Hills UK Limited

Annual report and consolidated financial statements
Registered number 00530623
30 April 2020

Contents

Company information

Directors

Alan G Pardoe ACMA, Chairman
Michael P Hill, Chief Executive
Anthony N Hill
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Strategic report

Principal activities

The principal activities of the Hills UK group of companies during the year continued to be that of sand and gravel extraction, waste management and recycling, haulage, property investment, housing development, and the manufacture and sale of ready mixed concrete.

Summary

The period since my last review has been remarkable by any standards. The year began with disarray at Westminster over the Brexit issue, that was followed by an election for a new leader of the Conservative party, then a General Election in which the new leader won a significant majority. The exiting of the European Union was then duly achieved, some 5 years after the referendum vote for it, then as we were all breathing a sigh of relief that some level of certainty for the future would emerge along came Covid 19, a national lockdown and the sharpest recession in living memory. Whilst much of the latter is not reflected in these accounts, I am pleased to be able to report that the Group has managed to steer a course through these events to shield itself from severe financial headwinds, and, whilst the Covid 19 storm is far from over, we are in a better position than we might have expected to be at the start of the lockdown event. This is in no small way due to the resilience and ingenuity of our management team and the diligent efforts of all of our employees.

The record shows that our profit on ordinary activities before tax for the year was £6,670,000 (*2019: £10,058,000*). After tax, profits were £5,327,000 *(2019: £8,351,000).* If the exceptional profit from the sale of land is excluded from the prior year figure, and the gains from revaluing investment properties are excluded from the current year, then the profit from our continuing operations is at a very similar level to the previous year. In view of the exceptional financial environment, the board made a decision not to pay the final quarterly dividend in the year in order to conserve cash. Dividends were therefore lower than the prior year at £1,738,000 (*2019: £ 2,263,000*). Overall, the value of shareholders' funds rose to £73,412,000 (*2019: £72,519,000*). This was despite an actuarial loss as shown in the Consolidated Statement of Other Comprehensive Income of £2,696,000 (*2019:£641,000*) as the wider impact of the Covid-19 on financial markets at our balance sheet date led to a significant increase in the actuarial valuation of liabilities in the group's final salary pension scheme.

Quarry Products

The level of activity in the aggregate and concrete markets in the UK during 2019/20 financial year was generally lower when compared to the previous year, to an extent a result of the political uncertainty impacting on new investment in the Construction sector. Overall performance was a little below expectations, partly due to production problems at two sites, difficult weather conditions at most sites during the winter and a sharp fall off in demand during the immediate period following the national coronavirus lockdown in April.

The search for new reserves is always an important issue and remains a challenging environment. Delays and deferrals in the planning system continue to plague the sector and have not lessened in prevalence or duration. Our planning application for new reserves at our Calne quarry has still not been determined, however I am pleased to report that the application at Woodsford quarry was determined in our favour.

We are progressing well with our development partner in the Cotswold Water Park, and whilst time taken in preparation of documentation to support the planning process means that we have been further delayed, we expect to submit a full application in early 2021. This is not jeopardising our ability to maintain our ongoing production capability from the Cotswold Water Park and we have sufficient reserves for the foreseeable future.

Market conditions were quite difficult at the start of the new financial year but the Construction industry recovered quicker than most from the lockdown disruption. From June onwards we saw a significant resurgence in demand and this has been maintained through the summer period. We are ahead of our Covid-19 revised budget at the present time and whilst we are mindful of potentially difficult times ahead this winter, we currently anticipate an acceptable outturn for the year. The longer term outlook for this business remains positive, and I am sure it will continue to be a significant contributor to Group profits over the years to come.

Strategic report *(continued)*

Waste Solutions

The Waste Management business continues to produce satisfactory returns overall, despite several challenging areas, as we migrate up the waste hierarchy and reduce our dependence on landfill as a disposal option.

Wiltshire Council Contracts

In my last review I looked forward to the commencement of the tendered solutions for the recycling and collection services contracts. These duly commenced in early March 2020, a little later than I expected at the time. Unfortunately this was about 2 weeks before the start of the national coronavirus lockdown and we had little unconstrained mobilisation time before we were hit with a significant increase in waste volumes and considerable logistics problems arising as a result of the lockdown. It is not surprising that we encountered significantly increased costs and that this has meant that the performance of these contracts has been substantially below expectation. We are currently working hard to keep costs under control and negotiating with the Council how we might get recompense for this. The whole process continues to be most challenging and a great deal of credit must go to the staff involved for their perseverance in the circumstances. I would like also to particularly thank the collection crews during the lockdown period for their commitment to keeping the service running during a particularly difficult time. I hope very much to be able to confirm in my next report a resolution to this issue by the end of the current financial year.

Our other contracts with Wiltshire Council continue to perform well, Northacre Resource Recovery Centre, the mechanical and biological treatment facility, has performed very well this year and remained fully operational throughout the lockdown period. The contract diverting waste from landfill to generate electricity at the Lakeside energy from waste facility continues to see a regular profit performance.

Waste Disposal

We have re-evaluated the Westbury waste to energy project with our partners and external funders and this led to a change in the technology selection to a traditional moving grate combustion process. Consequently we have recently submitted a new planning application to progress this project. I am hopeful this will be approved during the current year so that the construction phase of the project may start in 2022.

The Landfill business continues to operate at similar levels to the recent past. Despite a reduction of volumes during the lockdown period the business continues to be a very useful contributor to profitability.

Waste Collection

The waste collection business continued to show improvement during the year, with further reductions in cost and reassessment of markets. Unfortunately the business was adversely affected when many of its customers were shut down in March. It has slowly begun to recover as markets have improved during the latter part of this summer. We expect to continue to make improvements going forward and look forward to this business contributing to overall profitability over the medium term.

In summary

The waste management business as a whole continues to experience challenging times at present, with new contracts and projects taking up a significant amount of management time and resources. Profitability, whilst lower than in 2018/19, has held up reasonably well. However, the hoped for improvements as the Wiltshire contract was implemented have not materialized. I am sure that we will be able to resolve the issues with the Wiltshire collection contract during the current year and this should lead to an overall improvement for this business.

Strategic report *(continued)*

Homes

The residential development business had another successful year, despite profits being below the previous year, considering the impact of the national coronavirus lockdown restrictions which prevented the completion of most of the scheduled house sales in March and April.

During 2019/20 we had 4 main development sites at Calne, Hilperton, Corston and Tetbury and sold a total of 62 plots a reduction of 16 compared to 2018/19.

Future sites to be developed include developments at Wroughton, further sites at Blunsdon and at Calne, West Hanney, Sutton Benger and Purton. We have in total 332 plots (*2019: 340 plots*) either under construction or with planning permission and a further 49 plots (*2019: 103 plots*) on option subject to planning being granted .

The business was substantially shut down during national lockdown with completions restarting in mid June. Construction has restarted at Tetbury and Calne and the new site at Blunsdon will start in the early autumn. Reservations have been quite buoyant during the summer period and we expect that to continue until the early part of next year. We do however expect the market to turn down, possibly sharply as the stamp duty holiday comes to an end in March next year. Apart from a difficult period in early 2021, the outlook for the housing business remains positive over the next 3 to 4 years, and providing that the market remains stable, we should see some worthwhile profits accrue in this business.

Financial

Group Net Borrowings at 30th April 2020 were £14,471,000 (*2019: £12,397,000*) which represented 20% of net assets (*2019: 17%)*. Net cash generated from operating activities in the year was £14,645,000 *(2019: £5,380,000)* as shown in the Consolidated Cash Flow Statement and, net of direct asset financing, £14,822,000 *(2019: £6,488,000*) of this cash generated was used to acquire tangible fixed assets for future business growth.

Turnover in the year reduced by £1,440,000 to £119,280,000, a reduction of 1*% (2019: increase of £19,614,000 or 19% to £120,720,000)*. Gross profits reduced by 10% to £19,459,000 *(2019: increase of 2% to £21,522,000).* The gross profit margin declined from 18% in 2019 to 16% in 2020 due principally to additional costs incurred in the Wiltshire Contracts, some of which are attributable to the Coronavirus lockdown restrictions.

The Coronavirus has had a significant impact on wider financial markets which have seen lower asset values and, more significantly, also lower bond returns which have increased the accounting measure of liabilities in our closed final salary pension scheme. The pension scheme has switched from a net asset of £1,381,000 at 30 April 2019 to a net liability of £1,236,000 at 30 April 2020. Full details of the pension liability and supporting notes are included in note 21 of these accounts.

The Board is aware of the need to ensure that it manages the cash flow of the business closely as we progress through what should be an expansionary period for the Group whilst also responding to the possibility of further economic impacts of the Coronavirus this winter. We have agreed a financing structure with our bank that will allow us to implement the many projects currently in our forecast. There could well be further delays and downturns in the short term as the possibility of a no-deal Brexit at the end of the calendar year also enters into the challenging economic environment for the UK. We remain confident, however, that we will be able to deliver a reasonable level of profit growth over the medium term.

Dividend payments have been reduced during the Coronavirus pandemic, with no April 2020 payment and the July 2020 payment reduced. Dividends are anticipated to return to planned levels from the end of 2020 but the Board is always mindful of our need to conserve cash for development projects coming on stream.

Strategic report *(continued)*

Risk Management

The group's principal financial instruments comprise cash, bank borrowings, and capital financing, the main purpose of which is to provide finance for its normal operations. The main risk arising from its financial instruments are interest rates risk and liquidity risk. In addition the group has an exposure to exchange rate fluctuations due to the purchase of machinery in Euros and the current disposal of solid recovered fuel into the European market. The directors are satisfied that the group has sufficient resources to continue the operational activities of the business despite the continued uncertain economic outlook.

The group is also exposed to other risks and other uncertainties including those associated with the impact of its operations on the environment and Government environmental policy and regulations and Government planning policy. The directors monitor and take actions to mitigate these risks and minimise their impact.

Where the company is exposed to the European supply chain we are looking at contingency planning to minimise our exposure to potential disruption arising from a disorderly exit from the European Union as a result of a no deal Brexit.

COVID-19

As noted throughout this report the Covid-19 virus has had a major impact on the economy and added an unwelcome element of uncertainty into our plans in line with most companies across the UK. We have noted in the various divisional sectors of this report the immediate impact on those operations of the initial lock down period in March and April. We revised our financial models at this time and decided not to take up any of the Government emerging funding schemes on offer but did make use of the VAT payment deferral scheme and used the furlough scheme in all of our operating companies apart from Hills Municipal Collections, where the work is an essential service and so continued throughout this period.

As we have progressed beyond this initial lockdown period and into the new financial year we have performed better than our initial modelling assumptions and all operations, with the exception of some commercial waste collections from the retail and hospitality sectors, have now returned to normal with all but a handful of employees currently off of furlough.

We have now modelled a two year financial forecast based on the assumption of some further downturn this winter and are confident that unless the national economy is hit far harder than expected we will be able to weather this period with sufficient cash and borrowing capacity to meet our investment plans and bounce back quickly.

Throughout this period we have prioritised the safety of our employees and customers and looked to maintain and undertake activities in accordance with Government guidance and industry best practice. As much of our activities are within industries classed as essential services and with a large proportion of our employees delivering these services the company reacted quickly to make our sites and workplaces Covid-19 secure and where possible we have made arrangements to allow employees to work from home where they can do so effectively or were at the start of the pandemic required to shield. The company has also developed its own workplace awareness material to support social distancing rules and promote personal hygiene in the workplace and for visitors at all our sites.

The company has made variations to its sickness absence and family leave policies so employees requiring to self-isolate, shield or care for vulnerable family members are not unduly financial penalised. The company operates and makes available to all employees access to employee assistance programmes and has directly promoted the benefits of these to our employees alongside mental health awareness campaigns to help support well- being in the work place and at home.
Throughout the pandemic the company has regularly communicated with its employees and to sought to keep them up to date with company news and latest guidance. In addition the company and operating companies have issued regular trading updates to keep customers and stakeholders updated on our operation and delivery of services. These statements have been published on our company websites and via social media channels

Strategic report *(continued)*

Environment and Streamlined Energy and Carbon Reporting (SECR)

The group's environmental policy is available from the group's website at www.hills-group.co.uk. Hills Waste Solutions Limited operations work within an environment management system that has been externally certified to international standard ISO14001:2004.

The following SECR report has been prepared by an independent third party energy efficiency consultant based on data provided by the group.

Hills Group GHG emissions and energy use data for period
1 May 2019 to 30 April 2020

Parameter	Units	Current reporting year 01/05/19 - 30/04/20	Comparison reporting year 01/05/18 - 30/04/19
Energy consumption used to calculate emissions	kWh	64,286,091	61,438,277
Emissions from combustion of gas (scope 1)	tCO2e	141	70
Emissions from combustion of fuel for transport purposes (scope 1)	tCO2e	13,875	13,225
Emissions from business travel (scope 3)	tCO2e	137	149
Emissions from purchased electricity (scope 2)	tCO2e	2,061	2,321
Total emissions from above	tCO2e	16,214	15,765
Intensity ratio: Total emissions / turnover	tCO2e/£m	135.93	130.59

Methodology

The same approach as was taken for the ESOS assessments reported in 2015 and 2019 has been used. Energy consumption is taken from management accounts as cost and converted to energy using an average price. Where accounts include non-energy costs these elements have been estimated as a percentage of total cost and deducted.
Conversion from energy to emissions is by application of the relevant emissions factor from "UK Government GHG Conversion Factors for Company Reporting" for the appropriate year.

The intensity ratio is calculated on a Group basis.

Scope 3 emissions have been calculated from estimated activity data, representing 0.8 % of total emissions

Strategic report *(continued)*

Environment and Streamlined Energy and Carbon Reporting (SECR) *(continued)*

Energy Efficiency Action

In the period covered by the report the Company has committed resources to the following initiatives that are expected to result in energy and carbon savings as follows:
- Efficiency improvements within the municipal collections fleet including consolidation of vehicle locations, collection routes, and treatment sites.
- Monitoring of equipment in conjunction with behavioural change initiatives to reduce fixed and mobile plant fossil fuel consumption.
- Ongoing efforts to reduce electricity consumption, including upgrading of lighting with LEDs
- Trialling of electric powered plant and machinery with a view to replacement of fossil fuel consuming units
- Activity to obtain the ISO 50001 certification management system for Hills Waste Solutions Ltd.
- We continue to benefit from PV systems installed at two locations, and provide landfill gas to a 3rd party for generating fossil fuel free electricity.

The above report was prepared in line with guidance from the Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance, H M Government, March 2019.

Employee Involvement

The group continues to keep its employees informed on matters affecting them as employees by way of its award winning InTouch magazine and Safer for All magazine. Staff notices, emails, company website and meetings are used to communicate immediate issues with employees. The company provides all employees with an annual performance update detailing the financial performance of the company and its operations as reflected in these report and accounts and includes commentary on the financial outlook for the current trading year.

The company looks to include its employees in the development and application of health and safety policy and procedures and each operation has its own employee health and safety committee that meets at regular intervals made up of appointed volunteers representing their work colleagues. In addition the company runs a near miss reporting scheme to allow employees to report in a quick and dynamic manner health and safety and environmental concerns to managers and supervisors for action and to feedback.

The company provides all employees with access to an independent whistleblower reporting service to anonymously report serious issues and concerns to allow them to be investigated.

The group's employment practices and policies ensure that job applicants and all employees are treated in an equal and fair manner, alongside publishing mandatory gender pay details the company publishes group wide gender pay details to help improve transparency. Wherever possible, efforts are made to provide appropriate facilities and conditions of service to meet the work place requirements of all employees' including those with protected characteristics or disability. Where an employee becomes disabled whilst employed by the group, arrangements are made, wherever possible, to retrain them in order to enable them to perform a job identified as appropriate to their aptitude and abilities.

Wider engagement with customers, suppliers, stakeholders and the community

When making business decisions the company gives full consideration to minimising any possible negative impacts, whilst enhancing the positive impacts to the environment and community arising from its operations. The company operates a responsible purchasing policy that guides our business relationship with suppliers, contractors and business partners. This policy and supporting policies are published on the company’s website.

An important part of our stakeholder engagement programme are the regular liaison meetings held at our sites attended by senior management with elected representatives of the local community and other invited key stakeholders to discuss and feedback on our operations. Details of these meeting and minutes of meetings are published on the consult section of our website.

Strategic report *(continued)*

Outlook

The outlook for the business continues to be positive, with the continuance of our contracts with Wiltshire Council, good revenues flowing from the NRRC, Quarry Products performing well and good profitability expected in the housing business.

The results for the 1st quarter of the current period are significantly ahead of our Budget, which was revised during the initial virus lockdown period, although behind our previous plans, and slightly below the same period last year. We are expecting the remainder of the year to be challenging given the general economic uncertainty prevailing of late but despite this our profits for the year are expected to be ahead of budget, although below the year under review.

By order of the board,

AG Pardoe
Chairman
4 December 2020

Directors' report

The directors present their report and the financial statements of the group and company for the year ended 30 April 2020.

Dividends

The directors do not propose a final dividend. During the year, dividends were paid in respect of the year ended 30 April 2020 of £1,738,000 *(2019: £2,263,000 in respect of the year ended 30 April 2019)*.

Directors

The directors who served during the year and to the date of this report were as follows:

Alan G Pardoe
Anthony N Hill
Michael P Hill
Richard Andrew Hill
Bronia Hill
Rosemary Hill
Anna Ozberk

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the:
a) likely consequences of any decisions in the long-term;
b) interests of the company's employees;
c) need to foster the company's business relationships with suppliers, customers and others;
d) impact of the company's operations on the community and environment;
e) desirability of the company maintaining a reputation for high standards of business conduct; and
f) need to act fairly as between members of the company.

In discharging its section 172 duties the Company has regard to the factors set out above. In doing so the Company delegates authority for day-to-day management to executives of The Hills Group board and designated sub-committees that hold operational responsibility for engaging management in setting, approving and overseeing the execution of the business strategy and related policies. The Chairman and Chief Executive of the Company are members of The Hills Group Board and report to the directors of the Company at each board meeting on the operational performance of the divisions that make up the Company.

The Company also has regard to other factors which it consider relevant to the decision making process including operating divisions engagement with regulatory authorities and involvement in industry trade bodies of which they are members.

The Company has established core values and a supporting policy framework developed by The Hills Group Board. In the decision making process to deliver its strategic priorities the executives are guided by the policy framework with aim to make sure that the decisions taken are consistent and adhere with the Company core values.

Risk and compliance, legal, pensions, stakeholder-related matters, corporate responsibility, health and safety and environmental compliance are reviewed at meetings of The Hills Group Board and designated sub-committees.
The Company reviews financial and operational performance and other matters as they arise over the course of the financial year. This is done through presentations to the Board by the Chairman and Chief executive and the consideration and discussion of reports which, as required, are sent to directors in advance of Board meetings.

Stakeholder engagement is primarily undertaken at an operational level and is a priority for the Company due to the impact our business activities can have on neighbouring local communities and surrounding environment to our sites.

The interests and views of the Company's key stakeholders received alongside other relevant factors are considered when making decisions. This information is published and presented in a variety of formats both use within the Company but also in public facing documents. Example of the types of engagement with our employees and wider stakeholder base can be found in the Strategic Review detailed within sections as follows: page 5 Covid-19; page 7 for employee involvement and wider engagement with customers, suppliers, stakeholders and the community. As a result of this the Company's operational divisions have an understanding of the nature of the stakeholders' concerns and in compliance with the section 172 duty to promote success of the Company.

Directors' report *(continued)*

Section 172(1) Statement *(continued)*

During the financial year the Company has had regard to the matters set out in section 172(1)(a)-(f) when deciding on the Company's dividend policy. In making this decision the Board considers a range of factors, included the long-term viability of the Company, expected cash flow and financing requirements and funding of strategic investment in our business and workforce as well as other factors.

The actions taken by the Company in response to the Coronavirus pandemic can be found within the Chairman's statement that makes up the Company's strategic report on pages 2 to 8.

Political donations

During the year, the group made no political contributions *(2019:£nil).*

Other information

An indication of employee involvement in the business, and likely future developments in the business, has been included in the Strategic Report on page 2.

Post balance sheet events

As noted in the strategic report the Covid-19 virus has caused widespread disruption beyond the balance sheet date. However, since the initial lockdown period we have gradually returned towards normal activity across all operations over the first 6 months of the financial year with results being better than expected in April. There is currently increasing evidence of a second wave of the virus but to date the government are showing that keeping the economy open for business is now seen as equally important as combating the virus and so the current view is that any further restrictions this winter will have less of an impact on business.

On 20 November 2020, the High Court handed down a further judgment on the Guaranteed Minimum Pension (GMP) equalisation case in relation to the Lloyds banking group pension schemes. This follows from the original judgment in October 2018 which confirmed that schemes need to equalise pensions for the effect of unequal GMPs between males and females. This latest judgment confirms that Defined Benefit (DB) schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. We are working with the trustees of Hills UK Limited to understanding the extent to which the judgement crystallises additional liabilities for our pension scheme.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board

MP Hill
Director

4 December 2020

Wiltshire House
County Park Business Centre
Shrivenham Road
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Wiltshire
SN1 2NR

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Hills UK Limited

Opinion

We have audited the financial statements of Hills UK Limited ("the company") for the year ended 30 April 2020 which comprise the Consolidated Profit and Loss, Consolidated Statement of Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Hills UK Limited *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 11, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

A Campbell

Andrew Campbell-Orde (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square,
Bristol
BS1 4BE
7 December 2020

Consolidated Profit and Loss Account
for the year ended 30 April 2020

	Note	**2020** **£000**	2019 £000
Group turnover	*2*	**119,280**	120,720
Cost of sales		**(99,821)**	(99,198)
Gross profit		**19,459**	21,522
Distribution costs		**(4,688)**	(5,174)
Administrative expenses		**(8,346)**	(9,823)
Other operating income	*3*	**309**	4,165
Gross operating profit	*4*	**6,734**	10,690
Revaluation of investment properties		**605**	-
Interest receivable and similar income	*6*	**61**	74
Interest payable and similar charges	*7*	**(730)**	(706)
Profit on ordinary activities before taxation		**6,670**	10,058
Tax on profit on ordinary activities	*8*	**(1,343)**	(1,707)
Profit for the financial year		**5,327**	8,351

The results from the current and prior year all arise from continuing operations.

The notes on pages 21 to 41 form an integral part of these financial statements.

Consolidated Statement of Other Comprehensive Income
for the year ended 30 April 2020

	Note	**2020 £000**	2019 £000
Profit for the financial year		**5,327**	8,351
Other comprehensive income			
Actuarial gains/(losses) recognised in the pension scheme	*21*	**(3,328)**	(772)
Deferred tax arising on losses in the pension scheme	*21*	**632**	131
Other comprehensive income for the year		**(2,696)**	(641)
Total comprehensive income for the year		**2,631**	7,710

The notes on pages 21 to 41 form an integral part of these financial statements.

Consolidated Balance Sheet
as at 30 April 2020

	Note	**2020** £000	**2020** £000	2019 £000	2019 £000
Fixed assets					
Intangible assets	*9*		**3**		4
Pensions asset	*21*		**-**		1,381
Tangible assets	*10*		**64,816**		56,434
Investment property	*11*		**6,662**		5,427
Investments	*12*		**159**		159
			71,640		63,405
Current assets					
Stocks	*13*	**22,379**		21,016	
Debtors (including £6,919,000 *(2019:£125,000)* due after more than one year)	*14*	**24,486**		28,835	
Cash at bank and in hand		**11,946**		9,694	
		58,811		59,545	
Creditors: amounts falling due within one year	*15*	**(26,787)**		(24,548)	
Net current assets			**32,024**		34,997
Total assets less current liabilities			**103,664**		98,402
Creditors: amounts falling due after more than one year	*16*		**(18,946)**		(15,991)
Provision for liabilities					
Deferred taxation	*20*		**(2,589)**		(2,656)
Other provisions	*19*		**(7,481)**		(7,236)
Pensions liability	*21*		**(1,236)**		-
			(11,306)		(9,892)
Net assets			**73,412**		72,519
Capital and reserves					
Called up share capital	*22*		**1,331**		1,331
Share premium	*23*		**118**		118
Capital redemption reserve	*24*		**290**		290
Profit and loss account			**71,673**		70,780
Shareholders' funds			**73,412**		72,519

The notes on pages 21 to 41 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 4 December 2020 and were signed on its behalf by:

AG Pardoe
Director

Company Balance Sheet
as at 30 April 2020

	Note	**£000**	**2020** **£000**	£000	*restated* 2019 £000
Fixed assets					
Intangible assets	*27*		**3**		4
Pension asset	*21*		**-**		1,381
Tangible assets	*28*		**7,640**		6,709
Investment property	*29*		**6,214**		5,674
Investments	*30*		**1,053**		353
			14,910		14,121
Current assets					
Debtors (including £125,000 *(2019:£125,000)* due after more than one year)	*31*	**17,889**		18,936	
Cash at bank and in hand		**10,075**		9,165	
		27,964		28,101	
Creditors: amounts falling due within one year	*32*	**(8,547)**		(6,334)	
Net current assets			**19,417**		21,767
Total assets less current liabilities			**34,327**		35,888
Provisions for liabilities					
Pension liability	*21*		**(1,236)**		-
Deferred taxation	*35*		**-**		(218)
Net assets			**33,091**		35,670
Capital and reserves					
Called up share capital	*22*		**1,331**		1,331
Share premium	*23*		**118**		118
Capital redemption reserve	*24*		**290**		290
Profit and loss account			**31,352**		33,931
Shareholders' funds			**33,091**		35,670

The notes on pages 21 to 41 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 4 December 2020 and were signed on its behalf by:

AG Pardoe
Director

Consolidated Statement of Changes in Equity
as at 30 April 2020

	Called up share capital	Share premium account	Other reserves	Profit & loss account	Total shareholder equity
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 1 May 2018	1,331	118	290	65,333	67,072
Total comprehensive income for the period					
Profit or loss	-	-	-	8,351	8,351
Other comprehensive income	-	-	-	(641)	(641)
Total comprehensive income for the period	-	-	-	7,710	7,710
Dividends paid	-	-	-	(2,263)	(2,263)
Balance at 30 April 2019	**1,331**	**118**	**290**	**70,780**	**72,519**
Balance at 1 May 2019	1,331	118	290	70,780	72,519
Total comprehensive income for the period					
Profit or loss	-	-	-	5,327	5,327
Other comprehensive income	-	-	-	(2,696)	(2,696)
Total comprehensive income for the period	-	-	-	2,631	2,631
Dividends paid	-	-	-	(1,738)	(1,738)
Balance at 30 April 2020	**1,331**	**118**	**290**	**71,673**	**73,412**

The notes on pages 21 to 41 form an integral part of these financial statements.

Company Statement of Changes in Equity
as at 30 April 2020

	Called up share capital	Share premium account	Other reserves	Profit & loss account	Total shareholder equity
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 1 May 2018 (restated)	1,331	118	290	31,290	33,029
Total comprehensive income for the period					
Profit or loss	-	-	-	5,545	5,545
Other comprehensive income	-	-	-	(641)	(641)
Total comprehensive income for the period	-	-	-	4,904	4,904
Dividends paid	-	-	-	(2,263)	(2,263)
Balance at 30 April 2019 (restated)	**1,331**	**118**	**290**	**33,931**	**35,670**
Balance at 1 May 2019	1,331	118	290	33,931	35,670
Total comprehensive income for the period					
Profit or loss	-	-	-	1,855	1,855
Other comprehensive income	-	-	-	(2,696)	(2,696)
Total comprehensive income for the period	-	-	-	(841)	(841)
Dividends paid	-	-	-	(1,738)	(1,738)
Balance at 30 April 2020	**1,331**	**118**	**290**	**31,352**	**33,091**

The notes on pages 21 to 41 form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 30 April 2020

	Note	**2020**	2019
		£000	£000
Cash flows from operating activities			
Profit for the year		**5,327**	8,351
Adjustments for:			
Depreciation	*10*	**6,296**	6,725
Amortisation	*9*	**1**	149
Interest receivable and similar income	*6*	**(61)**	(74)
Interest payable and similar charges	*7*	**730**	706
Revaluation of investment property	*11*	**(605)**	-
Profit on sale of tangible fixed assets	*3*	**(309)**	(4,165)
Taxation	*8*	**1,343**	1,707
(Increase)/decrease in trade and other debtors	*14*	**4,858**	(7,648)
(Increase)/decrease in stocks	*13*	**(1,363)**	303
(Decrease)/increase in trade and other creditors	*15*	**1,657**	1,538
Interest paid		**(730)**	(706)
Tax paid		**(2,499)**	(1,506)
Net cash from operating activities		**14,645**	5,380
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**773**	9,029
New investments		**-**	(150)
Increase in intangible assets		**-**	(3)
Interest received		**18**	18
Acquisition of tangible fixed and investment assets	*10*	**(14,822)**	(6,488)
Net cash from investing activities		**(14,031)**	2,406
Cash flows from financing activities			
Proceeds from new loans		**7,107**	700
Repayment of borrowings		**(3,731)**	(3,894)
Dividends paid	*25*	**(1,738)**	(2,263)
Net cash from financing activities		**1,638**	(5,457)
Net increase/(decrease) in cash and cash equivalents		**2,252**	2,329
Cash and cash equivalents at 1 May		**9,694**	7,365
Cash and cash equivalents at 30 April		**11,946**	9,694

The notes on pages 21 to 41 form an integral part of these financial statements.

Notes

1 Accounting policies

Hills UK Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent Company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent Company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent Company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 39.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. The financial statements have been prepared under the historical cost convention.

Change in accounting policy/prior year adjustment

In these financial statements the Company has applied the following amendments to FRS 102, with the date of transition being 1 May 2018, in the following areas:

Triennial Review 2017 Amendments: Section 16 Investment Property. See note 40 for details of the transitional impact.

Going concern

The accounts have been prepared on the going concern basis as the directors consider this to be appropriate based on a profit for the year of £5,327,000 and net current assets of £25,105,000 for the group. It is also considered appropriate for the company based on a profit for the year of £1,855,000 and net current assets of £19,292,000.

The directors have prepared cash flow forecasts for a period of more than 12 months from the date of approval of these financial statements which indicate that, taking account of reasonable possible downsides, the group and company will have sufficient funds to meet liabilities as they become due.

The directors have specifically assessed the impact that COVID-19 will have on the ability of the Group to continue as a going concern. The impact of the COVID-19 virus has had a significant economic impact throughout the global economy and at the date of this report there remains uncertainty as to the full impact. We have expanded on the current situation below.

When the pandemic spread to the UK in late March 2020 we followed local guidance and moved to home-working wherever possible. Our businesses were affected differently dependent on the sector in which they trade.

Hills Waste Solution Limited and Hills Municipal Collections Limited provide services deemed essential by the UK Government and therefore continued to operate residential collections throughout lockdown with only minimal impact on delivery due to staffing shortages as a result of shielding and self-isolation. Commercial waste operations have seen a reduction in volumes due to the indirect impact of closures to these workplaces.

Hills Quarry Products Limited did see an initial reduction in volume due to the indirect impact of halted construction, and therefore utilised the UK Governments Job Retention Scheme. However, volumes recovered quickly once construction operations resumed in June 2020.

Hill Homes Development Limited experienced an immediate impact due to the majority of house sales being paused per the UK Government guidance. However, volume has recovered since the lockdown period which has been helped by the Stamp Duty concession on the first £500,000 on all residential property sales. This company also utilised the UK Government Job Retention Scheme due to the closure on all housing construction site throughout the lockdown period.

Notes *(continued)*

1 Accounting policies *(continued)*

Going concern (continued)

Over the summer we have seen a return across the group to pre-lockdown volumes as the economy recovers and reopens. At the point of signing a further lockdown has been imposed in the Autumn. However, regulations for this lockdown have not been as drastic, with construction and the housing market continuing the relevant business have not been impacted as severely. Waste collection has been impacted in a similar way due to the fall in commercial waste as mentioned above.
In preparing the forecasts we have considered severe but plausible scenarios. At their most severe these scenarios project a larger drop in revenue than is currently being evidenced for a period of up to 2 months. None of the scenarios indicate that the group would have insufficient funds to meet its labilities as they fall due or fail to comply with its banking covenants. Therefore, we can conclude that it remains appropriate to adopt the going concern basis in the financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 April 2020. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the group has a long-term interest and over which it exercises joint control. The group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

Landfill tax

Landfill tax is included within both turnover and cost of sales. It is an integral part of the charges to customers for some services and is subject to value added tax.

Intangible fixed assets

Intangible fixed assets are capitalised and amortised to nil in equal instalments over their estimated useful life of 5 years, in accordance with FRS 102.

Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	over 50 years
Leasehold land and buildings	-	over the lease term
Plant and machinery	-	over 3 to 10 years
Fixtures and fittings	-	over 5 years

Land and buildings includes freehold land, aggregate bearing land, landfill sites and investment properties. Freehold land is not depreciated.

Tangible fixed assets and depreciation

Cost includes directly attributable finance costs.

Depreciation is provided on the cost less residual value of freehold aggregate bearing land on the basis of extraction of aggregates. The cost less residual value of landfill sites is depreciated over the estimated life of the site on the basis of the usage of void space. The cost of aggregate bearing land and landfill sites includes acquisition and commissioning costs, engineering works and the discounted cost of final site restoration and post-closure aftercare costs.

An impairment review is performed if events or changes in circumstances indicate that the carrying value of an asset may not be recoverable in full. Any impairment is measured by comparing the carrying value of the asset with its recoverable amount. The recoverable amount is the higher of the net realisable value or the value in use. To the extent that the carrying value exceeds the recoverable amount an impairment loss is recognised in the profit and loss account.

Investments

In the company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost.

Goodwill

Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. The estimated useful life of the goodwill is 3 years.

Notes *(continued)*

1 Accounting policies *(continued)*

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition

i. investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and

ii. no depreciation is provided in respect of investment properties applying the fair value model.

If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets in accordance with section 17 until a reliable measure of fair value becomes available.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Developments in progress are valued at prime cost of land, labour and materials. Provision is made, where appropriate, to reduce developments in progress to estimated realisable value where necessary.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

1 Accounting policies *(continued)*

Leasing and hire purchase commitments

Assets acquired under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives. The outstanding future lease or hire purchase obligations are shown as liabilities.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

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

Post-retirement benefits

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group by the scheme trustees.

Pension scheme assets are measured using market values. For quoted securities, the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

The group also operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The assets of the scheme are held separately from the group in independently administered funds.

In addition to the above schemes, the company also contributes to the personal pension schemes of certain employees and directors. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Further details of specific accounting treatment are included in note 21.

Dividends on shares presented within equity

Dividends are only recognised as a liability to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Dividend income is recognised when there is a legal right to receive.

2 Turnover and segmental reporting

Turnover represents the amounts (excluding value added tax) derived from the provision of waste management and recycling services, the sale of aggregates and ready mixed concrete, the provision of haulage services, the sale of residential properties, and the rental of properties.

Turnover is recognised on despatch of goods or provision of services. Turnover arising on sale of residential properties is recognised on legal completion.

Turnover is derived wholly from operations within the United Kingdom, all being sales to third parties.

Analysis by activity:	**2020**	2019
	£000	£000
Quarry products	**33,546**	33,584
Waste management and recycling	**67,818**	67,824
Property and Homes Development (including property rental)	**17,916**	19,312
	119,280	120,720

3 Other income

	2020	2019
	£000	£000
Net gain on disposal of tangible fixed assets and investment properties	**309**	4,165
	309	4,165

Notes *(continued)*

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2020 £000	2019 £000
Depreciation of owned fixed assets	**4,644**	5,086
Depreciation of fixed assets held under finance leases	**1,652**	1,639
Amortisation of intangible assets	**1**	149
Operating lease rentals – plant and machinery	**744**	667
Operating lease rentals – land buildings, vehicles and office equipment	**3,249**	2,291
(Profit) on sale of tangible fixed assets and investment properties	**(309)**	(4,165)
Rent receivable	**(505)**	(545)

Research and development expenditure of £740,000 (*2019:£534,000*) has been added to current assets in the year ending 30 April 2020.

Auditor's remuneration

	2020 £000	2019 £000
Audit of these financial statements	**15**	15
Amounts receivable by the Company's auditors and its associates in respect of;		
Audit of financial statements of subsidiaries of the company	**78**	77
Taxation compliance and other services	**62**	45
	155	137

5 Staff costs

The aggregate payroll costs of the persons employed by the group in the year (including directors) were as follows:

	2020 £000	2019 £000
Wages and salaries	**18,677**	17,479
Social security costs	**1,740**	1,628
Other pension costs	**1,569**	1,891
	21,986	20,998

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	2020 No.	2019 No.
Site based employees	**486**	504
Administration and sales staff	**176**	168
	662	672

Directors' emoluments - company

	2020 £000	2019 £000
Emoluments	**528**	533
Highest paid director:		
Emoluments	**268**	265
Contributions to defined contribution pension schemes	**27**	27
	295	292

Notes *(continued)*

5 Staff costs *(continued)*

Directors' emoluments – company *(continued)*

Number of directors accruing benefits in company pension schemes:

	2020 No.	2019 No.
Defined contribution schemes	**1**	1

6 Interest receivable and similar income

	2020 £000	2019 £000
On loan notes and cash at bank	**18**	18
FRS102 Pension net finance charge	**43**	56
	61	74

7 Interest payable and similar charges

	2020 £000	2019 £000
Bank loans and overdrafts	**506**	503
Other loans	**4**	3
On finance leases and hire purchase contracts	**220**	200
	730	706

8 Taxation - group

Total tax charge recognised in the profit and loss account;

	2020 £000	2019 £000
Analysis of charge in the year		
Current tax:		
UK corporation tax on profits of the year	**913**	1,656
Adjustments in respect of previous years	**(135)**	(117)
Total current tax	**778**	1,539
Deferred tax (see note 20)		
Origination and reversal of timing differences	**304**	47
Adjustments in respect of previous years	**(50)**	121
Effect of tax rate change on opening balance	**311**	-
Total deferred tax	**565**	168
Total tax	**1,343**	1,707

		2020			2019	
	£000	**£000**	**£000**	£000	£000	£000
	Current tax	**Deferred tax**	**Total tax**	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	**778**	**565**	**1,343**	1,539	168	1,707
Recognised in other comprehensive	**-**	**(632)**	**(632)**	-	(131)	(131)
Total tax	**778**	**(67)**	**711**	1,539	37	1,576

Notes *(continued)*

8 Taxation – group (*continued*)

Factors affecting tax charge for the year

The current tax charge for the period is higher *(2019:lower)* than the standard rate of corporation tax in the UK. The differences are explained below:

	2020	2019
	£000	£000
Profit for the year	**5,327**	8,351
Total tax expense	**1,343**	1,707
Profit on ordinary activities before tax	**6,670**	10,058
Standard rate of corporation tax in the UK 19% *(2019: 19%)*		
Profit on ordinary activities multiplied by the standard rate of corporation tax	**1,267**	1,911
Effects of:		
Expenses not deductible for tax purposes	**28**	179
Non chargeable (gains) / losses	**(125)**	(354)
Non taxable income	**(205)**	(242)
Fixed assets differences	**252**	225
Adjustments in respect of prior periods	**(185)**	4
Changes to opening balance deferred tax rates	**311**	-
Permanent differences	**-**	(16)
Total tax expense included in the profit or loss	**1,343**	1,707

Factors that may affect future tax charges

The 2020 Budget, which was substantively enacted on 17th March 2020, announced that the UK corporation tax rate applicable from 1st April 2020 would remain at 19% rather than the previously enacted reduction to 17%. The deferred tax liability at 30 April 2020 has therefore been calculated based on a rate of 19%.

9 Intangible fixed assets – group

	Registered Trade marks	**Goodwill**	**Total**
	£000	**£000**	**£000**
Cost			
At 1 May 2019	22	358	380
Additions during the year	-	-	-
At 30 April 2020	22	358	380
Amortisation			
At 1 May 2019	18	358	376
Provided during the year	1	-	1
At 30 April 2020	19	358	377
Net book value			
At 30 April 2020	**3**	**-**	**3**
At 30 April 2019	4	-	4

The intangible fixed assets related to registered trademarks, which are being written off over their estimated life of 5 years.

Amortisation and impairment charge

The amortisation is recognised in the following line item in the profit and loss account:

	2020	2019
	£000	£000
Administrative expenses	**1**	149
	1	149

There has been no impairment, or impairment reversal, in the year (*2019: £nil*).

Notes *(continued)*

10 Tangible fixed assets - group

	Freehold land and buildings	Plant and Machinery and Motor vehicles	Furniture, fittings, tools and equipment	Total
	£000	£000	£000	£000
Cost				
At 1 May 2019 (restated)	64,308	53,756	3,727	121,791
Additions	4,889	10,602	281	15,772
Disposals	(430)	(2,177)	(35)	(2,642)
Transfers to investment property	(630)	-	-	(630)
At 30 April 2020	68,137	62,181	3,973	134,291
Depreciation				
At 1 May 2019	29,144	33,996	2,217	65,357
Charge for the year	1,821	4,076	399	6,296
On disposals	-	(2,166)	(12)	(2,178)
At 30 April 2020	30,965	35,906	2,604	69,475
Net book value				
At 30 April 2020	**37,172**	**26,275**	**1,369**	**64,816**
At 30 April 2019 (restated)	35,164	19,760	1,510	56,434

Carrying amount of land and buildings on costs basis is £37,172,000 *(2019 restated: £35,164,000)*.

There has been no impairment, or impairment reversals, in the year (*2019: £nil*)

Included within land and buildings is a cost of £6,160,000 (*2019: £5,806,000)* and associated accumulated depreciation of £4,481,000 (*2019: £4,197,000)* relating to the restoration asset which represents the discounted cost of the final site restoration and post-closure aftercare.

Included in the total net book value of fixed assets is £3,801,000 *(2019: £4,506,000)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation on these assets was £1,652,000 *(2019: £1,639,000).*

The fixed assets owned under hire purchase contracts and finance leases carry financial obligations (see note 18).

11 Investment property - group

	Investment property
	£000
Cost	
At 1 May 2019 (restated)	5,427
Additions	-
Transfers from tangible fixed assets	630
Revaluation	605
At 30 April 2020	6,662

The property at County Park was valued externally as at 30 April 2020 by Loveday, Chartered Surveyors, in accordance with the RICS Appraisal and Valuation Manual. The property in Portugal was revalued at 30 April 2020 by Rigor Price, a local land valuation company.

The properties at Purton were last externally valued by Loveday at 30 April 2017 and reviewed at 30 April 2020.

The remaining investment properties were revalued by AG Pardoe, a director of Hills UK Limited, at 30 April 2020 on an open market basis.

Notes *(continued)*

12 Investments -group

	Shares in unlisted undertakings £000
Cost	
At 1 May 2019	159
Additions	-
At 30 April 2020	159

The undertakings in which the group's and the company's interest at the year end is more than 20% are as follows:

Company	Country of registration or incorporation	Shares held		Country of Incorporation	Aggregate of capital and reserves	Profit or loss for year
Subsidiary undertakings		**Class**	**%**		**£000**	**£000**
The Hills Group Limited	England and Wales	Ordinary	100	UK	2,707	1,499
Hills Waste Solutions Limited	England and Wales	Ordinary	100	UK	22,747	1,710
Hills Quarry Products Limited	England and Wales	Ordinary	100	UK	8,167	1,736
Hills Municipal Collections Limited	England and Wales	Ordinary	100	UK	377	(393)
Estrada Grande Limited	England and Wales	Ordinary	100	UK	294	(35)
Hills Haulage Limited	England and Wales	Ordinary	100	UK	266	-
Hills Homes Developments Limited	England and Wales	Ordinary	100	UK	6,655	1,933
Hills West Midlands Limited	England and Wales	Ordinary	100	UK	50	-
Able Waste Management Limited	England and Wales	Ordinary	100	UK	204	-
Associated undertakings – joint ventures						
Cotswold Aggregates Limited	England and Wales	B Ordinary	50	UK	1	-

The principal activity of Cotswold Aggregates Limited was sand and gravel extraction. Its financial year runs to 30th June. During the year to 30 April 2020, and during the previous year, Cotswold Aggregates Limited did not trade and had net assets of £nil. The registered office address of Cotswold Aggregates Limited is Bardon Hall, Copt Oak Road, Markfield, Leicestershire, LE67 9PJ.

13 Stocks - group

	2020 £000	2019 £000
Raw materials and consumables	**841**	773
Work in progress	**21,538**	20,243
	22,379	21,016

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £21,259,000 *(2019: £21,289,000)* in the Group and £nil *(2019: £nil)* in the Company.

Raw materials, consumables and changes in finished goods and work in progress recognised in distribution costs in the year amounted to £2,007,000 *(2019: £2,173,000)* in the Group and £nil *(2019: £nil)* in the Company.

The total carrying amount of stocks pledged as security for liabilities in the year amounted to £21,538,000 *(2019: £20,243,000)* in the Group and £nil *(2019: £nil)* in the Company.

Notes *(continued)*

14 Debtors – group

	2020	2019
	£000	£000
Trade debtors	**11,877**	18,190
Corporation tax	**509**	-
Other debtors	**5,548**	5,241
Prepayments and accrued income	**6,552**	5,404
	24,486	28,835

Amounts due after more than one year included in prepayments and accrued income is £6,919,000 *(2019: £125,000)*.

15 Creditors: amounts falling due within one year – group

	2020	2019
	£000	£000
Bank loans and overdrafts (note 17)	**6,467**	4,460
Obligations under finance leases and hire purchase contracts (note 18)	**1,004**	1,640
Trade creditors	**5,692**	5,710
Corporation tax	**-**	580
Other taxes and social security costs	**5,066**	6,519
Other creditors	**96**	111
Accruals and deferred income	**8,462**	5,528
	26,787	24,548

16 Creditors: amounts falling due after one year – group

	2020	2019
	£000	£000
Bank loans and overdrafts (note 17)	**16,000**	13,000
Obligations under finance lease and hire purchase contracts (note 18)	**2,946**	2,991
	18,946	15,991

17 Net Debt and Loans - group

This note provides information about the contractual terms of the Group's net debt and interest-bearing loans and borrowings, which are measured at amortised cost.

Net debt

The below is an analysis of changes in net debt of the Group from the beginning to the end of the current reporting period:

Group	Borrowings due within one year	Borrowings due after one year	Obligations under finance lease liabilities	**Subtotal**	Cash and cash equivalents	**Net debt**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Net debt analysis						
Balance at 1 May 2019	4,460	13,000	4,631	22,091	9,694	12,397
Cash flows	2,007	3,000	(681)	4,326	2,252	2,074
Balance at 30 April 2020	**6,467**	**16,000**	**3,950**	**26,417**	**11,946**	**14,471**

Notes *(continued)*

17 Net Debt and Loans – group *(continued)*

Interest bearing loans and borrowings

	2020	2019
	£000	£000
Creditors falling due after more than one year		
Bank loans	**16,000**	13,000
Finance lease liabilities	**2,946**	2,991
	18,946	15,991
Creditors falling due within less than one year		
Bank loans	**6,467**	4,460
Finance lease liabilities	**1,004**	1,640
	7,471	6,100

Bank Loans

	2020	2019
	£000	£000
Loans repayable within five years include:		
Long term bank loan	**-**	1,440
Medium term development loan	**16,000**	13,000
Short term bank loan	**4,107**	-
Invoice discounting facilities	**2,360**	3,020
	22,467	17,460
Analysis of maturity of debt:		
Within one year or on demand	**6,467**	4,460
Within one and two years	**-**	13,000
Between two and five years	**16,000**	-
	22,467	17,460

The long term bank loan of £nil *(2019: £1,440,000)* was secured on the Northacre Resource Recovery Centre. The loan was repayable over a 6 year period commencing in January 2014. Interest was payable on the loan at a margin of 2.5% above LIBOR. The medium term development loan of £16,000,000 *(2019 : £13,000,000)* is secured on developments in progress and other capital projects of the group under a revolving credit facility of up to £20,000,000 with an expiry date of 7 November 2024. Interest is payable on the loan at a margin of 1.75% above LIBOR.
The short term bank loan of £4,107,000 (*2019:£nil*) is an unsecured facility to fund the purchase of recycling equipment at the Sands Farm Dry Materials Recycling Centre. Interest on the loan is charged at a margin of 3% above LIBOR. When the installation of the equipment is complete the intention is to switch the loan to a facility secured against the recycling equipment and repayable over a period of 6 years.
The invoice discounting facility for working capital requirements of £2,360,000 (*2019: £3,020,000*) is secured by an all assets debenture and is available to finance the trade debtors of Hills Waste Solutions Limited and Hills Quarry Products Limited under facilities that run for a minimum term until June 2019. Thereafter the facility runs on with six months' notice of cancellation. Interest is payable on the loan at a margin of 1.4% above UK Base Rates.

18 Obligations under finance leases and hire purchase - group

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2020	2019
	£000	£000
Amounts payable:		
Within one year	**1,004**	1,640
In the second to fifth years	**2,946**	2,991
	3,950	4,631

Notes *(continued)*

19 Provisions for liabilities - group

Site restoration and aftercare reserve

	2020	2019
	£000	£000
At 1 May	**7,236**	6,806
Additional provisions made during the period	**584**	1,010
Amounts used	**(456)**	(694)
Changes to the discounted amount	**117**	114
At 30 April	**7,481**	7,236

The timing of the expected cash flows of the site restoration and aftercare provision are estimated on a site by site basis over the period covering the operational life of the site, its full restoration when completed, and the continuing 60 year aftercare period following restoration. The amounts and timing of the expected outflows are uncertain due to the projection of costs over this period of time.

The restoration and aftercare provision has been discounted using an annual discount rate of 4.5% *(2019: 4.5%)*

20 Deferred taxation - group

Deferred tax assets and liabilities are attributable to the following:

Group	**Assets**		**Liabilities**		**Net**	
	2020	2019	**2020**	2019	**2020**	2019
	£000	£000	**£000**	£000	**£000**	£000
					-	
Other timing differences	**19**	-	**-**	-	**19**	-
Tax losses carried forwards	**29**	-	**-**	(173)	**29**	(173)
Accelerated capital allowances	**-**	-	**(2,871)**	(2,249)	**(2,871)**	(2,249)
Deferred tax on defined benefit pension	**234**	-	**-**	(234)	**234**	(234)
Tax assets / (liabilities)	**282**	-	**(2,871)**	(2,656)	**(2,589)**	(2,656)

The provision for deferred taxation has not been discounted.

21 Pension schemes

Defined contribution pension schemes - group

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £1,556,000 *(2019: £1,226,*000*).*

At 30 April 2020 contributions amounting to £nil *(2019: £nil)* were payable to the scheme.

The group also contributes to the personal pension schemes of certain employees and directors. The amount charged to the profit and loss account for the year was £13,000 *(2019:* £13,000*).*

The charge to the group for the above schemes in the year was £1,569,000 *(2019: £1,239,000).*

Notes *(continued)*

21 Pension schemes *(continued)*

Defined benefit scheme - group and company

As set out in note 1 the group operates the Hills Group Limited Retirement Benefit Plan (1973) ("the plan"), a pension scheme providing benefits based on final pensionable pay. The full actuarial valuation of the plan was carried out as at 1 July 2017. This was updated to 30 April 2020 and 2019 by a qualified independent actuary.

	2020	2019
	£000	£000
Present value of defined benefit obligations	**(28,576)**	(26,288)
Fair value of plan assets	**27,340**	27,669
Surplus/(deficit)	**(1,236)**	1,381
Related deferred tax asset/(liability)	**234**	(234)
Net asset/(liability)	**(1,002)**	1,147

The prior year asset was recognised in these accounts because the group has the right to recover any surplus in the scheme through reduced contributions and return of residual surplus.

The full actuarial valuation as at 1 July 2017 for statutory funding purposes was completed on 27th September 2018 and showed scheme assets of £27,901,000 and scheme liabilities of £30,176,000, resulting in a statutory funding deficit of £2,275,000.

Movements in present value of defined benefit obligation

	2020	2019
	£000	£000
At 1 May	**(26,288)**	(25,164)
Current service cost	**-**	-
Past service cost	-	(265)
Interest cost	**(647)**	(662)
Actuarial gains/(losses)	**(2,448)**	(1,505)
Benefits paid	**807**	1,308
At 30 April	**(28,576)**	(26,288)

Movements in fair value of plan assets

	2020	2019
	£000	£000
At 1 May	**27,669**	26,969
Interest income	**690**	718
Actuarial gain/(loss) on plan assets	**(880)**	733
Contributions by employer	**668**	557
Contributions by members	**-**	-
Benefits paid	**(807)**	(1,308)
At 30 April	**27,340**	27,669

Notes *(continued)*

21 Pension schemes *(continued)*

Defined benefit scheme - group and company (continued)

Expense recognised in the profit and loss account

	2020 £000	2019 £000
Current service cost net of employee contributions	-	-
Past service cost	-	265
Interest on defined benefit pension plan obligation	647	662
Expected return on defined benefit pension plan assets	(690)	(718)
Total	(43)	209

The past service cost in 2019 arose from the recognition of the cost of equalising GMP benefits within the scheme as calculated by the scheme actuary.

The scheme has been closed to the accrual of further benefits since 1 July 2017.

The fair value of the plan assets and the return on those assets were as follows:

	2020 Fair value £000	2019 Fair value £000
Equities and property	9,642	10,481
Bonds and Gilts	13,199	12,692
Diversified growth fund	4,207	4,090
Insured pensions	255	253
Cash	37	153
	27,340	27,669

The allocation of total scheme assets by category in percentage terms was:

	2020	2019
Equities	35%	38%
Bonds	48%	46%
Diversified growth fund	16%	15%
Insured Pensions	1%	1%
Cash	-%	-%

The principal actuarial assumptions used in the valuations for FRS 102 were:

	2020	2019
Rate of increase in salaries	0%	0%
Discount rate	1.7%	2.5%
Inflation assumption	2.6%	3.4%
Limited price indexation	2.1%	2.3%
Deferred pension revaluation	2.1%	2.3%

Life expectancy in years, assuming retirement at age 65, based on the mortality assumptions is as follows:

	2020	2019
For a male member aged 65	20.7	20.9
At 65 for a male member aged 45 now	22.0	22.3
For a female member aged 65	22.6	22.9
At 65 for a female member aged 45 now	24.2	24.4

Notes *(continued)*

21 Pension schemes *(continued)*

Defined benefit scheme - group and company (continued)

The assumptions used by the actuary are the best estimates chosen from the range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. Historically the Company's calculations have been based on an assumed gap of 100bps between RPI and CPI rates. The UK Statistics Authority and HM Treasury are currently however jointly consulting on reforming the methodology of the Retail Prices Index (RPI) with a view to abolishing this measure and replacing this with something close to CPI as a universal measure of inflation. As a result, the market appears to be pricing in a narrower gap between RPI and CPI, particularly after 2030. Therefore, the Company has adjusted its assumption for this measure to a 51bps gap, based on observed market movements. The impact of this change in approach as calculated by our actuaries is a £2,030,000 increase in the defined benefit obligation in the current year. Further, it is expected that the RPI CPI gap will continue to decrease in future periods.

22 Share capital - group and company

	2020	2019
	£000	£000
Allotted, called up and fully paid		
1,331,484 ordinary shares of £1 each (*2019:* 1,331,484)	**1,331**	1,331

23 Share premium - group and company

	2020	2019
	£000	£000
At beginning and end of year	**118**	118

24 Capital redemption reserve - group and company

	2020	2019
	£000	£000
At beginning and end of year	**290**	290

25 Dividends paid - group and company

	2020	2019
	£000	£000
Dividends for which the company became liable during the year:		
Interim dividend paid July 2019 at 43.5p per share *(2018: 42.5p)*	**579**	566
Interim dividend paid October 2019 at 43.5p per share *(2018: 42.5p)*	**579**	566
Interim dividend paid January 2020 at 43.5p per share *(2019: 42.5p)*	**580**	566
Interim dividend paid April 2020 at £nil per share *(2019: 42.5p)*	**-**	565
Total dividends paid re current year	**1,738**	2,263
Analysis of dividends by type:		
Dividends paid on shares classified as shareholders' funds	**1,738**	2,263

Notes *(continued)*

26 Commitments – group

	2020	2019
	£000	£000
(a) Amounts contracted for but not provided in the financial statements	**-**	1,728

(b) Annual commitments under non-cancellable operating leases:

	Land and buildings	**Other**	Land and buildings	Other
	2020	**2020**	2019	2019
	£000	**£000**	£000	£000
Operating leases which expire:				
Within one year	**1,252**	**146**	963	234
In second to fifth years inclusive	**1,968**	**2,541**	2,173	3,167
Over five years	**1,938**	**-**	2,243	-
	5,158	**2,687**	5,379	3,401

27 Intangible fixed assets - company

	Registered trade marks
	£000
Cost	
At 1 May 2019	22
Additions during the year	-
At 30 April 2020	22
Amortisation	
At 1 May 2019	18
Provided during the year	1
At 30 April 2020	19
Net book value	
At 30 April 2020	**3**
At 30 April 2019	4

The intangible fixed assets related to registered trademarks, which are being written off over their estimated life of 5 years.

There has been no impairment, or impairment reversal, in the year (*2019: £nil*).

Notes *(continued)*

28 Tangible fixed assets - company

	Land and buildings £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost				
At 1 May 2019 (restated)	7,341	24	199	7,564
Additions	1,285	-	47	1,332
Disposals	(430)	-	-	(430)
Transfers from investment property	80	-	-	80
At 30 April 2020	8,276	24	246	8,546
Depreciation				
At 1 May 2019	663	24	168	855
Charge for the year	39	-	12	51
At 30 April 2020	702	24	180	906
Net book value				
At 30 April 2020	**7,574**	**-**	**66**	**7,640**
At 30 April 2019 (restated)	6,678	-	31	6,709

Carrying amount of land and buildings on cost basis £7,574,000 *(2019 restated : £6,678,000)*.

29 Investment properties - company

	Total £000
Cost	
At 1 May 2019 –(restated)	5,674
Additions	1
Revaluation	619
Transfers to tangible fixed assets	(80)
At 30 April 2020	6,214

The basis of valuation is set out in notes 1 and 11.

30 Investments - company

	Investments in subsidiary undertakings £000	Other investments £000	Total £000
Cost			
At 1 May 2019	**194**	**159**	**353**
Additions	**700**	**-**	**700**
At 30 April 2020	**894**	**159**	**1,053**

During the year the company purchased 699,999 ordinary £1 shares issued by Hills Municipal Collections Limited, a wholly owned subsidiary.

Notes *(continued)*

30 Investments – company *(continued)*

The principal subsidiary undertakings of the company, which are incorporated in Great Britain, are as follows:

Company	**Principal activity**	**Class**	**Shares held %**
The Hills Group Limited	Holding company	Ordinary	100
Hills Municipal Collections Ltd	Municipal waste collection services	Ordinary	100
Estrada Grande Limited	Property holding company	Ordinary	100
Hills Haulage Ltd	Non trading	Ordinary	100
Hills West Midlands Ltd	Non trading	Ordinary	100

The results of the above group undertakings have been included in the consolidated accounts of the group.

31 Debtors - company

	2020 £000	2019 £000
Trade debtors	**61**	49
Amounts owed by group undertakings	**15,857**	17,376
Deferred tax assets – note 35	**157**	-
Other debtors	**57**	746
Prepayments and accrued income	**339**	178
Corporation tax	**1,418**	587
	17,889	18,936

Amounts due after more than one year included in Prepayments and accrued income is £125,000 *(2019: £125,000)*.

32 Creditors: amounts falling due within one year - company

	2020 £000	2019 £000
Trade creditors	**189**	25
Obligations under finance lease and hire purchase contracts	**-**	15
Amounts owed to group undertakings	**7,570**	5,613
Other taxes and social security costs	**16**	20
Other creditors	**96**	110
Accruals and deferred income	**676**	551
	8,547	6,334

33 Interest-bearing loans and borrowing - company

	2020 £000	2019 £000
Creditors falling due within less than one year		
Finance leases and hire purchase contracts	**-**	15
	-	15

34 Obligations under finance leases and hire purchase - company

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2020 £000	2019 £000
Amounts payable:		
Within one year	**-**	15
In the second to fifth years	**-**	-
	-	15

Notes *(continued)*

35 Deferred taxation - company

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2020	2019	**2020**	2019	**2020**	2019
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	**-**	-		-	**-**	-
Pension Scheme	**234**	-	**-**	(234)	**234**	(234)
Other timing differences	**17**	16	**(94)**	-	**(77)**	16
Tax assets / (liabilities)	**251**	16	**(94)**	(234)	**157**	(218)

36 Related party transactions

Kingshill Developments Limited

Kingshill Developments Limited is a related party by virtue of common directorships. A loan of £1,959,000 *(2019: £1,959,000)* exists with Kingshill Developments Limited. This amount has been fully provided in these accounts.

Cotswold Aggregates Limited

This is a joint venture company, jointly owned and controlled by Hills UK Limited and Aggregate Industries UK Limited. Each joint venture party has invested £500 in the share capital of the joint venture, with total issued share capital being 1,000 ordinary shares of £1 each.

There were no transactions during the current or previous year between Hills Quarry Products Limited, a wholly owned subsidiary of Hills UK Limited, and Cotswold Aggregates Limited.

Transactions with directors

Loans have been made by AN Hill, a director and shareholder of the company, and his wife. At the start and end of the year the total amount outstanding was £130,000. The company pays interest at a rate of 1.1% above the prevailing National Westminster Bank interest rate. The loans are repayable on demand

Total amounts paid to key management personnel in the year (including directors) amounts to £528,000 *(2019: £533,000)*

37 Cross guarantee

The company has an unlimited composite guarantee over the borrowing facilities of Hills UK Limited, Hills Waste Solutions Limited, Hills Quarry Products Limited, The Hills Group Limited, Kingshill Developments Limited, County Homes (Wessex) Limited, Hills Homes Developments Limited, Hills Municipal Collections Limited, Hills (West Midlands) Limited, and Able Waste Management Limited.

38 Ultimate controlling party

Hills UK Limited is a private company with no ultimate controlling party.

39 Accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Key sources of estimation uncertainty and judgement

Net realisable value of stock

The Group makes an estimate of the net realisable values of stock which is based on assessments of current costs and prevailing market conditions. These are re-assessed annually and amended where necessary to reflect current estimates. Changes to these estimates could result in changes to profit or loss for the period and to the carrying value of the stock. See note 13 for the carrying value of stock and changes to any net realisable value provision made in the year.

Notes *(continued)*

39 Accounting estimates and judgements (*continued*)

Key sources of estimation uncertainty and judgement *(continued*)

Restoration provisions

The timing of the expected cash flows of the site restoration and aftercare provision are estimated on a site by site basis over the period covering the operational life of the site, its full restoration when completed, and the continuing 60 year aftercare period following restoration. The amounts and timing of the expected outflows are uncertain due to the projection of costs over this period of time.

The restoration and aftercare provision has been discounted using an annual discount rate of 4.5% *(2019: 4.5%)*.

Investment property

The group's investment properties comprise industrial and commercial buildings built on land owned by the group which are leased to commercial tenants. There are also 3 domestic houses leased to private individuals.

Investment property is valued at market value by the directors and independent professionals where the property value is significant. The key assumptions underpinning the valuations are the covenant of the existing tenant and the prevailing market conditions for the assets being valued. These values will therefore be susceptible to severe market downturns and falls in the quality of covenants which could lead to reduced asset values and a charge to profit and loss.

As disclosed in note 11 the current carrying value of investment property is £6,662,000.

40 Explanation of application of Triennial Review 2017 Amendments

As stated in note 1, these are the Group and Company's first financial statements applying the Triennial Review 2017 Amendments to FRS 102. The date of transition is 1 May 2018.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 April 2020 and the comparative information presented in these financial statements for the year ended 30 April 2019, except where stated otherwise.

Group

An explanation of how the transition has affected the Group's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

		1 May 2018			**30 April 2019**		
Group	**Note**	Balances without adoption £000	Effect of transition £000	As reported £000	**Balances without adoption £000**	**Effect of transition £000**	**As reported £000**
Fixed assets							
Tangible assets	*a*	58,713	219	58,932	**56,215**	**219**	**56,434**
Investment property		5,593	(219)	5,374	**5,646**	**(219)**	**5,427**
Net assets		67,072	-	67,047	**72,519**	**-**	**72,519**
Capital and reserves							
Profit and loss account		65,333	-	65,333	**70,780**	**-**	**70,780**
Shareholders' equity		67,072	-	65,333	**72,519**	**-**	**72,519**

Notes *(continued)*

40 Explanation of application of Triennial Review 2017 Amendments *(continued)*

Notes to the reconciliation of equity and profit for the Group

a) Investment properties

Properties rented to group companies

Under the Triennial Review 2017 Amendments, adopted from 1 May 2019, the Group has an accounting policy choice in respect of investment properties rented to group companies. The Group has chosen to account for these properties by transferring them to property, plant and equipment and applying the cost model in accordance with FRS 102.17. On transition, the Group has used the historical cost of the property and depreciated and impaired the asset if it had always been carried at cost. The effect of transition has been an £219,000 decrease in investment property at 1 May 2018 and a corresponding increase in property, plant and equipment. The effect of transition at 30 April 2019 has been an £219,000 decrease in investment property at 1 May 2018 and a corresponding increase in property, plant and equipment.

Company

An explanation of how the transition has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

Company	Note	1 May 2018 Balances without adoption £000	Effect of transition £000	As reported £000	30 April 2019 **Balances without adoption** **£000**	**Effect of transition** **£000**	**As reported** **£000**
Fixed assets							
Tangible assets	*a*	4,772	1,815	6,587	**4,894**	**1,815**	**6,709**
Investment property		10,519	(2,477)	8,042	**8,151**	**(2,477)**	**5,674**
Net assets		33,691	(662)	33,029	**36,332**	**(662)**	**35,670**
Capital and reserves							
Profit and loss account		31,952	(662)	31,290	**34,593**	**(662)**	**33,931**
Shareholders' equity		33,691	(662)	33,029	**36,332**	**(662)**	**35,670**

Notes to the reconciliation of equity and profit for the Company

a) Investment properties

Properties rented to group companies

Under the Triennial Review 2017 Amendments, adopted from 1 May 2019, the Company has an accounting policy choice in respect of investment properties rented to group companies. The Company has chosen to account for these properties by transferring them to property, plant and equipment and applying the cost model in accordance with FRS 102.17. On transition, the Company has used the historical cost of the property and depreciated and impaired the asset if it had always been carried at cost. The effect of transition has been an £2,477,000 decrease in investment property at 1 May 2018 and a corresponding increase in property, plant and equipment along with a write off of historic revaluation. The effect of transition at 30 April 2019 has been an £2,477,000 decrease in investment property at 1 May 2018 and a corresponding increase in property, plant and equipment along with a write off of historic revaluation.