In satisfaction of this responsibility the directors have considered the group's ability to meet its liabilities as they fall due.

The company meets its day to day working capital requirements through its day to day trading. The company closely monitors and manages its funding position and liquidity risk throughout the year to ensure that it has access to sufficient funds to meet forecast cash requirements. The current and future financial position of the company, its cash flows and liquidity position have been reviewed by the directors and deemed satisfactory for going concern. The financial statements have therefore been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The directors expect the company to achieve profitability in the future.

HFD CONSTRUCTION GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2022

1 Accounting policies

(Continued)

1.4 Reporting period

The financial statements for the current period cover the period from 1 July 2021 to 30 June 2022 utilising the 7 day variation to statutory year end for administrative purposes. The prior period accounts are drawn up for an 18 month period from 24 December 2019 to 30 June 2021, again utilising the 7 day variation to statutory year end for administrative purposes. Comparative amounts presented in the financial statements (including the related notes) are therefore not entirely comparable.

1.5 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Turnover includes:

- Income from property construction and development;
- Income from property rental; and
- Income from liquidated and ascertained damages.

The group's policy in respect of long term contracts is outlined at note 1.8.

1.6 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.7 Stocks

Stocks represent work in progress stated at the lower of acquisition cost and net realisable value.

1.8 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs if the contract is obtained in a subsequent period.

HFD CONSTRUCTION GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2022

1 Accounting policies

(Continued)

Construction contracts (continued)

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

Contracts for which the group is the main contractor recognise profit by each stage within the contract where fixed price contracts have been entered in to and that stage has been completed or substantially completed.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand and deposits held at call with banks,

1.10 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

Basic financial assets

Basic financial assets, which include certain debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss account.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

HFD CONSTRUCTION GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2022

1 Accounting policies

(Continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including certain creditors and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.11 Equity Instruments

Equity Instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

HFD CONSTRUCTION GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2022

1 Accounting policies

(Continued)

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Accounting for construction contracts

The Group estimates the outcome of its construction contracts. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion.

Estimated total contract costs are based on management's detailed budgets and projections. Where management judge that the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable.

Impairment provisions against stock and debtors

In application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

3 Turnover and other revenue

	2022	2021
	£000	£000
Turnover analysed by class of business		
Property construction	15,529	56,298

HFD CONSTRUCTION GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2022

3 Turnover and other revenue		(Continued)	
	2022	2021	
	£000	£000	
Other significant revenue			
Interest income	1,786	2,288	
	<u>1,786</u>	<u>2,288</u>	

4 Auditor's remuneration		2022	2021
		£000	£000
Fees payable to the company's auditor and associates:			
For audit services			
Audit of the financial statements of the group and company	10	5	
Audit of the financial statements of the company's subsidiaries	5	10	
	<u>15</u>	<u>15</u>	
For other services			
Taxation compliance services	4	4	
	<u>4</u>	<u>4</u>	

5 Employees

The average monthly number of persons (including directors) employed by the group and company during the period was:

	Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
Total	21	17	15	8
	<u>21</u>	<u>17</u>	<u>15</u>	<u>8</u>

Their aggregate remuneration comprised:

	Group 2022 £000	2021 £000	Company 2022 £000	2021 £000
Wages and salaries	993	157	993	157
Social security costs	73	17	73	17
Pension costs	28	7	28	7
	<u>1,094</u>	<u>181</u>	<u>1,094</u>	<u>181</u>

6 Interest receivable and similar income

	2022	2021
	£000	£000
Interest income		
Other interest income	1,786	2,288
	<u>1,786</u>	<u>2,288</u>

HFD CONSTRUCTION GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2022

7 Interest payable and similar expenses

	2022 £000	2021 £000
Interest on bank overdrafts and loans	-	20
Other interest	-	15
	<u>-</u>	<u>35</u>
Total finance costs	<u>-</u>	<u>35</u>

8 Taxation

	2022 £000	2021 £000
Current tax		
UK corporation tax on profits for the current period	164	-
Adjustments in respect of prior periods	51	-
Group tax relief	(310)	-
	<u>(95)</u>	<u>-</u>
Total current tax	<u>(95)</u>	<u>-</u>

The actual (credit)/charge for the period can be reconciled to the expected (credit)/charge for the period based on the profit or loss and the standard rate of tax as follows:

	2022 £000	2021 £000
(Loss)/profit before taxation	<u>(777)</u>	<u>793</u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(148)	151
Change in unrecognised deferred tax assets	2	-
Adjustments in respect of prior years	51	-
Group relief	-	(140)
Other adjustments	-	(10)
Adjustment to deferred tax rate	-	(1)
Group relief surrendered/(claimed)	310	-
Payment/(receipt) for group relief	<u>(310)</u>	<u>-</u>
Taxation credit	<u>(95)</u>	<u>-</u>

A change in the future UK Corporation tax rate to 25% with effect from 1 April 2023 was announced in the March 2021 budget and substantively enacted on 24 May 2021. This change will have a consequential effect on the group's future tax charge in the UK and as the 25% tax rate was substantively enacted prior to the reporting date, deferred tax expected to unwind after 1 April 2023 has been calculated at 25% as opposed to the current tax rate of 19%.

HFD CONSTRUCTION GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2022

9 Fixed asset investments

		Group 2022 £000	2021 £000	Company 2022 £000	2021 £000
	Notes				
Investments in subsidiaries	10	-	-	488	963

Impairment of fixed asset investments for a value of £475,000 occurred in the year. The investment in Strathclyde Business Park (Developments) Limited, has been impaired by £471,000 and High Blantyre Construction Limited impaired £4,000. The remaining investment in Strathclyde Business Park (Developments) Limited is £1,000 and £1 in High Blantyre Construction Limited.

Movements in fixed asset investments Company

	Shares in subsidiaries £000
Cost or valuation	
At 24 June 2021 and 30 June 2022	963
Impairment	
At 24 June 2021	-
Impairment losses	475
At 30 June 2022	475
Carrying amount	
At 30 June 2022	488
At 23 June 2021	963

10 Subsidiaries

Details of the company's subsidiaries at 30 June 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
High Blantyre Construction Limited	1	Property Construction	Ordinary	100.00
Newhouse North Construction Limited	1	Property Construction	Ordinary	100.00
Strathclyde Business Park (Developments) Limited	1	Construction	Ordinary	100.00

1) 177 Bothwell Street, Glasgow, Scotland, G2 7ER

High Blantyre Construction Limited, Newhouse North Construction Limited and Strathclyde Business Park (Developments) Limited, have taken the exemption from the requirement to have their individual financial statements audited. The exemption is available under section 479A of the Companies Act 2006.

HFD CONSTRUCTION GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2022

11 Stocks

	Group	2021	Company	2021
	2022		2022	
	£000	£000	£000	£000
Work in progress	285	137	285	137

12 Debtors

	Group	2021	Company	2021
	2022		2022	
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	3	12	3	11
Corporation tax recoverable	-	51	-	-
Amounts owed by group undertakings	59,800	65,654	29,810	30,891
Other debtors	2,556	2,431	2,556	2,431
Prepayments and accrued income	5,393	5,348	5,393	5,337
	67,752	73,496	37,762	38,670

Amounts falling due after more than one year:

Other debtors	1,230	1,070	1,230	1,070
Total debtors	68,982	74,566	38,992	39,740

13 Creditors: amounts falling due within one year

	Group	2021	Company	2021
	2022		2022	
	£000	£000	£000	£000
Trade creditors	1,883	3,858	1,869	3,844
Amounts owed to group undertakings	7,295	8,560	7,110	4,550
Corporation tax payable	164	-	157	-
Other taxation and social security	22	1,556	22	1,552
Other creditors	28	98	28	97
Accruals and deferred income	1,803	4,967	1,803	4,889
	11,195	19,039	10,989	14,932

Amounts owed to group undertakings are repayable on demand and attract no interest.

Other creditors include £916k of amounts payable to related parties. These amounts are also repayable on demand and attract no interest.

HFD CONSTRUCTION GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2022

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade creditors	734	-	734	-
Accruals and deferred income	28,215	28,158	-	-
	<u>28,949</u>	<u>28,158</u>	<u>734</u>	<u>-</u>

Amounts included within Accruals & Deferred Income relate to amounts received in advance from customers for contracted works not performed.

15 Retirement benefit schemes

	2022	2021
	£000	£000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>28</u>	<u>7</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. There was £nil (2021: £12,116) of unpaid contributions outstanding at 30 June 2022.

16 Share capital

Group and company	2022	2021	2022	2021
	Number	Number	£000	£000
Ordinary share capital issued and fully paid				
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>

The company has one class of Ordinary shares. There are no restrictions in respect to distribution of dividends and the repayment of capital.

17 Reserves

Profit and loss reserves

The profit and loss reserves represents cumulative profits and losses, less any dividends paid.

18 Related party transactions

Transactions with related parties

During the period the group entered into the following transactions with related parties:

	Sales		Purchases	
	2022	2021	2022	2021
	£000	£000	£000	£000
Group				
Other related parties	<u>15,124</u>	<u>50,956</u>	<u>-</u>	<u>166</u>

HFD CONSTRUCTION GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2022

18 Related party transactions

(Continued)

Company				
Other related parties	15,124	48,301	-	28
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

			2022	2021
			£000	£000
Group				
Other related parties			-	171
			<u> </u>	<u> </u>

Company				
Other related parties			-	171
			<u> </u>	<u> </u>

The following amounts were outstanding at the reporting end date:

Amounts due to related parties		2022	2021
		£000	£000

Group			
Other related parties		25	85
		<u> </u>	<u> </u>

Company			
Other related parties		28	85
		<u> </u>	<u> </u>

The following amounts were outstanding at the reporting end date:

Amounts due from related parties		2022	2021
		Balance	Balance
		£000	£000

Group			
Other related parties		916	325
		<u> </u>	<u> </u>

Company			
Other related parties		916	325
		<u> </u>	<u> </u>

HFD CONSTRUCTION GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2022

18 Related party transactions

(Continued)

Other information

As permitted by exemption of FRS 102, no intra group transactions have been disclosed with wholly owned group companies that are consolidated within HFD Group Limited, the group's ultimate parent company.

All transactions noted above were carried out at normal commercial rates and amounts owed by/to related undertakings are interest free (except as stated) and have no fixed terms of repayment.

19 Controlling party

The controlling party and ultimate parent undertaking is HFD Group Limited which is the largest group of companies for which group financial statements are prepared. Copies of the group financial statements are available to the public from Companies House, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF. HFD Construction Group Limited is the smallest group for which group financial statements are prepared.

The Hill 2011 Trust and The Alexander Trust and their members are considered to be the ultimate controlling party due to their majority shareholding in HFD Group Limited.

20 Cash (absorbed by)/generated from group operations

	2022 £000	2021 £000
(Loss)/profit for the period after tax	(682)	793
Adjustments for:		
Taxation credited	(95)	-
Finance costs	-	35
Investment income	(1,786)	(2,288)
Movements in working capital:		
(Increase)/decrease in stocks	(148)	3,568
Decrease/(increase) in debtors	7,369	(7,712)
(Decrease)/increase in creditors	(7,216)	5,708
Cash (absorbed by)/generated from operations	(2,558)	104

21 Analysis of changes in net funds - group

	24 June 2021 £000	Cash flows £000	30 June 2022 £000
Cash at bank and in hand	3,327	(2,299)	1,028

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.