Hills UK Limited

Annual report and consolidated financial statements

Registered number 530623

30 April 2022

Contents

Company information

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Strategic report

Principal activities

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

Summary

The year began with Covid 19 restrictions still in place, but all of these were removed by mid July 2021. Whilst businesses began to get back to normal and a period of significant growth in the economy ensued, towards the latter part of our financial year the economy started to overheat. This was characterized by a shortage of labour and key materials being in short supply, particularly cement and timber. This was the start of a period of price instability, which was to be exacerbated by a large increase in the cost of energy due to higher demand and Russia's invasion of Ukraine. At the time of writing this has resulted in the highest levels of inflation in the UK for 40 years and a rise in interest rates from what were exceptionally low levels.

These events have created significant challenges for our businesses and will continue to do so as the UK heads for recession. Clearly a substantial increase in key material costs and rising interest rates will affect the housing and construction market prospects and a slowdown or fall in house prices is a distinct possibility. The housing market has seen an unprecedented period of growth, with demand seriously exceeding supply throughout 2021/22. A pause for breath may not be a bad thing providing there is not an overshoot on the downside in response to rapid rises in interest rates, partly the consequence of market reaction to government borrowing announcements which have since been retracted.

The underlying performance of the business in these difficult times has been quite robust. The profit before tax for the year was lower than the previous year at £ 3.9m (*2021: £7.1m*) but this was mainly due to an exceptional adjustment in the discount rate applied to our provisions for quarry and landfill restoration amounting to a charge against profits of £4.1m. Excluding this item our profit before tax rose by £0.9m.

Dividends rose in the year to £2,147,000 (*2021: £1,738,000*) reflecting our decision to return the dividend to pre-pandemic levels by the financial year 2022/23.

Quarry Products

The level of activity in the aggregate and concrete markets in the UK during 2021/22 financial year was generally buoyant, although a little lower than the previous year due to the exceptional trading in the summer of 2020. As in 2020 we experienced a relatively poor period of trading in the winter. We were however able to show an operating profit in the business which is comparable to the previous year, which was an excellent result.

The search for new reserves is always an important issue and remains a challenging environment. Delays and deferrals in the planning system continue to plague the sector and have not lessened in prevalence or duration. Our planning application for new reserves at our Calne quarry has now been determined in our favour but is currently subject to an appeal relating to conditions. The planning permission for Airfield Quarry in the Cotswold Water Park is progressing and we are hopeful of a successful outcome by Spring 2023. We are in the early stages of developing further soft sand reserves in Oxfordshire and have two new concrete plants under development. We continue to look for new opportunities to extend our area of operations in the south of England.

Market conditions have been relatively buoyant during the summer of 2022. We are ahead of budget and last year 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 experienced a challenging year 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 again been challenging for the waste collection and recycling operations. We have, however, managed to deliver the services without any significant interruptions, despite the many difficulties in maintaining suitably resourced collection crews.

We have also met the service levels within the contract, although overall costs have remained higher than originally tendered. The biggest issue was towards the latter part of the year when pay negotiations with the unions broke down. This resulted in a short union driven strike by part of the workforce that ended in a negotiated settlement but as a result we incurred additional costs to recover from the resulting follow-on disruption from this action. Pay negotiations in the public sector have become more difficult since that time and this will be something that we will need to be mindful of for the 2023 pay review.

The Northacre Resource Recovery Centre (NRRC), the mechanical and biological treatment facility also known as our MBT plant, suffered from an issue with odour emissions which resulted in the plant being closed for part of the year whilst the bio filter was replaced and other remedial works were undertaken. This reduced input for several months and of course increased costs. Overall, this reduced the operating contribution by almost £1m during the period.

The Sands Farm Material Recovery Facility (MRF) continued to have difficulties with the quality of waste inputs and volumes at certain periods. A second shift was added to address these issues to reduce the level of rejects and increase the throughput. This should improve the profitability of this operation moving forward. With the MBT fully operational in the current year, and improvements coming through for the MRF, I expect to see improved results in the current period.

The contract for diverting waste from landfill to generate electricity at the 3rd party operated Lakeside Energy from Waste facility continues to see a regular profit performance.

Waste Disposal

The latest planning application for the Waste to Energy project submitted by Northacre Renewable Energy Ltd (NRE), the special purpose venture in which we hold a minority interest, gained approval from Wiltshire Council in June 2021 and was eventually referred back to Wiltshire Council by the Secretary of State for resolution. The Council decided that a new application was required due to the time delay between the original approval and the referral back by the Secretary of State. The new application was then deferred and eventually refused by the authority's Strategic Planning Committee despite the executive officer's recommendation for approval. In the intervening period NRE appealed for non-determination and the appeal hearing has just started. The previously granted planning consent for the site, however, is still valid and implementable should the appeal not find in NRE's favour.

This project is a signal example of the serious problems impacting our planning system and the difficulties faced by local authorities in the process.

The Landfill business continues to operate at similar levels to the recent past and remains inherently profitable. This year regretfully has seen a change in the net discount rate applied to the long-term provision for restoration and an exceptional charge to the profit and loss account as mentioned above of £4.1m. The restoration provision is an allowance for costs that may arise over a 60 year period after the closure of a landfill. This time horizon is clearly difficult to forecast and by nature is a best estimate of likely events far into the future. Much of the cost relates to the treatment of leachate and the Group is looking at ways that might reduce the cost of treatment over the longer term.

Waste Collection

The commercial waste collection business has continued to improve and, with much of the customer base coming back on stream after the various lockdowns, most parts of the business showed some useful growth. Our plan encompasses further investment in this business both to support the waste to energy process and create increased revenues as a whole.

Strategic report *(continued)*

Homes

The UK housing market continued to move forward at a hectic pace with demand seriously outstripping supply and a consequent further rise in prices. The closedown at the beginning of the coronavirus lockdowns however had an impact on our activities in that we had a reduced volume of houses in production. This combined with a difficulty in material supplies delaying completion of the build process as well meant that we had less houses to sell than we would have liked. The result for the year was in line with budget but around £800,000 less than the pre-tax profit of the previous year.

During 2021/22 we sold a total of 53 plots, which was a reduction of 13 compared to 2020/21.

We have in total 232 plots (*2021: 276 plots*) either under construction or with planning permission and a further 47 plots (*2021: 70 plots*) on option subject to planning being granted.

There has not been much activity on the land acquisition front given our desire to conserve cash. We are just beginning to refocus on this and have been looking to acquire new sites in the current period on a selective basis. We have acquired a site at Midsomer Norton and our site at Sutton Benger has recently gained planning permission at the 3rd attempt. An appeal is underway at a site in Purton and we are hopeful of success. We have two or three other interesting opportunities in progress as well.

Trading in the current year is on target and should exceed budget marginally and also be significantly up compared to 2021/22. As I write all the properties required to meet the 2022/23 target are either already sold, have exchanged contracts, or have been reserved.

Financial

The Board is fully aware of the challenges that the present economic situation may present. We continue to manage the cash resources closely but also recognize the need to invest for the future growth of the business. During the next year we are likely to see a downturn in some of the markets we operate in and yet an increase in costs for materials and labour as inflation persists. In general, the employment market is difficult and there is also the prospect of higher taxation both corporately and for our employees. This is a combination of factors the like of which we have rarely, if ever seen. We will need to plot our course through these challenges very carefully if we are to come out the other side in a strong position.

Dividend payments were increased during the year and will be further increased in the 2022/23 period to a level just ahead of the payments being made prior to the pandemic. We do not plan any further increases in the level of dividends until the financial picture is a little clearer.

Group net cash at 30th April 2021 of £293,000 increased to £930,000 at 30th April 2022. Net cash generated from operating activities in the year was £9,428,000 *(2021: £20,463,000)* as shown in the Consolidated Cash Flow Statement and, net of direct asset financing, £4,975,000 *(2021: £5,542,000)* of this cash generated was used to acquire tangible fixed assets for future business growth.

Turnover in the year reduced by £7,799,000 to £124,547,000, a reduction of *6% (2021: increase of £13,066,000 or 11% to £132,346,000)*. A reduction in house sales and property rental revenue of £11,936,000 from the 2021 figure was significant here as noted above. The gross profit margin increased by 2% to 17% in 2022 compared to 15% in 2021 resulting in gross profits of £20,718,000 in 2022 compared to £19,771,000 in 2021.

The group's closed defined benefit pension scheme has again shown as a net asset on our consolidated balances sheet and has increased from £1,137,000 as at 30 April 2021 to £2,643,000 at 30 April 2022. Full details of the pension liability and supporting notes are included in note 21 of these accounts.

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, Government environmental policy and regulations, and Government planning policy. The directors monitor and take actions to mitigate these risks and minimise their impact.

The group and member companies are continually reviewing and adapting operations in response to shortages of materials and long lead times in the supply chain.

The group also recognises the increasing challenge posed by cyber risk to data security and business continuity 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.

The recent significant increases in the rate of inflation also present a risk to the financial performance of the group. The amount we charge to our customers may not necessarily be able to be increased in line with the increase in costs we experience to provide these services. The contracts with Wiltshire Council do provide for inflationary increases which are capped at the Consumer Prices Index but for general commercial customers our prices are subject to market fluctuations. We seek to protect profit margin by increasing our sales prices were possible.

There is also considerable commentary at present that the cost of living crisis and increases in interest rates will lead to a recession in the UK economy. As discussed above housing activity could be expected to be impacted by an economic downturn, but again the municipal contracts would be largely protected from this. The magnitude of these risks are difficult at this stage to quantify but the directors are satisfied that the group has sufficient resources to continue the operational activities of the business despite the continued uncertain economic outlook.

Strategic report *(continued)*

Risk Management (*continued*)

Environment and Streamlined Energy and Carbon Reporting (SECR)

The group's environmental policy is available from the group's website at www.hills-group.co.uk. Hills Waste Solutions Limited operations work within an environment management system that has been externally certified to international standard ISO14001:2004. The 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 net-zero 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 2021 to 30 April 2022**

Parameter	Units	Current reporting year 01/05/21 - 30/04/22	Comparison reporting year 01/05/20 - 30/04/21
Energy consumption used to calculate emissions	kWh	54,892,178	58,367,108
Emissions from combustion of gas (scope 1)	tCO2e	86	107
Emissions from combustion of other fuel (scope 1)	tCO2e	3	-
Emissions from combustion of fuel for transport purposes (scope 1)	tCO2e	11,421	12,738
Emissions from business travel (scope 3)	tCO2e	125	63
Emissions from purchased electricity (scope 2)	tCO2e	1,252	1,666
Total emissions from above	tCO2e	12,887	14,574
Intensity ratio: Total emissions / turnover	tCO2e/£m	103.5	110.12

Methodology

This report has been prepared following the GHG Reporting Protocol – Corporate Standard and using the guidance set out in Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance – HM Government (March 2019).

Energy consumption data has been sourced from utility documents. The comparison to previous year has been completed using last year's data. Conversion from energy to emissions was completed by application of the relevant emissions factor from UK Government GHG Conversion Factors for Company Reporting for the appropriate year

Strategic report *(continued)*

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

Energy Efficiency Action

In the period covered by the report the group has committed resources to the following initiatives that are expected to result in energy and carbon savings.

- Kilometre per lift ratio within Waste Operations is being closely monitored with an increase effort to reduce this ratio and improve the efficiency of the fleet.

- Electric vehicles and loaders are being trialled

- Monitoring the power usage and changes to the maintenance program at Sands Farm Recycling Facility have been made to increase efficiency of operations. Remedial works to the electricity supply distribution equipment have been made.

- Older plant and equipment is being phased out and replaced with more fuel efficient alternatives.

- A planning application has been made for a third Solar PV development on the company's land.

- In Quarrying, a trial involving a process of injecting carbon dioxide into concrete is being conducted, reducing the volume of cement needed and energy consumption in its production. If this trial is successful, it will be rolled out to all concrete plants.

- Alternative renewable energy systems and solar PV are being planned as part of the development for new quarry developments. At Woodsford quarry, LED lighting and energy efficient motors have been installed to reduce energy costs and consumption.

- At the Wiltshire House head office we have upgraded and replaced lighting and replaced with LED fittings.

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.

Additional weekly communications are used to spotlight welfare issues such as raising awareness of the importance of mental health and promoting the support services offered under employee healthcare assistance programmes. Staff have telephone and online access to 24-hour health care support lines.

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.

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 very well and good profitability expected in the housing business. The waste business has also seen some improvement in the current year and should benefit now that operations at the NRRC have returned to normal.

Our profit budget for the current financial year is a little over £7 million, not allowing for any further property revaluations, which are not expected. This is roughly comparable to the year being reported on prior to non-trading adjustments. As at the end of the 1st half of the current financial year we were a little ahead of budget and the same period last year. My expectation is that we will not be significantly ahead of budget for the year and that this winter is likely to 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
13 December 2022

Directors' report

The directors present their report and the financial statements of the group and company for the year ended 30 April 2022.

Dividends

The directors do not propose a final dividend. During the year, dividends were paid in respect of the year ended 30 April 2022 of £2,147,000 *(2021: £1,738,000)*.

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 on 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.

Political donations

During the year, the group made no political contributions *(2021: £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 pages 2 to 8.

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.

By order of the board

MP Hill
Director

13 December 2022

Wiltshire House
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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 2022 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 2022 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*)

Identifying and responding to risks of material misstatement due to fraud (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 Group management may be in a position to make inappropriate accounting entries; and;
- the risk that income from the provision of waste management revenue and quarry account revenue is recorded in the wrong period or fictitiously recorded.

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:

- Assessing for a selection of turnover recorded around the year end, if it is recorded in the correct period based on the turnover recognition criteria; and
- 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 (as required by auditing standards), and discussed with the directors 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 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.

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.

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

Strategic report and directors' report (*continued*)

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.

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

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

A Campbell-Orde

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

15 December 2022

Consolidated Profit and Loss Account
for the year ended 30 April 2022

	Note	2022 £000	2021 £000
Group turnover	2	**124,547**	132,346
Cost of sales		**(103,829)**	(112,575)
Gross profit		**20,718**	19,771
Distribution costs		**(4,232)**	(4,217)
Administrative expenses		**(8,848)**	(9,633)
Other operating income	3	**144**	940
Gross operating profit		**7,782**	6,861
Revaluation of investment properties		**996**	897
Interest receivable and similar income	6	**34**	6
Interest payable and similar charges	7	**(4,911)**	(676)
Profit on ordinary activities before taxation		**3,901**	7,088
Tax on profit on ordinary activities	8	**(1,500)**	(582)
Profit for the financial year		**2,401**	6,506

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

The notes on pages 22 to 42 form an integral part of these financial statements.

Consolidated Statement of Other Comprehensive Income
for the year ended 30 April 2022

	Note	2022 £000	2021 £000
Profit for the financial year		**2,401**	6,506
Other comprehensive income			
Actuarial gains/(losses) recognised in the pension scheme	*21*	**807**	1,745
Deferred tax arising on losses in the pension scheme	*21*	**(202)**	(331)
Other comprehensive income for the year, net of income tax		**605**	1,414
Total comprehensive income for the year		**3,006**	7,920

The notes on pages 22 to 42 form an integral part of these financial statements.

Consolidated Balance Sheet
as at 30 April 2022

	Note	2022 £000	2022 £000	2021 £000	2021 £000
Fixed assets					
Intangible assets	*9*		**132**		141
Tangible assets	*10*		**56,768**		61,884
Investment property	*11*		**7,745**		6,742
Investments	*12*		**159**		159
			64,804		68,926
Current assets					
Stocks	*13*	**15,189**		11,965	
Debtors *(including £8,346,000 (2021: £6,853,000) due after more than one year)*	*14*	**37,521**		32,704	
Cash at bank and in hand		**17,914**		18,850	
		70,624		63,519	
Creditors: amounts falling due within one year	*15*	**(27,501)**		(32,084)	
Net current assets			**43,123**		31,435
Total assets less current liabilities			**107,927**		100,361
Creditors: amounts falling due after more than one year	*16*		**(11,944)**		(10,543)
Provision for liabilities					
Deferred taxation	*20*		**(3,796)**		(2,396)
Other provisions	*19*		**(14,377)**		(8,965)
Pension asset / (liability)	*21*		**2,643**		1,137
			(15,530)		(10,224)
Net assets			**80,453**		79,594
Capital and reserves					
Called up share capital	*22*		**1,331**		1,331
Share premium	*23*		**118**		118
Capital redemption reserve	*24*		**290**		290
Profit and loss account			**78,714**		77,855
Shareholders' funds			**80,453**		79,594

The notes on pages 22 to 42 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 13 December 2022 and were signed on its behalf by:

AG Pardoe

AG Pardoe
Director

Registered number: 530623

Company Balance Sheet
as at 30 April 2022

	Note		**2022**		2021
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*27*		**2**		3
Tangible assets	*28*		**7,428**		7,225
Investment property	*29*		**7,246**		6,295
Investments	*30*		**263**		263
			14,939		13,786
Current assets					
Debtors *(including £125,000 (2021: £125,000) due after more than one year)*	*31*	**10,796**		13,972	
Cash at bank and in hand		**17,489**		17,584	
		28,285		31,556	
Creditors: amounts falling due within one year	*32*	**(8,437)**		(10,929)	
Net current assets			**19,848**		20,627
Total assets less current liabilities			**34,787**		34,413
Provisions for liabilities					
Pension asset / (liability)	*21*		**2,643**		1,137
Deferred taxation	*33*		**(816)**		(254)
Net assets			**36,614**		35,296
Capital and reserves					
Called up share capital	*22*		**1,331**		1,331
Share premium	*23*		**118**		118
Capital redemption reserve	*24*		**290**		290
Profit and loss account			**34,875**		33,557
Shareholders' funds			**36,614**		35,296

The notes on pages 22 to 42 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 13 December 2022 and were signed on its behalf by:

AG Pardoe
Director

Consolidated Statement of Changes in Equity

as at 30 April 2022

	Called up share capital	Share premium account	Other reserves	Profit & loss account	Total shareholder equity
	£000	£000	£000	£000	£000
Balance at 1 May 2020	1,331	118	290	71,673	73,412
Total comprehensive income for the period					
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)
Balance at 30 April 2021	**1,331**	**118**	**290**	**77,855**	**79,594**
Balance at 1 May 2021	1,331	118	290	77,855	79,594
Total comprehensive income for the period					
Profit or (loss)	-	-	-	2,401	2,401
Other comprehensive income	-	-	-	605	605
Total comprehensive income for the period	-	-	-	3,006	3,006
Dividends paid	-	-	-	(2,147)	(2,147)
Balance at 30 April 2022	**1,331**	**118**	**290**	**78,714**	**80,453**

The notes on pages 22 to 42 form an integral part of these financial statements.

Company Statement of Changes in Equity
as at 30 April 2022

	Called up share capital	Share premium account	Other reserves	Profit & loss account	Total shareholder equity
	£000	£000	£000	£000	£000
Balance at 1 May 2020	1,331	118	290	31,352	33,091
Total comprehensive income for the period					
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)
Balance at 30 April 2021	**1,331**	**118**	**290**	**33,557**	**35,296**
Balance at 1 May 2021	1,331	118	290	33,557	35,296
Total comprehensive income for the period					
Profit or (loss)	-	-	-	2,859	2,859
Other comprehensive income	-	-	-	606	606
Total comprehensive income for the period	-	-	-	3,465	3,465
Dividends paid	-	-	-	(2,147)	(2,147)
Balance at 30 April 2022	**1,331**	**118**	**290**	**34,875**	**36,614**

The notes on pages 22 to 42 form an integral part of these financial statements.

Consolidated Cash Flow Statement
for the year ended 30 April 2022

	Note	2022 £000	2021 £000
Cash flows from operating activities			
Profit for the year		**2,401**	6,506
Adjustments for:			
Depreciation	*10*	**9,708**	8,037
Amortisation	*9*	**9**	7
Interest receivable and similar income	*6*	**(34)**	(6)
Interest payable and similar charges	*7*	**4,911**	676
Revaluation of investment property	*11*	**(996)**	(897)
Profit on sale of tangible fixed assets	*3*	**(144)**	(466)
Taxation	*8*	**1,500**	582
(Increase)/decrease in trade and other debtors	*14*	**(2,625)**	(8,750)
(Increase)/decrease in stocks	*13*	**(3,224)**	10,414
(Decrease)/increase in trade and other creditors	*15*	**(757)**	6,018
Interest paid	*7*	**(564)**	(676)
Tax paid		**(757)**	(982)
Net cash from operating activities		**9,428**	20,463
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets and investment property		**230**	1,720
Payments to acquire intangible assets		**-**	(145)
Interest received	*6*	**3**	6
Acquisition of tangible fixed and investment assets	*10*	**(4,975)**	(5,542)
Net cash from investing activities		**(4,742)**	(3,961)
Cash flows from financing activities			
Proceeds from new loans		**-**	-
Repayment of borrowings		**(3,475)**	(7,860)
Dividends paid	*25*	**(2,147)**	(1,738)
Net cash from financing activities		**(5,622)**	(9,598)
Net increase/(decrease) in cash and cash equivalents above		**(936)**	6,904
Cash and cash equivalents at 1 May		**18,850**	11,946
Cash and cash equivalents at 30 April		**17,914**	18,850

The notes on pages 22 to 42 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"*). 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 37.

Measurement convention

The financial statements are prepared on the historical cost basis

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 £2,401,000 and net current assets of £43,123,000 for the group. It is also considered appropriate for the company based on a profit for the year of £2,859,000 and net current assets of £19,848,000.

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.

During the year, the impact of the COVID-19 virus continued to have a significant economic impact throughout the global economy and at the date of this report there remains uncertainty as to the UK's economic recovery from the pandemic and more recently the cost of living crisis. The directors have specifically assessed the impact of this economic instability on the ability of the Group to continue as a going concern.

Our businesses have been affected by the economic instability 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 experienced recovery in the year from the downturn in trading experienced during the COVID pandemic but have more recently been affected by significant rises in fuel costs impacting both residential and commercial collections.

Hills Quarry Products Limited performed relatively well throughout the COVID pandemic and was not as impacted as other entities within the group but have also been impacted recently with increases in fuel costs and the wider increases inflation in the UK economy and the corresponding impact on material costs.

Hills Homes Development Limited experienced high levels of demand throughout the year, although recent instability in the UK economy resulting in an increase in interest rates is expected to impact the UK housing market in the going concern period. Additionally, increases in fuel costs and material costs are going to have an impact on the costs to complete the housing developments in the next 12 months and beyond.

In preparing the forecasts we have considered severe but plausible scenarios. At their most severe these scenarios forecast the impact of the current UK economic environment with the corresponding impact on inflation and interest rates across the business. None of the scenarios indicate that the group would have insufficient funds to meet its labilities as they fall due or fail to comply with its banking covenants. 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 2022. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significance influence is presumed to exists when the investors holds between 20% and 50% of the equity voting rights. A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method. Where a group company is party to a joint venture which is not an entity that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. In the parent financial statements, investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

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

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are 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

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

Properties rented to another group entity

Investment properties rented to another group entity are transferred to property, plant and equipment, and measured applying the cost model. The deemed cost on transfer is the fair value at the date of the transfer.

Stocks

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

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

Basic financial instruments

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

Cash and cash equivalents

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

Taxation

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

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

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

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

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

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

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation, in which case the payments related to the structured increases are recognised as incurred.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

From 1 January 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

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.

Provisions for restoration and aftercare costs

The expected costs of the restoration and aftercare of landfill sites are recognised as provisions when the obligations arise. Where the time value of money is material, the amount of the provision is discounted to present value. The discount rate used was a net 2.2% *(2021: 4.0%)*. The unwinding of the discount is included within cost of sales. Tangible fixed assets are created for an amount equal to the capital element of the provision with the remainder being expensed through the profit and loss account. The capital elements are recognised as additions to the original assets in land and buildings. The fixed assets are charged to the profit and loss account on the basis described above in "Fixed assets and depreciation" for landfill sites. Costs are then charged to the provisions as incurred.

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.

Notes *(continued)*

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 open market 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:	**2022**	2021
	£000	£000
Quarry products	**41,313**	38,879
Waste management and recycling	**68,441**	66,738
Property and Homes Development (including property rental)	**14,793**	26,729
	124,547	132,346

3 Other income

	2022	2021
	£000	£000
Net gain on disposal of tangible fixed assets and investment properties	**144**	466
Furlough grants received	**-**	474
	144	940

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2022	2021
	£000	£000
Depreciation of owned fixed assets	**7,630**	6,845
Depreciation of fixed assets held under finance leases	**2,078**	1,192
Amortisation of intangible assets	**9**	7
Short term hire – plant and machinery	**1,591**	793
Operating lease rentals – land buildings, vehicles and office equipment	**3,040**	3,433
(Profit) on sale of tangible fixed assets and investment properties	**(144)**	(466)
Rent receivable	**(607)**	(539)

Research and development expenditure of £67,000 (*2021: £144,000*) has been added to current assets in the year ending 30 April 2022.

Auditor's remuneration

	2022	2021
	£000	£000
Audit of these financial statements	**28**	15
Amounts receivable by the Company's auditor and its associates in respect of;		
Audit of financial statements of subsidiaries of the company	**135**	94
Taxation compliance and other services	**38**	58
	201	167

Notes *(continued)*

5 Staff costs

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

	2022	2021
	£000	£000
Wages and salaries	**19,423**	18,611
Social security costs	**1,857**	1,764
Other pension costs	**1,594**	1,542
	22,874	21,917

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

	2022	2021
	No.	No.
Site based employees	**487**	471
Administration and sales staff	**162**	168
	649	639

Directors' emoluments - company

	2022	2021
	£000	£000
Emoluments (including contributions to defined contribution pension schemes)	**559**	503
Highest paid director:		
Emoluments	**282**	257
Contributions to defined contribution pension schemes	**29**	27
	311	284

Number of directors accruing benefits in company pension schemes:

	2022	2021
	No.	No.
Defined contribution schemes	**1**	1

6 Interest receivable and similar income

	2022	2021
	£000	£000
On loan notes and cash at bank	**3**	4
Other interest received	**-**	2
FRS102 Pension net finance charge	**31**	-
	34	6

Notes *(continued)*

7 Interest payable and similar charges

	2022 £000	2021 £000
Bank loans and overdrafts	**318**	460
Other loans	**3**	2
FRS102 Pension net finance charge	**-**	16
On finance leases and hire purchase contracts	**243**	198
Change in the discount rate of provision for site reinstatement (see note 19)	**4,148**	-
Unwind of the discounted amount of provision for site reinstatement (see note 19)	**199**	-
	4,911	676

8 Taxation – group

Total tax charge recognised in the profit and loss account;

	2022 £000	2021 £000
Analysis of charge in the year		
Current tax:		
UK corporation tax on profits of the year	**262**	974
Adjustments in respect of previous years	**40**	132
Total current tax	**302**	1,106
Deferred tax (see note 20)		
Origination and reversal of timing differences	**96**	434
Adjustments in respect of previous years	**133**	(958)
Effect of tax rate change on opening balance	**969**	-
Total deferred tax	**1,198**	(524)
Total tax	**1,500**	582

Total tax charge recognised in the financial statements:

	2022 £000 Current tax	2022 £000 Deferred tax	2022 £000 Total tax	2021 £000 Current tax	2021 £000 Deferred tax	2021 £000 Total tax
Recognised in Profit and loss account	**302**	**1,198**	**1,500**	1,106	(524)	582
Recognised in other comprehensive	**-**	**202**	**202**	-	331	331
Total tax	**302**	**1,400**	**1,702**	1,106	(193)	913

Notes *(continued)*

8 Taxation – group *(continued)*

Factors affecting tax charge for the year

The current tax charge for the period is lower *(2021:lower)* than the standard rate of corporation tax in the UK. The differences are explained below:

	2022	2021
	£000	£000
Profit for the year	**2,401**	6,506
Total tax expense	**1,500**	582
Profit on ordinary activities before tax	**3,901**	7,088
Standard rate of corporation tax in the UK 19% *(2021: 19%)*		
Profit on ordinary activities multiplied by the standard rate of corporation tax	**741**	1,347
Effects of:		
Expenses not deductible for tax purposes	**43**	23
Non chargeable (gains) / losses	**(168)**	31
Non taxable income	**(190)**	(170)
Fixed assets differences	**(13)**	177
Adjustments in respect of prior periods	**40**	132
Adjustments in respect of prior periods – deferred tax	**133**	(958)
Adjustments in respect of changes to rate of deferred tax on opening balances	**914**	-
Total tax expense included in the profit or loss	**1,500**	582

Factors that may affect future tax charges

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 the deferred tax asset as at 30 April 2022 has been calculated at the new rate of 25% *(2021: 19%)*.

9 Intangible fixed assets – group

	Registered Trademarks	**Goodwill**	**Total**
	£000	**£000**	**£000**
Cost			
At 1 May 2021	22	503	525
Additions during the year	-	-	-
At 30 April 2022	22	503	525
Amortisation			
At 1 May 2021	19	365	384
Provided during the year	1	8	9
At 30 April 2022	20	373	393
Net book value			
At 30 April 2022	**2**	**130**	**132**
At 30 April 2021	3	138	141

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:

	2022	2021
	£000	£000
Administrative expenses	**9**	7
	9	7

There has been no impairment, or impairment reversal, in the year (*2021: £nil*).

Notes *(continued)*

10 Tangible fixed assets - group

	Freehold land and buildings	Plant and Machinery and Motor vehicles	Furniture, fittings, tools and equipment	Total
	£000	£000	£000	£000
Cost				
At 1 May 2021	71,616	61,443	4,200	137,259
Additions	3,761	2,704	405	6,870
Disposals	(2,249)	(839)	-	(3,088)
At 30 April 2022	73,128	63,308	4,605	141,041
Depreciation				
At 1 May 2021	33,952	38,440	2,983	75,375
Charge for the year	4,847	4,523	338	9,708
On disposals	-	(810)	-	(810)
At 30 April 2022	38,799	42,153	3,321	84,273
Net book value				
At 30 April 2022	**34,329**	**21,155**	**1,284**	**56,768**
At 30 April 2021	37,664	23,003	1,217	61,884

Carrying amount of land and buildings on costs basis is £34,329,000 *(2021 :£ 37,664,000).*

There has been no impairment, or impairment reversals, in the year (*2021: £nil*)

Included within land and buildings is a cost of £10,300,000 (*2021: £7,678,000)* and associated accumulated depreciation of £7,795,000 (*2021: £5,657,000)* 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 £6,962,000 *(2021: £2,657,000)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation on these assets was £2,078,000 *(2021: £1,192,000).*

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

11 Investment property - group

	Investment property
	£000
Cost	
At 1 May 2021	6,742
Additions	7
Transfers from tangible fixed assets	-
Disposals	-
Revaluation	996
At 30 April 2022	7,745

The property at County Park was valued externally as at 30 April 2022 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 2022 by D J Newport FRICS, registered valuer. The remaining investment properties were revalued by AG Pardoe, a director of Hills UK Limited, at 30 April 2022 on an open market basis.

Notes *(continued)*

12 Investments -group

	Shares in unlisted undertakings £000
Cost	
At 1 May 2021	159
Additions	-
At 30 April 2022	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 Class	%	Country of Incorporation	Aggregate of capital and reserves £000	Profit or loss for year £000
Subsidiary undertakings						
The Hills Group Limited	England and Wales	Ordinary	100	UK	2,025	2,268
Hills Waste Solutions Limited	England and Wales	Ordinary	100	UK	20,854	(2,483)
Hills Quarry Products Limited	England and Wales	Ordinary	100	UK	9,993	1,810
Hills Municipal Collections Limited	England and Wales	Ordinary	100	UK	724	884
Estrada Grande Limited	England and Wales	Ordinary	100	UK	339	45
Hills Haulage Limited	England and Wales	Ordinary	100	UK	266	-
Hills Homes Developments Limited	England and Wales	Ordinary	100	UK	9,738	1,518
Hills West Midlands Limited	England and Wales	Ordinary	100	UK	50	-
Compton Aggregates Limited	England and Wales	Ordinary	100	UK	102	-
County Homes Wessex Limited	England and Wales	Ordinary	100	UK	38	-
Hills Waste Disposal Limited	England and Wales	Ordinary	100	UK	67	-
Able Waste Management Limited	England and Wales	Ordinary	100	UK	204	-
Associated undertakings – joint ventures						
Cotswold Aggregates Limited	England and Wales	B Ordinary	50	UK	1	-

The principal activity of Cotswold Aggregates Limited was sand and gravel extraction. Its financial year runs to 30th June. During the year to 30 April 2022, 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

	2022 £000	2021 £000
Raw materials and consumables	**835**	670
Work in progress	**14,354**	11,295
	15,189	11,965

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £21,153,000 *(2021: £30,797,000)* in the Group and £nil *(2021: £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 £1,989,000 *(2021: £1,782,000)* in the Group and £nil *(2021: £nil)* in the Company.

The total carrying amount of stocks pledged as security for liabilities in the year amounted to £14,354,000 *(2021: £11,295,000)* in the Group and £nil *(2021: £nil)* in the Company.

Notes *(continued)*

14 Debtors – group

	2022 £000	2021 £000
Trade debtors	**18,173**	17,703
Corporation tax	**1,042**	385
Other debtors	**7,409**	5,984
Prepayments and accrued income	**10,897**	8,632
	37,521	32,704

Amounts due after more than one year included in other debtors is £6,257,000 *(2021: £5,221,000).*
Amounts due after more than one year included in prepayments and accrued income is £2,089,000 *(2021: £1,632,000).*

15 Creditors: amounts falling due within one year – group

	2022 £000	2021 £000
Bank loans and overdrafts (note 17)	**2,708**	6,875
Obligations under finance leases and hire purchase contracts (note 18)	**2,332**	1,139
Trade creditors	**11,360**	8,281
Other taxes and social security costs	**5,746**	6,920
Other creditors	**249**	109
Accruals and deferred income	**5,106**	8,760
	27,501	32,084

16 Creditors: amounts falling due after one year – group

	2022 £000	2021 £000
Bank loans and overdrafts (note 17)	**6,000**	8,700
Obligations under finance lease and hire purchase contracts (note 18)	**5,944**	1,843
	11,944	10,543

17 Net Debt and Loans - group

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

Net debt

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

Group	Borrowings due within one year	Borrowings due after one year	Obligations under finance lease liabilities	**Subtotal**	Cash and cash equivalents	**Net cash**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Net debt analysis						
Balance at 1 May 2021	6,875	8,700	2,982	18,557	18,850	293
Cash flows	(4,167)	(2,700)	5,294	(1,573)	(936)	637
Balance at 30 April 2022	**2,708**	**6,000**	**8,276**	**16,984**	**17,914**	**930**

Notes *(continued)*

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

Interest bearing loans and borrowings

	2022 £000	2021 £000
Creditors falling due more than one year		
Bank loans	**6,000**	8,700
Finance lease liabilities	**5,944**	1,843
	11,944	10,543
Creditors falling due within less than one year		
Bank loans	**2,708**	6,875
Finance lease liabilities	**2,332**	1,139
	5,040	8,014

Bank Loans

	2022 £000	2021 £000
Loans repayable within five years include:		
Long term bank loan	**-**	-
Medium term development loan	**6,000**	8,700
Short term bank loan	**-**	4,107
Invoice discounting facilities	**2,708**	2,768
	8,708	15,575
Analysis of maturity of debt:		
Within one year or on demand	**2,708**	6,875
Within one and two years	**-**	-
Between two and five years	**6,000**	8,700
	8,708	15,575

The medium term development loan of £6,000,000 *(2021: £8,700,000)* 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 SONIA *(2021: 1.75% above LIBOR)*.
The short term bank loan of £nil *(2021: £4,107,000)* was an unsecured facility to fund the purchase of recycling equipment at the Sands Farm Dry Materials Recycling Centre. Interest on the loan was charged at a margin of 3% above LIBOR. During the year the loan was converted to a Finance Lease facility secured against the recycling equipment and repayable over a period of 5 years.
The invoice discounting facility for working capital requirements of £2,708,000 *(2021: £2,768,000)* 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 ran 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:

	2022 £000	2021 £000
Amounts payable:		
Within one year	**2,332**	1,139
In the second to fifth years	**5,944**	1,843
	8,276	2,982

Notes *(continued)*

19 Provisions for liabilities - group

Site restoration and aftercare reserve

	2022	2021
	£000	£000
At 1 May	**8,965**	7,481
Provided in the year	**1,448**	1,524
Amounts utilised in the year	**(383)**	(326)
Discount unwind for the year (note 7)	**199**	286
Changes in the discount rate (note 7)	**4,148**	-
At 30 April	**14,377**	8,965

The site restoration and aftercare provision is an estimation of the likely restoration and aftercare costs in today's terms for the cost of restoring landfill sites and quarries and then managing them through relevant aftercare period. This aftercare period is 60 years for landfill sites and typically 5 to 10 years for quarries.

The major cost items and areas of uncertainty are discussed in note 37, Accounting estimates and judgements.

The restoration and aftercare provision required is sensitive to the long-term discount rate and long term inflation rate assumption used. These provisions are discounted from the date on which the expenditure is expected to occur. A discount rate of 4.2% and an inflation rate of 2.0% have been used to discount the future costs to their present value to produce an effective net discount rate of 2.2% (*2021: 4.0%*).

20 Deferred taxation - group

Deferred tax assets and liabilities are attributable to the following:

Group	**Assets**		**Liabilities**		**Net**	
	2022	2021	**2022**	2021	**2022**	2021
	£000	£000	**£000**	£000	**£000**	£000
Other timing differences	**(1,310)**	(969)	**-**	-	**(1,310)**	(969)
Tax gains (losses) cfwd	**-**	(29)	**8**	-	**8**	(29)
Accelerated capital allowances	**(43)**	-	**4,480**	3,178	**4,437**	3,178
Deferred tax on defined benefit pension asset	**-**	-	**661**	216	**661**	216
Tax (assets) / liabilities	**(1,353)**	(998)	**5,149**	3,394	**3,796**	2,396

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 £1,581,000 *(2021: £1,529,000)*.

At 30 April 2022 contributions amounting to £nil *(2021: £130,000)* 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 *(2021: £13,000)*.

The charge to the group for the above schemes in the year was £1,594,000 *(2021: £1,542,000)*.

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 2022 and 2021 by a qualified independent actuary.

	2022	2021
	£000	£000
Present value of defined benefit obligations	**(26,587)**	(30,240)
Fair value of plan assets	**29,230**	31,377
Surplus/(deficit)	**2,643**	1,137
Related deferred tax (liability)/asset	**(661)**	(216)
Net asset/(liability)	**1,982**	921

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 24th 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

	2022	2021
	£000	£000
At 1 May	**(30,240)**	(28,576)
Past service cost	**-**	(24)
Interest cost	**(628)**	(480)
Actuarial gains/(losses)	**3,574**	(1,903)
Benefits paid	**707**	743
At 30 April	**(26,587)**	(30,240)

Movements in fair value of plan assets

	2022	2021
	£000	£000
At 1 May	**31,377**	27,340
Interest income	**659**	464
Actuarial gain/(loss) on plan assets	**(2,767)**	3,648
Contributions by employer	**668**	668
Contributions by members	**-**	-
Benefits paid	**(707)**	(743)
At 30 April	**29,230**	31,377

Notes *(continued)*

21 Pension schemes *(continued)*

Defined benefit scheme - group and company (continued)

Expense recognised in the profit and loss account

	2022 £000	2021 £000
Past service cost	-	24
Interest on defined benefit pension plan obligation	628	480
Expected return on defined benefit pension plan assets	(659)	(464)
Total (credit) / expense	(31)	40

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:

	2022 Fair value £000	2021 Fair value £000
Equities and property	9,733	12,526
Bonds and Gilts	10,069	13,598
Diversified Growth and hedge funds	9,118	4,911
Insured pensions	283	283
Cash	27	59
	29,230	31,377

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

	2022	2021
Equities	33%	40%
Bonds	35%	43%
Diversified Growth and hedge funds	31%	16%
Insured Pensions	1%	1%
Cash	-%	-%

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

	2022	2021
Rate of increase in salaries	0%	0%
Discount rate	3.1%	2.1%
Inflation assumption	3.6%	3.3%
Limited price indexation	3.1%	2.8%
Deferred pension revaluation	3.1%	2.8%

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:

	2022	2021
For a male member aged 65	22.2	22.2
At 65 for a male member aged 45 now	23.6	23.5
For a female member aged 65	24.0	23.9
At 65 for a female member aged 45 now	25.5	25.4

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

	2022	2010
	£000	£000
Allotted, called up and fully paid		
1,331,484 ordinary shares of £1 each (*2021:* 1,331,484)	**1,331**	1,331

23 Share premium - group and company

	2022	2021
	£000	£000
At beginning and end of year	**118**	118

24 Capital redemption reserve - group and company

	2022	2021
	£000	£000
At beginning and end of year	**290**	290

25 Dividends paid - group and company

	2022	2021
	£000	£000
Dividends for which the company became liable during the year:		
Interim dividend paid July 2021 at 38.75p per share *(2021: 21.75p)*	**516**	290
Interim dividend paid October 2021 at 38.75p per share *(2021: 35p)*	**516**	466
Interim dividend paid January 2022 at 38.75p per share *(2021: 35p)*	**516**	466
Interim dividend paid April 2022 at 45p per share *(2021: 38.75p)*	**599**	516
Total dividends paid re current year	**2,147**	1,738
Analysis of dividends by type:		
Dividends paid on shares classified as shareholders' funds	**2,147**	1,738

Notes *(continued)*

26 Commitments – group

	2022 £000	2021 £000
Amounts contracted for but not provided in the financial statements	**2,498**	900

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

	Land and buildings 2022 £000	Other 2022 £000	Land and buildings 2021 £000	Other 2021 £000
Operating leases which expire:				
Within one year	**565**	**797**	895	224
In second to fifth years inclusive	**1,264**	**366**	1,609	1,589
Over five years	**636**	**-**	1,608	-
	2,465	**1,163**	4,112	1,813

27 Intangible fixed assets - company

	Registered trade marks £000
Cost	
At 1 May 2021	22
Additions during the year	-
At 30 April 2022	22
Amortisation	
At 1 May 2021	19
Provided during the year	1
At 30 April 2022	20
Net book value	
At 30 April 2022	**2**
At 30 April 2021	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 (*2021: £nil*).

Notes *(continued)*

28 Tangible fixed assets - company

	Land and buildings £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost				
At 1 May 2021	7,978	24	250	8,252
Additions	75	-	248	323
Disposals	-	-	-	-
At 30 April 2022	8,053	24	498	8,575
Depreciation				
At 1 May 2021	806	24	197	1,027
Charge for the year	104	-	16	120
At 30 April 2022	910	24	213	1,147
Net book value				
At 30 April 2022	**7,143**	**-**	**285**	**7,428**
At 30 April 2021	7,172	-	53	7,225

Carrying amount of land and buildings on cost basis £7,143,000 *(2021 : £7,172,000).*

29 Investment properties - company

	Total £000
Cost	
At 1 May 2021	6,295
Additions	-
Revaluation	951
Disposals	-
Transfers from tangible fixed assets	-
At 30 April 2022	7,246

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

30 Investments - company

	Investments in subsidiary undertakings £000	Other investments £000	Total £000
Cost			
At 1 May 2021	**104**	**159**	**263**
Additions	-	-	-
At 30 April 2022	**104**	**159**	**263**

There were no impairments of the company's investments during the year.

Notes *(continued)*

30 Investments – company *(continued)*

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

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

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

31 Debtors – company

	2022 £000	2021 £000
Trade debtors	**237**	196
Amounts owed by group undertakings	**6,797**	11,260
Other debtors	**981**	616
Prepayments and accrued income	**317**	472
Corporation tax	**2,464**	1,428
	10,796	13,972

Amounts due after more than one year included in prepayments and accrued income is £125,000 *(2021: £125,000)*.

32 Creditors: amounts falling due within one year - company

	2022 £000	2021 £000
Trade creditors	**51**	275
Amounts owed to group undertakings	**7,603**	9,954
Other taxes and social security costs	**19**	17
Other creditors	**249**	109
Accruals and deferred income	**515**	574
	8,437	10,929

33 Deferred taxation - company

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 £000	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Accelerated capital allowances	**-**	-	**(155)**	(56)	**(155)**	(56)
Pension Scheme	**-**	-	**(661)**	(216)	**(661)**	(216)
Other timing differences	**-**	18	**-**	-	**-**	18
Tax assets / (liabilities)	**-**	18	**(816)**	(272)	**(816)**	(254)

Notes *(continued)*

34 Related party transactions

Kingshill Developments Limited

Kingshill Developments Limited is a related party by virtue of common directorships. A loan of £1,959,000 *(2021: £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 key management personnel

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 £559,000 *(2021: £503,000)*

35 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.

36 Ultimate controlling party

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

37 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 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 basis of the provision is the estimation of the likely restoration and aftercare costs for proscribed aftercare periods which are then discounted from the periods when the obligation are forecast to arise back to today's terms. 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 aftercare period following restoration. This aftercare period is 60 years for landfill sites and typically 5 to 10 years for quarries. The amounts and timing of the expected outflows are uncertain due to the projection of costs over this period of time.

Major cost elements within the provision are cell capping costs, earthmoving costs, installation of monitoring wells and subsequent treatment of leachate, landfill gas management and routine testing of leachate composition, surface water and gas arising. Leachate arisings are calculated by reference to capped landfill surface area and estimated water infiltration through cell caps. Estimates of water infiltration are to a large extent based upon experience of capped cells. Leachate treatment costs include operation of leachate treatment plants, costs of disposal by local Water Companies, replacement of infrastructure and in some cases haulage.

Notes *(continued)*

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

Restoration provisions (continued)

Current unit costs of leachate disposal to sewer are estimated based upon current levels of contamination and modelled throughout the aftercare period. There is however expectation that the levels of contamination should progressively decrease over the aftercare periods and lead to a unit cost reduction in leachate disposal charges which is not reflected in our provision. Gas management costs include installation and maintenance of gas flaring equipment and re-drilling of gas abstraction wells. Gas flaring is estimated to be necessary for part of the aftercare scheme based upon the period between the end of commercial utilisation of the gas to create energy and the latter stages of aftercare when gas arisings are low and passive venting is appropriate.

Future revenues from the generation of electricity from landfill gas during the aftercare period, where contracts are in place for its sale, are not deducted from the provision balances.

Aftercare cost at quarry sites include grass cutting, weed control and reseeding where an initial grass seeding has failed.

Where applicable, the cost of acquiring performance bonds to secure landfill permit requirements is also a significant cost. These costs are estimated based upon agreements in place with the Environment Agency and included in the provision.

A discount rate of 4.2% and an inflation rate of 2.0% have been used to discount the future costs to their present value to produce an effective net discount rate of 2.2% (*2021: 4.0%*).

The restoration and aftercare provision required is sensitive to the long-term discount rate and long term inflation rate assumption used. These provisions are discounted from the date on which the expenditure is expected to occur. An increase in the net discount rate of 0.3% (to 2.5%) would reduce the required provision by £843,000 from the current figure of £14,377,000 to £13,534,000. Conversely a reduction in the net discount rate by 0.3% (to 1.9%) would increase the provision required by £935,000 to £15,312,000.