

**Hills UK Limited**

**Annual report and consolidated financial statements**

**Registered number 00530623**

**30 April 2021**

## Contents

Company information	1
Strategic report	2
Directors' report	9
Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements	11
Independent auditor's report to the members of Hills UK Limited	12
Consolidated Profit and Loss Account	16
Consolidated Statement of Other Comprehensive Income	17
Consolidated Balance Sheet	18
Company Balance Sheet	19
Consolidated Statement of Changes in Equity	20
Company Statement of Changes in Equity	21
Consolidated Cash Flow Statement	22
Notes	23

## **Company information**

### **Directors**

Alan G Pardoe ACMA, Chairman  
Michael P Hill, Chief Executive  
Anthony N Hill  
Bronia Hill  
Rosemary Hill  
Anna Ozberk  
R Andrew Hill

### **Secretary**

Michael P Hill

### **Auditor**

KPMG LLP  
66 Queen Square  
Bristol  
BS1 4BE

### **Banker**

Royal Bank of Scotland  
4th Floor  
Castlegate House  
Tower Hill  
Bristol  
BS2 0JA

### **Registered office**

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

## 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 year began and ended in lockdowns imposed by the Government in response to the Covid-19 pandemic. These led to disruptions in commercial activity not seen I suspect since the 2<sup>nd</sup> World War and a significant recession. Many businesses have been closed completely and many more have faced unprecedented challenges just to survive. We have been fortunate that our core businesses are in sectors that have seen less disruption and, whilst the year has been challenging, we have managed to adapt to the new situation and maintain satisfactory financial results.

At the beginning of the Covid-19 crisis, we chose to prioritize our cashflow over profitability in order to ensure that we had sufficient resources to see us through the uncertain times ahead. This led to a sizeable reduction in borrowings during the year, achieved mainly by significantly restricting capital expenditure and land acquisition, a limited use of the government job retention scheme and tight control of costs. You can see from the accounts that net borrowings by the end of the financial year of £14,471,000 last year had become a net cash balance of £293,000 as at 30<sup>th</sup> April 2021. Given that cash was our primary focus, the outcome for profitability was very pleasing with profit on ordinary activities before tax recorded at £7,088,000 (2020 £6,670,000) of which £897,000 was due to the revaluation of commercial properties.

The Group resumed the payment of dividends in July 2020, albeit at a lower level than pre pandemic. The total dividend for the year was £1,738,000 (2020 £1,738,000) this compares to the pre pandemic (2019) level of £2,263,000.

Overall, the value of shareholders' funds rose to £79,594,000 (2020: £73,412,000). Reserves were boosted by an actuarial gain as shown in the Consolidated Statement of Other Comprehensive Income of £1,414,000 (2020 loss: £2,696,000) as the wider measures taken to support asset values in financial markets led to a higher growth in the value of pensions scheme assets than liabilities as measured in the actuarial valuation of the group's final salary pension scheme.

I must pay tribute to the exceptional efforts made by our management team and all our employees in the achievement of these excellent results.

### Quarry Products

The level of activity in the aggregate and concrete markets in the UK during 2020/21 financial year was generally lower when compared to the previous year due to the disruption caused to the construction industry. In our case, however, we experienced exceptional levels of demand in the Cotswold Water Park quarries in the early summer of 2020 as many of our competitors failed to reopen their quarries until later in the year. Despite a more difficult winter when poor weather affected our operational capacity, the division overall had an exceptional year and contributed significantly to our financial performance.

The search for new reserves is always an important issue and remains a challenging environment. Delays and deferrals in the planning system continue to adversely impact the sector and have not lessened in prevalence or duration. Our planning application for new reserves at our Calne quarry has now been determined in our favour but with onerous conditions that we are appealing against to the Planning Inspector. This is therefore leading to further delay.

We have now signed a lease with our partner in the Cotswold Water Park, and whilst the time taken in preparation of documentation to support the planning process was longer than expected, we have now submitted a planning application for the first tranche of minerals which we hope will be determined by the end of 2022. This is not jeopardising our ability to maintain our ongoing production capability from this area as we have sufficient mineral in the Water Park to see us through the planning period and the construction of a new plant.

Market conditions continue to be relatively buoyant, although not at the levels seen in the summer of 2020. We are ahead of 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 overall has produced satisfactory returns, despite several challenging areas and the impact of the of the Covid-19 virus, as we continue to migrate up the waste hierarchy and reduce our dependence on landfill as a disposal option.

### **Wiltshire Council Contracts**

The year has been very challenging for the waste collection and recycling operations, with higher-than-normal levels of waste being received and a change in the composition of recyclable materials collected from residents. A significant increase in amounts of glass and cardboard being received as well as the restrictions imposed by the Covid-safe protocols has led to very difficult operational issues, both in the collection and the processing of materials for recycling.

We have however managed to maintain the service without any significant interruptions, despite the many difficulties of keeping a fully operational collection team. We have also met the service levels within the contract, although overall costs have been higher than originally tendered.

The resolution of the financial issues related to the contract variations have continued throughout the year and discussions with the Council are ongoing. However, I believe we are now relatively close to a settlement and that by the end of 2021 we will have achieved an acceptable resolution.

Our other contracts with Wiltshire Council continued to perform well in the year. Northacre Resource Recovery Centre, the mechanical and biological treatment facility, has performed very well and remained fully operational throughout the lockdown period. The contract for diverting waste from landfill to generate electricity at the 3<sup>rd</sup> party Lakeside Energy from Waste facility continues to see a regular profit performance.

### **Waste Disposal**

The latest planning application for the Waste to Energy project at Westbury gained approval from Wiltshire Council in June 2021 and is now awaiting a decision from the Secretary of State as to whether it will be called in for review. We hope to have a decision from the Secretary of State in the autumn and then await regulatory approval from the Environment Agency before proceeding with our investment partners. This project, whilst a major step along the path away from landfill, will result in a steady demand for landfill disposal of residual material from the process.

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 commercial waste collection business has continued to show steady 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 the various lockdowns endured during the year although conditions improved as the restrictions were slowly eased. We expect to continue to make improvements going forward and look forward to this business contributing more significantly to overall profitability over the medium term.

### In summary

The waste management business as 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 we would have liked, has been mainly affected by the Wiltshire collection and recycling contracts. Despite this, profitability in the current year is increased from 2020/21 levels and should return to a more normalized level. I am hopeful over the medium that we will see a continued growth in profits from this business.

## Strategic report (*continued*)

### Homes

The UK housing market had a tumultuous year with an almost universal shutdown of activity in the first lockdown, followed by a largely unexpected explosion in house prices by late summer and a nationwide scramble to reopen as many sites as possible to take advantage of the buoyant market which led to shortages of key materials.

Our business activity largely followed that blueprint resulting in a pleasing overall performance, despite at the outset expecting a very challenging year on the downside. We completed and sold out at the Hilperton and Corston sites. We substantially finished construction works at Tetbury and opened two new sites at Calne and Blunsdon in the second half of the year. Future sites with planning permission in the pipeline are at Wroughton and West Hanney, and we have Planning Inspector appeals pending on our applications for sites under option at Purton and Sutton Benger.

There was not much activity on the land acquisition front, given our desire to conserve cash, with only one new site purchased in the year. We are just beginning to refocus on this and will be looking to acquire new sites in early 2022. The hiatus may reduce sales activity in future years, particularly if our appeals are not successful at Purton and Sutton Benger. Generally, the outlook for the housing business remains positive over the next 3 to 4 years, and the current year looks set for a similar financial result to 2020 and 2021. Providing the market remains stable, we should continue to see worthwhile profits from this business.

During 2020/21 we sold a total of 66 plots, a steady increase of 4 compared to 2019/20.

We have in total 276 plots (2020: 332 plots) either under construction or with planning permission and a further 70 plots (2020: 49 plots) on option subject to planning being granted.

### Financial

The Board is acutely aware of the need to ensure that it manages the cash flow of the business closely during these exceptional times. We are also aware that we have achieved most of our aims during the pandemic period and must now look to resume our longer-term approach to managing the business and begin to look to grow profitability. We recognize however that the path to recovery will not necessarily be smooth. As I write this report the Government is beginning to turn off the borrowings tap, with an end to the job retention scheme, a cut in the benefits supplement, and some increases in taxation in the pipeline. Inflation has begun to steadily increase, and there are market shortages in both materials and the employment market with HGV driver issues likely to impact us over the winter period.

Group Net Borrowings at 30<sup>th</sup> April 2020 of £14,471,000 became net cash of £293,000 at 30<sup>th</sup> April 2021. Net cash generated from operating activities in the year was £20,463,000 (2020: £14,645,000) as shown in the Consolidated Cash Flow Statement and, net of direct asset financing, £5,542,000 (2020: £14,822,000) of this cash generated was used to acquire tangible fixed assets for future business growth.

Turnover in the year increased by £13,066,000 to £132,346,000, an increase of 11% (2020: reduction of £1,440,000 or 1% to £119,280,000). An increase in House Sales revenue of £8,813,000 from the 2020 sales was significant here as larger houses were sold which, although not adding to profit margins, did generate a significant proportion of the Group's cash. The gross profit margin reduced by 1% to 15% in 2021 to 16% in 2020 resulting in gross profits of £19,771,000 in 2021 compared to £19,459,000 in 2020.

The group's closed defined benefit pension scheme has again switched on the groups balance sheet from a net liability £1,236,000 at 30 April 2020 to a net asset of £1,137,000 at 30 April 2021. Full details of the pension liability and supporting notes are included in note 21 of these accounts.

Dividend payments have been maintained at the prior year level this year. We intend to continue this until 2022 when, if conditions allow, we will increase the dividend to a similar level to pre pandemic.

## 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 also continually adapting operations in response to interruptions to the supply chain which have been occurring over recent months following world-wide shortages of certain materials.

The company also recognises the increasing exposure posed by cyber risk as our management systems and customer interface increasingly moves onto online and electronic platforms. The company currently holds Cyberessential+ accreditation and has also appointed specialist advisors to help in managing this risk and data security

In response to the pandemic the company quickly respond to the developing situation and a committee group of selected managers and professional specialists was convened with delegated powers from the Group Board. The committee met virtually throughout the height of the pandemic on a regular basis with the remit to approve and implement policy changes in accordance with Government guidance and to maintain business continuity. This committee continues to meet, but on a less regular basis, as we move towards more normal ways of life

### COVID-19

As noted throughout this report the Covid-19 virus 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 impact on those operations of the various lock down periods and other restrictions through the year. We revised our financial models at the start of the year 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 in the first half of the year -apart from Hills Municipal Collections, where the work is an essential service and so continued throughout this period.

As we progressed beyond the initial lockdown period and through the financial year we performed better than our initial modelling assumptions and all employees returned to work from furlough, with commercial waste collection employees serving customers in the most restricted sectors such as retail and hospitality the last to return to work. We repaid all deferred VAT amounts by the end of March 2021 rather than opt for the payment instalment scheme.

However, despite the success of the nationwide vaccine roll-out it is too early to say that the crises is over. There could be continued pressure on our National Health Service over the coming winter and although the government is demonstrating a more pragmatic approach to the challenge, which recognizes the need to minimise harm to education and the general economy, it is possible that some restrictions could be re-introduced before the virus is finally contained. We have again 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 also made arrangements to allow employees to work from home where they can do so effectively. The company 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.

## Strategic report (continued)

### Risk Management (continued)

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 issued trading updates to keep customers and stakeholders updated on our operation and delivery of services. These statements were published on our company websites and via social media channels

### 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](http://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 Group and its individual operating companies are looking at ways to reduce the carbon footprint of our activities and benefit from transitioning to green technologies. As a group we are developing a strategy to meet the Government's target of a zero-carbon emissions economy by the 2050 and will be setting our own targets and goals.

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 2020 to 30 April 2021

Parameter	Units	Current reporting year 01/05/20 - 30/04/21	Comparison reporting year 01/05/19 - 30/04/20
Energy consumption used to calculate emissions	kWh	58,367,108	64,286,091
Emissions from combustion of gas (scope 1)	tCO <sub>2</sub> e	107	141
Emissions from combustion of fuel for transport purposes (scope 1)	tCO <sub>2</sub> e	12,738	13,875
Emissions from business travel (scope 3)	tCO <sub>2</sub> e	63	137
Emissions from purchased electricity (scope 2)	tCO <sub>2</sub> e	1,666	2,061
Total emissions from above	tCO <sub>2</sub> e	14,574	16,214
Intensity ratio: Total emissions / turnover	tCO <sub>2</sub> e/£m	110.12	136.20

#### Methodology

Where available direct energy consumption is taken from management records. Otherwise 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.



## 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.

- Efficiency improvements within HMC have continued in line with consolidation of vehicle locations/waste collection routes/waste processing centres. km per bin lift is monitored as a KPI.
- Monitoring of energy consumption more closely at key sites with a view to implementing further reduction measures, e.g. more efficient electric motors and lighting, use of timers on generators, small scale solar PVs etc.
- Further consideration of electric site machines with a view to replacement of fuel consuming units - not yet considered practicable.
- Activity to obtain the ISO 50001 certification management system for HWS - currently on hold. However, our capital approval system has been updated to ensure most energy efficient/"green" options are always considered.
- We continue to benefit from PV systems installed at two locations, and to provide landfill gas to a 3rd party for generating fossil fuel free electricity. A new solar farm to power quarry electrical plant is currently at the planning stage.
- Note that some activities reduced in 2020/21 due to COVID-19 restrictions

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 whilst each operation has its own employee health and safety committee made up of appointed volunteers representing their work colleagues that meets at regular intervals. 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.

During the pandemic employees were consulted on the introduction of control measures in the work place and social distancing rules as part of the company's risk assessment for Covid-19 reflecting Government guidance at the time. Additional communications were also introduced to maintain regular contact with employees who were both placed on furlough and commenced working from home. During this period the company has continued to raise awareness of mental health issues and promote employee access to support services offered under employee assistance programmes

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 to enable them to perform a job identified as appropriate to their aptitude and abilities.

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

## Strategic report (*continued*)

### 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.

### Outlook

The outlook for the business continues to be positive, with Quarry Products performing above expectation and good profitability expected in the housing business. The waste business should also see some improvement over the medium term.

Our profit budget for the current financial year is a little over £6 million, not allowing for any further property revaluations - which are not expected. This is roughly comparable to the year being reported on. As at the end of the 1<sup>st</sup> quarter we were slightly ahead of budget, but my expectation is that we will not be significantly ahead of budget for the year and that this winter may well again be quite challenging.

The Board will continue to monitor performance and events very closely and will take all the necessary actions to protect the future and wellbeing of the employees and the business.

By order of the board,



AG Pardoe  
**Chairman**  
29 November 2021

## Directors' report

The directors present their report and the financial statements of the group and company for the year ended 30 April 2021.

### Dividends

The directors do not propose a final dividend. During the year, dividends were paid in respect of the year ended 30 April 2021 of £1,738,000 (2020: £1,738,000 in respect of the year ended 30 April 2020).

### 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 (2020: £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.

### **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*

**29 November 2021**

Wiltshire House  
County Park Business Centre  
Shrivenham Road  
Swindon  
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 2021 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 2021 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the group or the company will continue in operation.

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

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

### **Fraud and breaches of laws and regulations – ability to detect *(continued)***

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from the provision of waste management revenue and quarry account revenue is recorded in the wrong period or fictitiously recorded and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, employment law, environmental legislation, building regulations and planning conditions recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

#### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

### **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.

### **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](http://www.frc.org.uk/auditorsresponsibilities).



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

### **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.



**Andrew Campbell-Orde (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
66 Queen Square,  
Bristol  
BS1 4BE  
30 November 2021

**Consolidated Profit and Loss Account**  
*for the year ended 30 April 2021*

	<i>Note</i>	<b>2021</b> <b>£000</b>	2020 £000
<b>Group turnover</b>	2	<b>132,346</b>	119,280
Cost of sales		<b>(112,575)</b>	(99,821)
<b>Gross profit</b>		<b>19,771</b>	19,459
Distribution costs		<b>(4,217)</b>	(4,688)
Administrative expenses		<b>(9,633)</b>	(8,433)
Other operating income	3	<b>940</b>	396
<b>Gross operating profit</b>	4	<b>6,861</b>	6,734
Revaluation of investment properties		<b>897</b>	605
Interest receivable and similar income	6	<b>6</b>	61
Interest payable and similar charges	7	<b>(676)</b>	(730)
<b>Profit on ordinary activities before taxation</b>		<b>7,088</b>	6,670
Tax on profit on ordinary activities	8	<b>(582)</b>	(1,343)
<b>Profit for the financial year</b>		<b>6,506</b>	5,327

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

The notes on pages 23 to 41 form an integral part of these financial statements.

**Consolidated Statement of Other Comprehensive Income**  
*for the year ended 30 April 2021*

	<i>Note</i>	<b>2021</b> <b>£000</b>	2020 £000
Profit for the financial year		<b>6,506</b>	5,327
<b>Other comprehensive income</b>			
Actuarial gains/(losses) recognised in the pension scheme	21	<b>1,745</b>	(3,328)
Deferred tax arising on losses in the pension scheme	21	<b>(331)</b>	632
Other comprehensive income for the year, net of income tax		<b>1,414</b>	(2,696)
Total comprehensive income for the year		<b>7,920</b>	2,631

The notes on pages 23 to 41 form an integral part of these financial statements.

**Consolidated Balance Sheet**  
*as at 30 April 2021*

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Intangible assets	9	141	3
Tangible assets	10	61,884	64,816
Investment property	11	6,742	6,662
Investments	12	159	159
		<b>68,926</b>	<b>71,640</b>
<b>Current assets</b>			
Stocks	13	11,965	22,379
Debtors (including £6,853,000 (2020: £6,919,000) due after more than one year)	14	32,704	24,486
Cash at bank and in hand		18,850	11,946
		<b>63,519</b>	<b>58,811</b>
<b>Creditors: amounts falling due within one year</b>	15	<b>(32,084)</b>	<b>(26,787)</b>
<b>Net current assets</b>		<b>31,435</b>	<b>32,024</b>
<b>Total assets less current liabilities</b>		<b>100,361</b>	<b>103,664</b>
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(10,543)</b>	<b>(18,946)</b>
<b>Provision for liabilities</b>			
Deferred taxation	20	(2,396)	(2,589)
Other provisions	19	(8,965)	(7,481)
Pension asset / (liability)	21	1,137	(1,236)
		<b>(10,224)</b>	<b>(11,306)</b>
<b>Net assets</b>		<b>79,594</b>	<b>73,412</b>
<b>Capital and reserves</b>			
Called up share capital	22	1,331	1,331
Share premium	23	118	118
Capital redemption reserve	24	290	290
Profit and loss account		77,855	71,673
<b>Shareholders' funds</b>		<b>79,594</b>	<b>73,412</b>

The notes on pages 23 to 41 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 29 November 2021 and were signed on its behalf by:

**AG Pardoe**  
Director

Registered number: 530623

## Company Balance Sheet

as at 30 April 2021

	Note	£000	2021 £000	£000	2020 £000
<b>Fixed assets</b>					
Intangible assets	28		3		3
Tangible assets	29		7,225		7,640
Investment property	30		6,295		6,214
Investments	31		263		1,053
			<u>13,786</u>		<u>14,910</u>
<b>Current assets</b>					
Debtors (including £125,000 (2020: £125,000) due after more than one year)	32	13,972		17,889	
Cash at bank and in hand		17,584		10,075	
		<u>31,556</u>		<u>27,964</u>	
<b>Creditors: amounts falling due within one year</b>	33	<u>(10,929)</u>		<u>(8,547)</u>	
<b>Net current assets</b>			<u>20,627</u>		<u>19,417</u>
<b>Total assets less current liabilities</b>			<u>34,413</u>		<u>34,327</u>
<b>Provisions for liabilities</b>					
Pension asset / (liability)	21		1,137		(1,236)
Deferred taxation			(254)		-
			<u>883</u>		<u>(1,236)</u>
<b>Net assets</b>			<u>35,296</u>		<u>33,091</u>
<b>Capital and reserves</b>					
Called up share capital	22		1,331		1,331
Share premium	23		118		118
Capital redemption reserve	24		290		290
Profit and loss account			33,557		31,352
<b>Shareholders' funds</b>			<u>35,296</u>		<u>33,091</u>

The notes on pages 23 to 41 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 29 November 2021 and were signed on its behalf by:



**AG Pardoe**  
Director

**Consolidated Statement of Changes in Equity**  
*as at 30 April 2021*

	Called up share capital	Share premium account	Other reserves	Profit & loss account	Total shareholder equity
	£000	£000	£000	£000	£000
Balance at 1 May 2019	1,331	118	290	70,780	72,519
<b>Total comprehensive income for the period</b>					
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)
<b>Balance at 30 April 2020</b>	<b>1,331</b>	<b>118</b>	<b>290</b>	<b>71,673</b>	<b>73,412</b>
Balance at 1 May 2020	1,331	118	290	71,673	73,412
<b>Total comprehensive income for the period</b>					
Profit or (loss)	-	-	-	6,506	6,506
Other comprehensive income	-	-	-	1,414	1,414
Total comprehensive income for the period	-	-	-	7,920	7,920
Dividends paid	-	-	-	(1,738)	(1,738)
<b>Balance at 30 April 2021</b>	<b>1,331</b>	<b>118</b>	<b>290</b>	<b>77,855</b>	<b>79,594</b>

The notes on pages 23 to 41 form an integral part of these financial statements.

**Company Statement of Changes in Equity**  
*as at 30 April 2021*

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Other reserves</b>	<b>Profit &amp; loss account</b>	<b>Total shareholder equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 May 2019	1,331	118	290	33,931	35,670
<b>Total comprehensive income for the period</b>					
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)
<b>Balance at 30 April 2020</b>	<b>1,331</b>	<b>118</b>	<b>290</b>	<b>31,352</b>	<b>33,091</b>
Balance at 1 May 2020	1,331	118	290	31,352	33,091
<b>Total comprehensive income for the period</b>					
Profit or (loss)	-	-	-	2,529	2,529
Other comprehensive income	-	-	-	1,414	1,414
Total comprehensive income for the period	-	-	-	3,943	3,943
Dividends paid	-	-	-	(1,738)	(1,738)
<b>Balance at 30 April 2021</b>	<b>1,331</b>	<b>118</b>	<b>290</b>	<b>33,557</b>	<b>35,296</b>

The notes on pages 23 to 41 form an integral part of these financial statements.

**Consolidated Cash Flow Statement**  
*for the year ended 30 April 2021*

	<i>Note</i>	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>
<b>Cash flows from operating activities</b>			
Profit for the year		<b>6,506</b>	5,327
<i>Adjustments for:</i>			
Depreciation	10	<b>8,037</b>	6,296
Amortisation	9	<b>7</b>	1
Interest receivable and similar income	6	<b>(6)</b>	(61)
Interest payable and similar charges	7	<b>676</b>	730
Revaluation of investment property	11	<b>(897)</b>	(605)
Profit on sale of tangible fixed assets	3	<b>(466)</b>	(309)
Taxation	8	<b>582</b>	1,343
 (Increase)/decrease in trade and other debtors	14	<b>(8,750)</b>	4,858
(Increase)/decrease in stocks	13	<b>10,414</b>	(1,363)
(Decrease)/increase in trade and other creditors	15	<b>6,018</b>	1,657
 Interest paid		<b>(676)</b>	(730)
Tax paid		<b>(982)</b>	(2,499)
<b>Net cash from operating activities</b>		<b>20,463</b>	14,645
<b>Cash flows from investing activities</b>			
Proceeds from sale of tangible fixed assets and investment property		<b>1,720</b>	773
New investments		<b>-</b>	-
Payments to acquire intangible assets		<b>(145)</b>	-
Interest received		<b>6</b>	18
Acquisition of tangible fixed and investment assets	10	<b>(5,542)</b>	(14,822)
<b>Net cash from investing activities</b>		<b>(3,961)</b>	(14,031)
<b>Cash flows from financing activities</b>			
Proceeds from new loans		<b>-</b>	7,107
Repayment of borrowings		<b>(7,860)</b>	(3,731)
Dividends paid	25	<b>(1,738)</b>	(1,738)
<b>Net cash from financing activities</b>		<b>(9,598)</b>	1,638
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,904</b>	2,252
Cash and cash equivalents at 1 May		<b>11,946</b>	9,694
<b>Cash and cash equivalents at 30 April</b>		<b>18,850</b>	11,946

The notes on pages 23 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 38.

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.

#### **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 £6,506,000 and net current assets of £31,435,000 for the group. It is also considered appropriate for the company based on a profit for the year of £2,592,000 and net current assets of £20,627,000.

The directors have prepared cash flow forecasts for 17 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 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. The directors have specifically assessed the impact that COVID-19 will have on the ability of the Group to continue as a going concern.

Our businesses have been affected by the pandemic differently dependent on the sector in which they trade. We have expanded on the current situation below.

Hills Waste Solution Limited and Hills Municipal Collections Limited have been deemed essential by the UK Government and therefore continued to operate residential collections throughout lockdown with only minimal impact on the service 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 in the first half of 2020 due to the indirect impact of construction being halted. However, volumes recovered quickly once construction operations resumed and this entity has not seen a significant impact of further lockdown periods.

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 initial lockdown period and it has not seen a significant impact of further lockdown periods. Over the summer we have seen a return across the group pre-lockdown volumes as the economy recovers and reopens.

In preparing the forecasts we have considered severe but plausible scenarios. At their most severe these scenarios project a drop in revenue across the entire Group for a period of 2 months. None of the scenarios indicate that the group would have insufficient funds to meet its liabilities as they fall due or fail to comply with its banking covenants. Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 April 2021. 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 10 years.

#### *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.

#### *Investment properties subsequent to initial recognition*

The major investment properties, as per note 11, are remeasured to fair value at the reporting date by appropriately qualified external valuers. Smaller value investment properties are similarly revalued on a cyclical basis and then reviewed annually by the directors. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise.

## Notes (continued)

### 1 Accounting policies (continued)

#### **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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### **Government Grants**

The company recognises government grants related to income in the period that the expense is incurred.

The company has included income related to government grants as part of other operating income in the statement of profit and loss and other comprehensive income.

#### **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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 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:	2021 £000	2020 £000
Quarry products	38,879	33,546
Waste management and recycling	66,738	67,818
Property and Homes Development (including property rental)	26,729	17,916
	<b>132,346</b>	<b>119,280</b>

### 3 Other income

	2021 £000	2020 £000
Net gain on disposal of tangible fixed assets and investment properties	466	309
Furlough grants received	474	87
	<b>940</b>	<b>396</b>

(Furlough grants received of £103,000 in 2020 were credited to Administration Expenses)

## Notes (continued)

### 4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2021 £000	2020 £000
Depreciation of owned fixed assets	6,845	4,644
Depreciation of fixed assets held under finance leases	1,192	1,652
Amortisation of intangible assets	7	1
Short term hire – plant and machinery	793	744
Operating lease rentals – land buildings, vehicles and office equipment	3,433	3,249
(Profit) on sale of tangible fixed assets and investment properties	(466)	(309)
Rent receivable	(539)	(505)

Research and development expenditure of £144,000 (2020:£ 740,000) has been added to current assets in the year ending 30 April 2021.

#### Auditor's remuneration

	2021 £000	2020 £000
Audit of these financial statements	15	15
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	94	78
Taxation compliance and other services	58	62
	<b>167</b>	<b>155</b>

### 5 Staff costs

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

	2021 £000	2020 £000
Wages and salaries	18,611	18,677
Social security costs	1,764	1,740
Other pension costs	1,542	1,569
	<b>21,917</b>	<b>21,986</b>

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

	2021 No.	2020 No.
Site based employees	471	486
Administration and sales staff	168	176
	<b>639</b>	<b>662</b>

#### Directors' emoluments - company

	2021 £000	2020 £000
Emoluments (including contributions to defined contribution pension schemes)	503	528
Highest paid director:		
Emoluments	257	268
Contributions to defined contribution pension schemes	27	27
	<b>284</b>	<b>295</b>

## Notes (continued)

### 5 Staff costs (continued)

#### Directors' emoluments – company (continued)

Number of directors accruing benefits in company pension schemes:

	2021 No.	2020 No.
Defined contribution schemes	1	1

### 6 Interest receivable and similar income

	2021 £000	2020 £000
On loan notes and cash at bank	4	18
Other interest received	2	
FRS102 Pension net finance charge	-	43
	6	61

### 7 Interest payable and similar charges

	2021 £000	2020 £000
Bank loans and overdrafts	460	506
Other loans	2	4
FRS102 Pension net finance charge	16	-
On finance leases and hire purchase contracts	198	220
	676	730

### 8 Taxation – group

Total tax charge recognised in the profit and loss account;

	2021 £000	2020 £000
<b>Analysis of charge in the year</b>		
Current tax:		
UK corporation tax on profits of the year	974	913
Adjustments in respect of previous years	132	(135)
Total current tax	1,106	778
Deferred tax (see note 20)		
Origination and reversal of timing differences	434	304
Adjustments in respect of previous years	(958)	(50)
Effect of tax rate change on opening balance	-	311
Total deferred tax	(524)	565
Total tax	582	1,343

	2021 £000	2021 £000	2021 £000	2020 £000	2020 £000	2020 £000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	1,106	(524)	582	778	565	1,343
Recognised in other comprehensive	-	331	331	-	(632)	(632)
Total tax	1,106	(193)	913	778	(67)	711

## Notes (continued)

### 8 Taxation – group (continued)

#### Factors affecting tax charge for the year

The current tax charge for the period is lower (2020: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2021 £000	2020 £000
Profit for the year	6,506	5,327
Total tax expense	582	1,343
Profit on ordinary activities before tax	7,088	6,670
Standard rate of corporation tax in the UK 19% (2019: 19%)	1,347	1,267
Profit on ordinary activities multiplied by the standard rate of corporation tax		
Effects of:		
Expenses not deductible for tax purposes	23	28
Non chargeable ( gains ) / losses	31	(125)
Non taxable income	(170)	(205)
Fixed assets differences	177	252
Adjustments in respect of prior periods	132	(135)
Adjustments in respect of prior periods – deferred tax	(958)	261
Permanent differences	-	-
Total tax expense included in the profit or loss	582	1,343

#### Factors that may affect future tax charges

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax liability as at 30 April 2021 was calculated at 19% (2020: 19%). An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly and increase the deferred tax liability by £757,000.

### 9 Intangible fixed assets – group

	Registered Trade marks £000	Goodwill £000	Total £000
<b>Cost</b>			
At 1 May 2020	22	358	380
Additions during the year	-	145	145
At 30 April 2021	22	503	525
<b>Amortisation</b>			
At 1 May 2020	19	358	377
Provided during the year	-	7	7
At 30 April 2021	19	365	384
<b>Net book value</b>			
At 30 April 2021	3	138	141
At 30 April 2020	3	-	3

The intangible fixed assets related to registered trademarks, which are being written off over their estimated life of 5 years, and goodwill arising on acquisition of concrete assets which is being written off over an estimated economic life of 10 years.

#### Amortisation and impairment charge

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

	2021 £000	2020 £000
Administrative expenses	7	1
	7	1

There has been no impairment, or impairment reversal, in the year (2020: £nil).

Registered number: 530623

## 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
<b>Cost</b>				
At 1 May 2020	68,137	62,181	3,973	134,291
Additions	3,847	1,468	227	5,542
Disposals	(334)	(2,206)	-	(2,540)
Transfers to investment property	(34)	-	-	(34)
At 30 April 2021	71,616	61,443	4,200	137,259
<b>Depreciation</b>				
At 1 May 2020	30,965	35,906	2,604	69,475
Charge for the year	2,987	4,671	379	8,037
On disposals	-	(2,137)	-	(2,137)
At 30 April 2021	33,952	38,440	2,983	75,375
<b>Net book value</b>				
At 30 April 2021	37,664	23,003	1,217	61,884
At 30 April 2020	37,172	26,275	1,369	64,816

Carrying amount of land and buildings on costs basis is £37,664,000 (2020: £37,172,000).

There has been no impairment, or impairment reversals, in the year (2020: £nil)

Included within land and buildings is a cost of £7,678,000 (2020: £6,160,000) and associated accumulated depreciation of £5,657,000 (2020: £4,481,000) 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 £2,657,000 (2020: £3,801,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation on these assets was £1,192,000 (2020: £1,652,000).

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

### 11 Investment property - group

	Investment property £000
<b>Cost</b>	
At 1 May 2020	6,662
Additions	-
Transfers from tangible fixed assets	34
Disposals	(851)
Revaluation	897
At 30 April 2021	6,742

The property at County Park was valued externally as at 30 April 2021 by Loveday, Chartered Surveyors, in accordance with the RICS Appraisal and Valuation Manual.

The properties at Purton were valued externally by Loveday, Chartered Surveyors at 30 April 2021, also in accordance with the RICS Appraisal and Valuation Manual.

The three residential dwellings included in investment properties were revalued externally at 30 April 2020 and these values have been retained for 30 April 2021. This is considered by the directors to be a fair value for these properties. The remaining investment properties were revalued by AG Pardoe, a director of Hills UK Limited, at 30 April 2021 on an open market basis.



## Notes (continued)

### 12 Investments -group

	Shares in unlisted undertakings £000
<b>Cost</b>	
At 1 May 2020	159
Additions	-
At 30 April 2021	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
<i>Subsidiary undertakings</i>		Class	%		£000	£000
The Hills Group Limited	England and Wales	Ordinary	100	UK	2,007	1,800
Hills Waste Solutions Limited	England and Wales	Ordinary	100	UK	23,337	1,340
Hills Quarry Products Limited	England and Wales	Ordinary	100	UK	9,433	2,266
Hills Municipal Collections Limited	England and Wales	Ordinary	100	UK	(160)	(537)
Estrada Grande Limited	England and Wales	Ordinary	100	UK	294	-
Hills Haulage Limited	England and Wales	Ordinary	100	UK	266	-
Hills Homes Developments Limited	England and Wales	Ordinary	100	UK	9,220	3,315
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 30<sup>th</sup> June. During the year to 30 April 2021, 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

	2021 £000	2020 £000
Raw materials and consumables	670	841
Work in progress	11,295	21,538
	<b>11,965</b>	<b>22,379</b>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £30,797,000 (2020: £21,259,000) in the Group and £nil (2020: £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 £1,782,000 (2020: £2,007,000) in the Group and £nil (2020: £nil) in the Company.

The total carrying amount of stocks pledged as security for liabilities in the year amounted to £11,295,000 (2020: £21,538,000) in the Group and £nil (2020: £nil) in the Company.

## Notes (continued)

### 14 Debtors – group

	2021 £000	2020 £000
Trade debtors	17,703	11,877
Corporation tax	385	509
Other debtors	5,984	5,548
Prepayments and accrued income	8,632	6,552
	<u>32,704</u>	<u>24,486</u>

Amounts due after more than one year included in other debtors is £5,221,000 (2020: £5,077,000).

Amounts due after more than one year included in prepayments and accrued income is £1,632,000 (2020: £1,842,000).

### 15 Creditors: amounts falling due within one year – group

	2021 £000	2020 £000
Bank loans and overdrafts (note 17)	6,875	6,467
Obligations under finance leases and hire purchase contracts (note 18)	1,139	1,004
Trade creditors	8,281	5,692
Corporation tax	-	-
Other taxes and social security costs	6,920	5,066
Other creditors	109	96
Accruals and deferred income	8,760	8,462
	<u>32,084</u>	<u>26,787</u>

### 16 Creditors: amounts falling due after one year – group

	2021 £000	2020 £000
Bank loans and overdrafts (note 17)	8,700	16,000
Obligations under finance lease and hire purchase contracts (note 18)	1,843	2,946
	<u>10,543</u>	<u>18,946</u>

### 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 £000	Borrowings due after one year £000	Obligations under finance lease liabilities £000	Subtotal £000	Cash and cash equivalents £000	Net debt £000
<b>Net debt analysis</b>						
Balance at 1 May 2020	6,467	16,000	3,950	26,417	11,946	14,471
Cash flows	408	(7,300)	(968)	(7,860)	6,904	(14,764)
<b>Balance at 30 April 2021</b>	<u>6,875</u>	<u>8,700</u>	<u>2,982</u>	<u>18,557</u>	<u>18,850</u>	<u>(293)</u>

## Notes (continued)

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

#### Interest bearing loans and borrowings

	2021 £000	2020 £000
Creditors falling due more than one year		
Bank loans	8,700	16,000
Finance lease liabilities	1,843	2,946
	<u>10,543</u>	<u>18,946</u>
Creditors falling due within less than one year		
Bank loans	6,875	6,467
Finance lease liabilities	1,139	1,004
	<u>8,014</u>	<u>7,471</u>
Bank Loans		
	2021 £000	2020 £000
Loans repayable within five years include:		
Long term bank loan	-	-
Medium term development loan	8,700	16,000
Short term bank loan	4,107	4,107
Invoice discounting facilities	2,768	2,360
	<u>15,575</u>	<u>22,467</u>
Analysis of maturity of debt:		
Within one year or on demand	6,875	6,467
Within one and two years	-	-
Between two and five years	8,700	16,000
	<u>15,575</u>	<u>22,467</u>

The long term bank loan of £nil (2020: £nil) 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 £8,700,000 (2020 : £16,000,000) 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 (2020:£4,107,000) 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. Since the year end the loan has switched to a facility secured against the recycling equipment and repayable over a period of 5 years.

The invoice discounting facility for working capital requirements of £2,768,000 (2020: £2,360,000) 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:

	2021 £000	2020 £000
Amounts payable:		
Within one year	1,139	1,004
In the second to fifth years	1,843	2,946
	<u>2,982</u>	<u>3,950</u>

## Notes (continued)

### 19 Provisions for liabilities - group

#### Site restoration and aftercare reserve

	2021 £000	2020 £000
At 1 May	7,481	7,236
Additional provisions made during the period	1,524	584
Amounts used	(326)	(456)
Changes to the discounted amount	286	117
<b>At 30 April</b>	<b>8,965</b>	<b>7,481</b>

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 4.0% (2020: 4.5%)

### 20 Deferred taxation - group

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Other timing differences	(969)	(19)	-	-	(969)	(19)
Tax losses carried forwards	(29)	(29)	-	-	(29)	(29)
Accelerated capital allowances	-	-	3,178	2,871	3,178	2,871
Deferred tax on defined benefit pension (liability)/asset	-	(234)	216	-	216	(234)
<b>Tax (assets) / liabilities</b>	<b>(998)</b>	<b>(282)</b>	<b>3,394</b>	<b>2,871</b>	<b>2,396</b>	<b>2,589</b>

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 £1,529,000 (2020: £1,556,000).

At 30 April 2021 contributions amounting to £130,000 (2020: £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 (2020: £13,000).

The charge to the group for the above schemes in the year was £1,542,000 (2020: £1,569,000).

## 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 2020. This was updated to 30 April 2021 and 2020 by a qualified independent actuary.

	2021 £000	2020 £000
Present value of defined benefit obligations	(30,240)	(28,576)
Fair value of plan assets	31,377	27,340
Surplus/(deficit)	1,137	(1,236)
Related deferred tax (liability)/asset	(216)	234
Net asset/(liability)	921	(1,002)

The 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 2020 for statutory funding purposes was completed on 24<sup>th</sup> August 2021 and showed scheme assets of £28,479,000 and scheme liabilities of £30,891,000, resulting in a statutory funding deficit of £2,412,000.

#### Movements in present value of defined benefit obligation

	2021 £000	2020 £000
At 1 May	(28,576)	(26,288)
Current service cost	-	-
Past service cost	(24)	-
Interest cost	(480)	(647)
Actuarial gains/(losses)	(1,903)	(2,448)
Benefits paid	743	807
At 30 April	(30,240)	(28,576)

#### Movements in fair value of plan assets

	2021 £000	2020 £000
At 1 May	27,340	27,669
Interest income	464	690
Actuarial gain/(loss) on plan assets	3,648	(880)
Contributions by employer	668	668
Contributions by members	-	-
Benefits paid	(743)	(807)
At 30 April	31,377	27,340

## Notes (continued)

### 21 Pension schemes (continued)

#### Defined benefit scheme - group and company (continued)

##### Expense recognised in the profit and loss account

	2021 £000	2020 £000
Current service cost net of employee contributions	-	-
Past service cost	24	-
Interest on defined benefit pension plan obligation	480	647
Expected return on defined benefit pension plan assets	(464)	(690)
Total	40	(43)

The past service cost arose from the recognition of the cost of equalising GMP benefits on transfer payments 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:

	2021 Fair value £000	2020 Fair value £000
Equities and property	12,526	9,642
Bonds and Gilts	13,598	13,199
Diversified growth fund	4,911	4,207
Insured pensions	283	255
Cash	59	37
	31,377	27,340

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

	2021	2020
Equities	40%	35%
Bonds	43%	48%
Diversified growth fund	16%	16%
Insured Pensions	1%	1%
Cash	-%	-%

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

	2021	2020
Rate of increase in salaries	0%	0%
Discount rate	2.1%	1.7%
Inflation assumption	3.3%	2.6%
Limited price indexation	2.8%	2.1%
Deferred pension revaluation	2.8%	2.1%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

	2021	2020
For a male member aged 65	22.2	20.7
At 65 for a male member aged 45 now	23.5	22.0
For a female member aged 65	23.9	22.6
At 65 for a female member aged 45 now	25.4	24.2

## Notes (continued)

### 21 Pension schemes (continued)

#### Defined benefit scheme - group and company (continued)

No adjustments have been made to mortality assumptions at year end to reflect the potential effects of Covid-19 as the actual plan experience is not yet available and as it is too soon to make a judgement on the impact of the pandemic on future mortality improvements. The mortality experience analysis for the scheme will be carried out in the future as part of the 1st July 2023 full actuarial valuation.

### 22 Share capital - group and company

	2021 £000	2020 £000
<b>Allotted, called up and fully paid</b>		
1,331,484 ordinary shares of £1 each (2020: 1,331,484)	1,331	1,331

### 23 Share premium - group and company

	2021 £000	2020 £000
At beginning and end of year	118	118

### 24 Capital redemption reserve - group and company

	2021 £000	2020 £000
At beginning and end of year	290	290

### 25 Dividends paid - group and company

	2021 £000	2020 £000
Dividends for which the company became liable during the year:		
Interim dividend paid July 2020 at 21.75p per share (2020: 43.5p)	290	579
Interim dividend paid October 2020 at 35p per share (2020: 43.5p)	466	579
Interim dividend paid January 2021 at 35p per share (2020: 43.5p)	466	580
Interim dividend paid April 2021 at 38.75p per share (2020: nil)	516	-
Total dividends paid re current year	1,738	1,738
Analysis of dividends by type:		
Dividends paid on shares classified as shareholders' funds	1,738	1,738

## Notes (continued)

### 26 Commitments – group

	2021 £000	2020 £000
Amounts contracted for but not provided in the financial statements	900	-

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

	Land and buildings 2021 £000	Other 2021 £000	Land and buildings 2020 £000	Other 2020 £000
Operating leases which expire:				
Within one year	895	224	1,252	143
In second to fifth years inclusive	1,609	1,589	1,968	2,541
Over five years	1,608	-	1,938	-
	<b>4,112</b>	<b>1,813</b>	<b>5,158</b>	<b>2,684</b>

### 27 Contingent liability - group

The group has been informed by the Health and Safety Executive that it has commenced an investigation following an incident at one of the group's premises which led to a fatality. No provision has been made in these accounts as the outcome of the investigation has not yet been determined and no reliable estimate for potential liability is available.

### 28 Intangible fixed assets - company

	Registered trade marks £000
<b>Cost</b>	
At 1 May 2020	22
Additions during the year	-
At 30 April 2021	22
<b>Amortisation</b>	
At 1 May 2020	19
Provided during the year	-
At 30 April 2021	19
<b>Net book value</b>	
At 30 April 2021	3
At 30 April 2020	3

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 (2020: £nil).



## Notes (continued)

### 29 Tangible fixed assets - company

	Land and buildings £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
<b>Cost</b>				
At 1 May 2020	8,276	24	246	8,546
Additions	70	-	4	74
Disposals	(334)	-	-	(334)
Transfers to investment property	(34)	-	-	(34)
At 30 April 2021	7,978	24	250	8,252
<b>Depreciation</b>				
At 1 May 2020	702	24	180	906
Charge for the year	104	-	17	121
At 30 April 2021	806	24	197	1,027
<b>Net book value</b>				
At 30 April 2021	7,172	-	53	7,225
At 30 April 2020	7,574	-	66	7,640

Carrying amount of land and buildings on cost basis £7,172,000 (2020 : £7,574,000).

### 30 Investment properties - company

	Total £000
<b>Cost</b>	
At 1 May 2020	6,214
Additions	1
Revaluation	897
Disposals	(851)
Transfers from tangible fixed assets	34
At 30 April 2021	6,295

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

### 31 Investments - company

	Investments in subsidiary undertakings £000	Other investments £000	Total £000
<b>Cost</b>			
At 1 May 2020	894	159	1,053
Impairment in years	(790)	-	(790)
At 30 April 2021	104	159	263

During the year the company's investments in subsidiary undertakings were written down by £790,000 to reflect the net asset values of two subsidiaries.

## Notes (continued)

### 31 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.

### 32 Debtors – company

	2021 £000	2020 £000
Trade debtors	196	61
Amounts owed by group undertakings	11,260	15,857
Deferred tax assets – note 34	-	157
Other debtors	616	57
Prepayments and accrued income	472	339
Corporation tax	1,428	1,418
	<b>13,972</b>	<b>17,889</b>

Amounts due after more than one year included in prepayments and accrued income is £125,000 (2020: £125,000).

### 33 Creditors: amounts falling due within one year - company

	2021 £000	2020 £000
Trade creditors	275	189
Obligations under finance lease and hire purchase contracts	-	-
Amounts owed to group undertakings	9,954	7,570
Other taxes and social security costs	17	16
Other creditors	109	96
Accruals and deferred income	574	676
	<b>10,929</b>	<b>8,547</b>

### 34 Deferred taxation - company

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Accelerated capital allowances	-	-	(56)	-	(56)	-
Pension Scheme	-	234	(216)	-	(216)	234
Other timing differences	18	17	-	(94)	18	(77)
Tax assets / (liabilities)	<b>18</b>	<b>251</b>	<b>(272)</b>	<b>(94)</b>	<b>(254)</b>	<b>157</b>

## Notes (continued)

### 35 Related party transactions

#### *Kingshill Developments Limited*

Kingshill Developments Limited is a related party by virtue of common directorships. A loan of £1,959,000 (2020: £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 remuneration) amounts to £503,000 (2020: £528,000)

### 36 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.

### 37 Ultimate controlling party

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

### 38 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.

##### *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 4.0% (2020: 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 £6,742,000.