

HILLS RESIDENTIAL CONSTRUCTION LTD

STRATEGIC REPORT,

DIRECTORS' REPORT AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2021

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FOR THE YEAR ENDED 31 DECEMBER 2021**

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DIRECTORS:

Mr J A Hills
Mrs T A Hills
Mr J R Mann
Mr J E C Cox
Mr P Perfect-Brown
Mr S Williams

SECRETARY:

Mr J A Hills

REGISTERED OFFICE:

Bridge Mill House
Brook Street
Colchester
Essex
CO1 2UZ

REGISTERED NUMBER:

03919214 (England and Wales)

AUDITORS:

Haines Watts
Statutory Auditors
Town Wall House
Balkerne Hill
Colchester
Essex
CO3 3AD

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present their strategic report for the year ended 31 December 2021.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of property development.

REVIEW OF BUSINESS

Turnover for the year increased by 25% over the previous 15 month period primarily due to the demand for our residential properties at the developments known as King George's Park, Rowhedge and Admirals Green, Great Bentley remaining strong.

The directors are pleased with the performance of the company coming out of the restrictions imposed in relation to COVID-19. The gross profit margin has increased to 26.4% from 19.5% in the previous period.

Shareholders funds showed an increase of 56.8% wholly attributable to the profit for the financial period. No dividends were declared in the current period or the previous period.

KEY PERFORMANCE INDICATORS

The key financial performance indicators during the year were as follows -

	2021	2020
	£	£
Turnover	21,660,253	17,333,796
Profit Before Tax	2,920,994	837,248
Shareholder's Funds	8,022,912	5,115,170

PRINCIPAL RISKS AND UNCERTAINTIES

The company has monthly management meetings during which they evaluate the company's risk appetite. The principal risks and uncertainties facing the group are broadly grouped as - Legislative Risk, Exposure to Price, Liquidity and Cash Flow Risk and Economic Risk.

- **Legislative Risk**
Exposure to health and safety regulations. The company is a member of Eastern Builders Safety Group who regularly inspect sites to ensure compliance with health and safety regulations. The company also holds regular health and safety committee meetings to ensure current health and safety best practices are implemented and adhered to.
- **Exposure to price and liquidity risk**
Price risk arises on financial instruments because of changes in prices in materials or subcontract labour prices. Hills Residential Construction Limited mitigate these risks by monitoring requirements to ensure sufficient supply and by engaging early and working closely with builders merchants and subcontractors.

Liquidity risk is the risk that the company will encounter difficulties in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by closely monitoring cash requirements on a monthly basis and looking for alternative funding opportunities outside of the company's bankers.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

-
- Economic risk centres on macroeconomic circumstances that may result in a significant reduction in trading activity for the company such as a potential housing market crash. The company manages this by developing sites in the local area where local knowledge and insight into the market highlights the demand for certain properties of specific design and price. Each development has a unique blend of houses containing differing designs and pricing in desirable locations.

FUTURE DEVELOPMENTS

The demand for our homes has remained strong after date. In the new year, work has commenced at the Hills School Road, Elmstead Market and Heath Road, East Bergholt sites. These sites, along with those at Panfield Lane (Braintree) and Fiveways Fruit Farm (Stanway) will deliver over 1,300 properties to be developed over the next decade.

ON BEHALF OF THE BOARD:

Mr J A Hills - Secretary

26 September 2022

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present their report with the financial statements of the company for the year ended 31 December 2021.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2021.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

Mr J A Hills
Mrs T A Hills
Mr J R Mann
Mr J E C Cox
Mr P Perfect-Brown
Mr S Williams

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

AUDITORS

The auditors, Haines Watts, are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

ON BEHALF OF THE BOARD:

Mr J A Hills - Secretary

26 September 2022

Opinion

We have audited the financial statements of Hills Residential Construction Ltd (the 'company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Directors' Report, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

In identifying and assessing the risk of material misstatement in respect of irregularities, including fraud, the engagement team:

- enquired of management and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known, actual, suspected or alleged instances of fraud;
- discussed instances of non-compliance with laws or regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud;
- incorporated testing of manual journal entries into our audit approach;
- incorporated testing of revenue recognition into our audit approach;
- reviewed and scrutinised accounting estimates in order to detect possible management bias.

Our audit did not identify any significant matters relating to the detection of irregularities, including fraud. However, despite the audit being planned and conducted in accordance with ISAs (UK) there remains an unavoidable risk that material misstatement in the financial statements may not be detected owing to inherent limitations of the audit. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
HILLS RESIDENTIAL CONSTRUCTION LTD**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors 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.

Melinda J Simpson (Senior Statutory Auditor)
for and on behalf of Haines Watts
Statutory Auditors
Town Wall House
Balkerne Hill
Colchester
Essex
CO3 3AD

28 September 2022

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

		Year Ended 31.12.21 £	Period 1.10.19 to 31.12.20 £
	Notes		
TURNOVER	3	21,660,253	17,333,796
Cost of sales		<u>(15,933,443)</u>	<u>(13,951,273)</u>
GROSS PROFIT		5,726,810	3,382,523
Administrative expenses		<u>(2,039,437)</u>	<u>(1,974,740)</u>
		3,687,373	1,407,783
Other operating income	4	<u>21,827</u>	81,613
OPERATING PROFIT	7	3,709,200	1,489,396
Interest receivable and similar income		<u>37,500</u>	46,875
		3,746,700	1,536,271
Interest payable and similar expenses	8	<u>(825,706)</u>	<u>(699,024)</u>
PROFIT BEFORE TAXATION		2,920,994	837,247
Tax on profit	9	<u>(513,252)</u>	<u>(159,509)</u>
PROFIT FOR THE FINANCIAL YEAR		2,407,742	677,738
OTHER COMPREHENSIVE INCOME			
Fair value adjustment		500,000	-
Income tax relating to other comprehensive income		<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		500,000	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,907,742	677,738

The notes form part of these financial statements

BALANCE SHEET
31 DECEMBER 2021

	Notes	2021 £	2020 £
FIXED ASSETS			
Property, plant and equipment	10	1,482,477	785,008
Investments	11	<u>1,800,000</u>	<u>1,300,000</u>
		<u>3,282,477</u>	<u>2,085,008</u>
CURRENT ASSETS			
Stocks	12	15,808,177	12,143,004
Debtors	13	9,784,607	5,416,680
Cash at bank		<u>5,530,263</u>	<u>1,253,439</u>
		<u>31,123,047</u>	<u>18,813,123</u>
CREDITORS			
Amounts falling due within one year	14	<u>(25,587,146)</u>	<u>(14,762,950)</u>
NET CURRENT ASSETS		<u>5,535,901</u>	<u>4,050,173</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,818,378</u>	<u>6,135,181</u>
CREDITORS			
Amounts falling due after more than one year	15	(534,959)	(870,860)
PROVISIONS FOR LIABILITIES	19	<u>(260,507)</u>	<u>(149,151)</u>
NET ASSETS		<u>8,022,912</u>	<u>5,115,170</u>
CAPITAL AND RESERVES			
Called up share capital	20	100	100
Fair value reserve	21	1,799,900	1,299,900
Retained earnings	21	<u>6,222,912</u>	<u>3,815,170</u>
SHAREHOLDERS' FUNDS		<u>8,022,912</u>	<u>5,115,170</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2022 and were signed on its behalf by:

Mr J A Hills - Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £	Retained earnings £	Fair value reserve £	Total equity £
Balance at 1 October 2019	100	3,137,432	1,299,900	4,437,432
Changes in equity				
Total comprehensive income	-	677,738	-	677,738
Balance at 31 December 2020	100	3,815,170	1,299,900	5,115,170
Changes in equity				
Total comprehensive income	-	2,407,742	500,000	2,907,742
Balance at 31 December 2021	100	6,222,912	1,799,900	8,022,912

The notes form part of these financial statements

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

		Year Ended 31.12.21 £	Period 1.10.19 to 31.12.20 £
Cash flows from operating activities	Notes		
Cash generated from operations	1	3,802,714	(1,922,571)
Interest paid		(794,632)	(673,504)
Interest element of hire purchase payments paid		(31,074)	(25,520)
Tax paid		-	(199,886)
Net cash from operating activities		<u>2,977,008</u>	<u>(2,821,481)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(1,113,133)	(413,533)
Sale of tangible fixed assets		262,099	139,500
Interest received		37,500	46,875
Net cash from investing activities		<u>(813,534)</u>	<u>(227,158)</u>
Cash flows from financing activities			
New loans in year		13,135,104	11,309,019
Loan repayments in year		(9,615,305)	(10,510,722)
Capital repayments in year		(282,273)	(537,521)
Amount introduced by directors		4,720,000	3,164,591
Amount withdrawn by directors		(421,246)	(176,679)
Assets financed in year		354,423	471,662
Loans repaid to related undertakings		(2,358,195)	-
Loans given to related undertakings		(3,419,158)	-
Net cash from financing activities		<u>2,113,350</u>	<u>3,720,350</u>
Increase in cash and cash equivalents		<u>4,276,824</u>	<u>671,711</u>
Cash and cash equivalents at beginning of year	2	1,253,439	581,728
Cash and cash equivalents at end of year	2	<u>5,530,263</u>	<u>1,253,439</u>

The notes form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	Year Ended 31.12.21 £	Period 1.10.19 to 31.12.20 £
Profit before taxation	2,920,994	837,247
Depreciation charges	240,845	309,375
Profit on disposal of fixed assets	(87,281)	(19,885)
Finance costs	825,706	699,024
Finance income	(37,500)	(46,875)
	<u>3,862,764</u>	1,778,886
Increase in stocks	(3,665,173)	(4,346,596)
Increase in trade and other debtors	(948,767)	(185,225)
Increase in trade and other creditors	4,553,890	830,364
Cash generated from operations	<u><u>3,802,714</u></u>	<u><u>(1,922,571)</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2021

	31.12.21 £	1.1.21 £
Cash and cash equivalents	<u>5,530,263</u>	<u>1,253,439</u>

Period ended 31 December 2020

	31.12.20 £	1.10.19 £
Cash and cash equivalents	<u>1,253,439</u>	<u>581,728</u>

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.21 £	Cash flow £	At 31.12.21 £
Net cash			
Cash at bank	<u>1,253,439</u>	<u>4,276,824</u>	<u>5,530,263</u>
	<u>1,253,439</u>	<u>4,276,824</u>	<u>5,530,263</u>
Debt			
Finance leases	(665,457)	(72,150)	(737,607)
Debts falling due within 1 year	(4,413,530)	(3,529,799)	(7,943,329)
Debts falling due after 1 year	<u>(44,167)</u>	<u>10,000</u>	<u>(34,167)</u>
	<u>(5,123,154)</u>	<u>(3,591,949)</u>	<u>(8,715,103)</u>
Total	<u><u>(3,869,715)</u></u>	<u><u>684,875</u></u>	<u><u>(3,184,840)</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. STATUTORY INFORMATION

Hills Residential Construction Limited is a Private Limited Company, limited by shares, registered in England and Wales. The company's registered number and registered office can be found on the Company Information page.

The presentation currency of the financial statements is in Pound Sterling (£) and the financial statements are rounded to the nearest Pound.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

Turnover

Turnover, which is stated net of VAT, represents the value of work done in the year including estimates of amounts not invoiced in respect of contract work.

Turnover for property sales where the company has acted as a developer is taken to the income statement on the date of legal completion.

Property, plant and equipment

All property, plant and equipment is initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant and Machinery	- 25% to 33% straight line and reducing balance
Motor Vehicles	- 20% to 25% reducing balance

Stocks

Development land is valued by the directors at the lower of cost and net realisable value. Work in progress is valued at prime cost less foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Financial instruments

Basic financial instruments are measured at amortised cost.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under property, plant and equipment at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the income statement using the effective interest rate.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the income statement.

Long term contracts

Contract work in progress is valued at total costs incurred, less foreseeable losses. Profit on long term contracts is taken as the work is carried out once the final outcome of the project can be assessed with reasonable certainty. Provision is made for losses on contracts in the year in which they are foreseen.

Investments

Fixed asset investments are included at the Directors' valuation of fair value (Note 12).

Going concern

The financial statements have been prepared on a going concern basis. The Directors have reviewed and considered relevant information, including the annual budget and future cash flows in making their assessment. The Directors have concluded that they can continue to adopt the going concern basis in preparing the annual report and accounts.

Government grants

The company has chosen to adopt the accruals model in relation to income received from the government. Grants and other government related income is recognised in the income statement on a systematic basis. The entity recognises gross costs for which the grant is intended to compensate.

3. TURNOVER

The turnover and operating profit for the year was derived from the company's principal activity and was carried out wholly in the UK.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

4. OTHER OPERATING INCOME

	Year Ended 31.12.21	Period 1.10.19 to 31.12.20
	£	£
Discounts received	6,678	37,042
Management charges receivable	10,149	36,000
Insurance claims receivable	-	8,571
Government grants	5,000	-
	<u>21,827</u>	<u>81,613</u>

5. EMPLOYEES AND DIRECTORS

	Year Ended 31.12.21	Period 1.10.19 to 31.12.20
	£	£
Wages and salaries	505,453	536,438
Social security costs	52,293	73,027
Other pension costs	28,882	47,617
	<u>586,628</u>	<u>657,082</u>

The average number of employees during the year was as follows:

	Year Ended 31.12.21	Period 1.10.19 to 31.12.20
Directors	6	6
Administrative	3	3
Operatives	4	5
	<u>13</u>	<u>14</u>

6. DIRECTORS' EMOLUMENTS

	Year Ended 31.12.21	Period 1.10.19 to 31.12.20
	£	£
Directors' remuneration	201,908	178,469
Directors' pension contributions to money purchase schemes	<u>21,918</u>	<u>35,254</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

6. DIRECTORS' EMOLUMENTS - continued

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>3</u>	<u>3</u>
------------------------	----------	----------

Information regarding the highest paid director for the year ended 31 December 2021 is as follows:

	Year Ended 31.12.21
	£
Emoluments etc	99,912
Pension contributions to money purchase schemes	<u>6,661</u>

7. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	Year Ended 31.12.21	Period 1.10.19 to 31.12.20
	£	£
Rent	37,080	36,625
Depreciation - owned assets	240,846	307,656
Profit on disposal of fixed assets	(87,281)	(19,885)
Audit fees	15,000	10,500
Accountancy fees - non-audit	<u>4,250</u>	<u>4,000</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year Ended 31.12.21	Period 1.10.19 to 31.12.20
	£	£
Bank interest	368,253	386,068
Other interest	1,145	1,343
Other loan interest	425,234	286,093
Hire purchase	<u>31,074</u>	<u>25,520</u>
	<u>825,706</u>	<u>699,024</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

9. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	Year Ended 31.12.21 £	Period 1.10.19 to 31.12.20 £
Current tax:		
UK corporation tax	401,896	152,278
Tax under/(over) provision	-	82
Total current tax	<u>401,896</u>	<u>152,360</u>
Deferred tax	<u>111,356</u>	<u>7,149</u>
Tax on profit	<u><u>513,252</u></u>	<u><u>159,509</u></u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	Year Ended 31.12.21 £	Period 1.10.19 to 31.12.20 £
Profit before tax	<u>2,920,994</u>	<u>837,247</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	554,989	159,077
Effects of:		
Expenses not deductible for tax purposes	3,717	23
Capital allowances in excess of depreciation	(140,227)	(3,044)
Adjustments to tax charge in respect of previous periods	-	82
Deferred tax	111,356	7,149
Profit on disposal of fixed assets	(16,583)	(3,778)
Total tax charge	<u><u>513,252</u></u>	<u><u>159,509</u></u>

Tax effects relating to effects of other comprehensive income

	Gross £	2021 Tax £	Net £
Fair value adjustment	<u>500,000</u>	<u>-</u>	<u>500,000</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

10. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery £	Motor vehicles £	Totals £
COST			
At 1 January 2021	1,240,645	282,814	1,523,459
Additions	763,826	349,307	1,113,133
Disposals	(435,683)	(3,995)	(439,678)
At 31 December 2021	<u>1,568,788</u>	<u>628,126</u>	<u>2,196,914</u>
DEPRECIATION			
At 1 January 2021	671,951	66,500	738,451
Charge for year	169,751	71,095	240,846
Eliminated on disposal	(260,865)	(3,995)	(264,860)
At 31 December 2021	<u>580,837</u>	<u>133,600</u>	<u>714,437</u>
NET BOOK VALUE			
At 31 December 2021	<u>987,951</u>	<u>494,526</u>	<u>1,482,477</u>
At 31 December 2020	<u>568,694</u>	<u>216,314</u>	<u>785,008</u>

Included within the net book value of £1,482,476 is £590,612 (2020: £556,588) relating to assets held under hire purchase agreements.

11. FIXED ASSET INVESTMENTS

	Interest in joint venture £
COST OR VALUATION	
At 1 January 2021	1,300,000
Revaluations	500,000
At 31 December 2021	<u>1,800,000</u>
NET BOOK VALUE	
At 31 December 2021	<u>1,800,000</u>
At 31 December 2020	<u>1,300,000</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

11. FIXED ASSET INVESTMENTS - continued

The investment was revalued at 31 December 2021 by the directors based on the management information available as at the 31 March 2022. The historic cost of the investment is £100. The directors have adopted this value as representative of the fair value of the investment as at 31st December 2021.

The following was a joint venture of the company:

Name	Registered Office	Principal Activity	Holding
Kesgrave Hall Limited	400 Dashwood Lang Road, Weybridge, Surrey, KT15 2HJ	Hotel and restaurant	50%

The below disclosures in respect of Kesgrave Hall Limited were taken directly from the most recent audited financial statements for the period ended 31st March 2021:

	Period 01.07.20 to 31.03.21 £	Period 01.01.19 to 30.06.20 £
Net assets	<u>2,553,465</u>	<u>2,456,508</u>
Turnover	1,586,129	4,194,030
Gross profit	1,155,087	3,024,541
Operating profit	<u>254,353</u>	<u>319,550</u>

12. STOCKS

	2021 £	2020 £
Stocks	16,815	658
Land for development	412,127	924,349
Work-in-progress	<u>15,379,235</u>	<u>11,217,997</u>
	<u>15,808,177</u>	<u>12,143,004</u>

13. DEBTORS

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	236,794	260,181
Amounts due from related undertakings	6,024,154	2,597,920
Amounts recoverable on contracts	2,381,572	1,617,190
Other debtors	366,840	189,291
Prepayments and accrued income	<u>18,263</u>	<u>2,098</u>
	<u>9,027,623</u>	<u>4,666,680</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

13. DEBTORS - continued

	2021 £	2020 £
Amounts falling due after more than one year:		
Amounts due from related undertakings	<u>756,984</u>	<u>750,000</u>
Aggregate amounts	<u>9,784,607</u>	<u>5,416,680</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Bank loans (see note 16)	7,943,329	4,413,530
Hire purchase contracts (see note 17)	236,815	211,239
Trade creditors	2,589,342	1,547,615
Amounts due to related undertakings	380,000	2,370,359
Corporation tax	554,174	151,133
Other taxes and social security	47,589	104,785
Other creditors	1,331,271	247,260
Directors' loan account	6,984,392	2,685,638
Accruals and deferred income	<u>5,520,234</u>	<u>3,031,391</u>
	<u>25,587,146</u>	<u>14,762,950</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021 £	2020 £
Bank loans (see note 16)	34,167	44,167
Hire purchase contracts (see note 17)	500,792	454,218
Amounts due to related undertakings	-	372,475
	<u>534,959</u>	<u>870,860</u>

Included within amounts due to related undertakings is a loan payable to Hills Group Fund 2 of £380,000. Mr J. Hills and Mrs T. Hills are trustees of this pension scheme.

Interest is payable on this loan at a rate of 6.5% above the average base rate, based upon The Royal Bank of Scotland, Barclays, HSBC, Lloyds, National Westminster and the Bank of Scotland bank base rates.

16. LOANS

An analysis of the maturity of loans is given below:

	2021 £	2020 £
Amounts falling due within one year or on demand:		
Bank loans	<u>7,943,329</u>	<u>4,413,530</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

16. LOANS - continued

	2021 £	2020 £
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>10,000</u>	<u>10,000</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>24,167</u>	<u>34,167</u>

17. LEASING AGREEMENTS

Minimum lease payments under hire purchase fall due as follows:

	2021 £	2020 £
Net obligations repayable:		
Within one year	236,815	211,239
Between one and five years	<u>500,792</u>	<u>454,218</u>
	<u>737,607</u>	<u>665,457</u>

18. SECURED DEBTS

The following secured debts are included within creditors:

	2021 £	2020 £
Bank loans	7,977,496	4,457,697
Hire purchase contracts	737,607	665,457
Related undertaking loan	<u>380,000</u>	<u>752,476</u>
	<u>9,095,103</u>	<u>5,875,630</u>

The bank loans are secured by way of a legal charge over the developments of the company to which they relate.

The hire purchase contracts are secured by way of a legal charge over the assets to which they relate.

The HGF2 loan is secured by way of a legal charge over the assets of the company and by way of a legal charge over various properties.

19. PROVISIONS FOR LIABILITIES

	2021 £	2020 £
Deferred tax		
Accelerated capital allowances	<u>260,507</u>	<u>149,151</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

19. PROVISIONS FOR LIABILITIES - continued

	Deferred tax £
Balance at 1 January 2021	149,151
Provided during year	111,356
Balance at 31 December 2021	<u>260,507</u>

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2021 £	2020 £
Number:	Class:			
100	Ordinary shares of £1 each	£1	<u>100</u>	<u>100</u>

21. RESERVES

	Retained earnings £	Fair value reserve £	Totals £
At 1 January 2021	3,815,170	1,299,900	5,115,070
Profit for the year	2,407,742	-	2,407,742
Revaluation in year	-	500,000	500,000
At 31 December 2021	<u>6,222,912</u>	<u>1,799,900</u>	<u>8,022,812</u>

22. CONTINGENT LIABILITIES

The company has provided a guarantee, limited to £350,000, against borrowings entered into by Kesgrave Hall Limited. No provision has been made in the financial statements for this amount.

23. TRANSACTIONS WITH THE DIRECTORS

During the year Mr J A Hills was advanced £91,438 (2020: £74,130), and introduced £2,500,000 (2020: £Nil). Mr J A Hills loaned the company £2,220,000 (2020: £3,062,042) and was repaid £329,808 (2020: £Nil) in respect of these loans. At the year end a balance was due from the company to Mr J A Hills of £6,984,392 (2020: £2,685,638).

The loans introduced by Mr J A Hills attract interest at a rate of 8% above the Bank of England base rate. These are unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

24. RELATED PARTY DISCLOSURES

Hills Residential Construction Limited owns 50% of the share capital of Kesgrave Hall Limited. Transactions with this company are set out below:

At the year end, the Company was owed an amount of £750,000 (2020: £750,000) from its joint venture Company. The loan attracts interest at a rate of 5% per annum. During the period the company received interest on the loan of £37,500 (2020: £46,875).

At the year end, the Company was due an amount of £14,058 (2020: £14,472) from its joint venture Company in respect of a trade debtor Balance. During the year the Company made sales of £99,901 (£111,687) and received £100,315 (2020: £97,215) in respect of these sales.

Hills Residential Construction Limited has common ownership with Hills Building Group Limited, Hills Contractors & Construction Limited and Grange Marsh Properties Limited. Transactions with these companies are set out below:

Hills Building Group Limited:

At the year end, the Company was due an amount of £1,014,396 (2020: £402,875). Within the year, the Company paid expenses on behalf of Hills Building Group Limited of £72,606 and had expenses paid on their behalf of £156,085. Total monies advanced in the year to Hills Building Group Limited was £695,000.

Hills Contractors & Construction Limited:

At the year end, the Company was due an amount of £3,879,617 (2020: £2,195,045). Within the year, the Company paid expenses on behalf of Hills Contractors & Construction Limited of £87,041 and had expenses paid on their behalf of £207,470. Total monies advanced in the year to Hills Contractors & Construction Limited was £1,805,001.

Grange Marsh Properties Limited:

At the year end, the Company was due an amount of £1,116,083 (2020: owed £1,985,720). Within the year, monies were advanced to Grange Marsh Properties Limited totalling £3,101,803.

Transactions With Family Members -

During the current year family members received remuneration from the company totalling £28,635 (2020: £29,242).

25. ULTIMATE CONTROLLING PARTY

The company was under the control of Mr J A Hills by virtue of him holding 80% of the company's issued share capital.

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