Hills Quarry Products Limited

Annual report and financial statements

Registered number 04320583

30 April 2018

Contents

Strategic report

Principal activities

The company's principal activities during the year were that of sand and gravel extraction and sale, haulage of aggregate, the production and sale of ready mixed concrete and inert tipping.

Review of the business

The company's business concerns the extraction and sale of sand and gravel from five quarries located within Wiltshire, Gloucestershire, Oxfordshire and Dorset. Alongside these quarries we operate five Ready Mixed Concrete Plants which are supplied with a mixture of material from our own plants and material bought in.

The Aggregate and Concrete markets in the UK during 2017/18 were generally little changed compared to the previous year. Our business overall performed in line with expectation with both sand and gravel output, and concrete volumes very similar to the previous year. This resulted in a profit for the year just below last year which in the circumstances was a creditable performance.

All operational quarries performed much in line with expectation, with the Cotswold Water Park showing some small growth offset by a decline at Calne, where delays in the planning process have restricted available reserves and required us to curtail production.

The search for new reserves is always an important issue and remains a challenging environment. Delays and deferrals in the planning system are becoming more prevalent and longer in duration. As a consequence, our planning applications for new reserves at our Calne and Woodsford quarries have still not been resolved and are ongoing. At Fullamoor we gained officer approval for permission but saw planning refused by the planning authority strategic planning committee. A further application has been submitted and we are hopeful that this application will be resolved by early 2019.

We are progressing well with our partner in the Cotswold Water Park to develop future reserves, and a planning application will be submitted later in 2019. We have sufficient consented reserves in the Water Park to see us through until the anticipated date for this project to be producing aggregates.

In the current financial year we have opened a new quarry at Mortimer, west of Reading, although this took a couple of months longer to get operational than expected it is now open and will soon be at full operational capacity. We are sure this will be a successful venture alongside Royal Wotton Bassett rail depot for limestone product that we have taken over the operation of from 1st May, and both should contribute to profits in the current financial year.

Operating conditions have continued to be stable into the new financial year and we are hopeful of a small increase in profits at the operational level. The outlook for this business remains positive, and I am sure it will be a significant contributor to Group profits over the years to come.

Principal risks and uncertainties

The principle risk and uncertainty facing the company in the long term is the increasingly challenging environment for securing new planning consents, as noted above. However, we are confident that the economy's overriding need for construction materials and our record of ecologically sustainable development will ensure that new reserves are secured.

The company currently has a healthy land bank of consented reserves and strong development opportunities which should ensure a strong presence in the market for many years.

Where the company is exposed to the European supply chain we are looking at contingency planning to minimise our exposure to potential disruption from a disorderly exit from the European Union.

Strategic report *(continued)*

Financial review

The profit for the year, after taxation, amounted to £2,130,000 *(2017: £2,528,000)*. Turnover in the year was 2% higher than the previous year at £28,893,000 *(2017: £28,439,000)*.

The gross profit margin reduced by 1% in the year ended 30 April 2018 from 23% to 22% and this meant a reduction at this level of £117,000 (*2017: increase of* £510,000) with costs for hired haulage increasing our costs of sales and these additional costs were not fully passed on to customers. There was a 12% increase in Distribution costs in the year resulting from significant growth in the costs of running our own haulage fleet. Administration expense showed a modest reduction of £19,000 from last year despite an increase in the average number of employees of 7% over the year.

Tangible fixed assets increased in value by £1,488,000 over the year to £19,780,000 due to the investment into the company's new Mortimer Quarry.

Bank borrowings, finance lease creditors, and amounts owed to group companies as at 30 April 2018 remained at similar levels to the previous year (£12,597,000 in 2018 and £12,792,000 in 2017) and we are expecting that the results in the current year will be similar to those being reported with the developments referred to above thereafter leading to a period of growth for the company.

Risk management

The company's principal financial instruments comprise cash, bank borrowings, capital financing and loans between fellow group undertakings, the main purpose of which is to provide finance for its normal operations. The main risks arising from its financial instruments are interest rates risk and liquidity risk. The directors are satisfied that the company has sufficient resources to continue the operational activities of the business.

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

Employee involvement

The company continues to keep its employees informed on matters affecting them as employees by way of the group's award winning Intouch magazine, and Safer for All newsletter. Staff notices, emails, website and meetings are used to communicate immediate issues with employees. The group operates an employee engagement programme "Move to improve" that actively seeks and rewards employees for submitting business improvements ideas for consideration by senior management.

The group's employment practices and policies ensure that job applicants and all employees are treated in an equal and fair manner. Wherever possible, efforts are made to provide appropriate facilities and conditions of service to meet the needs of all employees including those with special needs or disability. Where an employee becomes disabled whilst employed by the group, arrangements are made, wherever possible, to retrain them in order to enable them to perform a job identified as appropriate to their aptitude and abilities.

The health and safety of all employees is given paramount importance by the company. During the year independent auditors undertake reviews of company sites to review compliance with the company's health and safety management system and relevant legislation..

Environment

The group's environmental policy is available from the company's website at www.hills-group.co.uk.

By order of the board

AG Pardoe
Director

County Park Business Centre
Shrivenham Road
Swindon
Wiltshire
SN1 2NR

30 October 2018

Registered number 04320583

Directors' report

The directors present their report and the financial statements of the company for the year ended 30 April 2018.

Dividend

During the year a dividend of £1,500,000 *(2017: £2,000,000)* was paid to the parent company, The Hills Group Limited.

The directors do not recommend a final dividend *(2017: £nil)*.

Directors

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

AG Pardoe
MP Hill
AR Knowles
PF Andrew

Political donations

During the year the company made charitable donations of £1,190 *(2017: £4,422)*. During the current and preceding year the company made no political contributions.

Other information

An indication of research and development, employee involvement, likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

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 director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

By order of the board

AG Pardoe
Director

County Park Business Centre
Shrivenham Road
Swindon
Wiltshire
SN1 2NR

30 October 2018

Registered number 04320583

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 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 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 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 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 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 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 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 company and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of Hills Quarry Products Limited

Opinion

We have audited the financial statements of Hills Quarry Products Limited ("the company") for the year ended 30 April 2018 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity 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 company's affairs as at 30 April 2018 and of its 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 company 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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, 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 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 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.

Huw Brown (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square,
Bristol
BS1 4BE
31 October 2018

Profit and Loss Account
for the year ended 30 April 2018

	Note	**2018** **£000**	2017 £000
Turnover	*2*	**28,893**	28,439
Cost of sales		**(22,460)**	(21,889)
Gross profit		**6,433**	6,550
Distribution costs		**(1,524)**	(1,357)
Administrative expenses		**(2,153)**	(2,172)
Other operating income	*3*	**127**	86
Operating profit	*4*	**2,883**	3,107
Interest payable and similar charges	*7*	**(124)**	(128)
Profit before taxation		**2,759**	2,979
Tax on profit	*8*	**(629)**	(451)
Profit for the financial year		**2,130**	2,528

All amounts relate to continuing activities.

The company has no items of other comprehensive income.

The notes on pages 10 to 22 form an integral part of these financial statements.

Balance Sheet
at 30 April 2018

	Note	**2018**		2017	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*9*		**19,780**		18,292
			19,780		18,292
Current assets					
Stocks	*10*	**322**		390	
Debtors	*11*	**7,321**		7,850	
Cash at bank and in hand		**-**		-	
		7,643		8,240	
Creditors: amounts falling due within one year	*12*	**(16,311)**		(15,938)	
Net current liabilities			**(8,668)**		(7,698)
Total assets less current liabilities			**11,112**		10,594
Creditors: amounts falling due after more than one year	*13*		**(1,547)**		(1,866)
Provision for liabilities and charges					
Deferred tax liability	*16*	**(1,115)**		(1,142)	
Other provisions	*17*	**(1,347)**		(1,113)	
			(2,462)		(2,255)
Net assets			**7,103**		6,473
Capital and reserves					
Called up share capital	*18*		**-**		-
Profit and loss account			**7,103**		6,473
Shareholders' funds			**7,103**		6,473

The notes on pages 10 to 22 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 30 October 2018 and were signed on its behalf by:

MP Hill
Director

Registered number 04320583

Statement of changes in equity
at 30 April 2018

	Called up Share capital	Profit and loss account	Total equity
	£000	**£000**	**£000**
Balance at 1 May 2016	-	5,945	5,945
Total comprehensive income for the period			
Profit or loss	-	2,528	2,528
Total comprehensive income for the period	-	2,528	2,528
Dividends paid	-	(2,000)	(2,000)
Balance at 30 April 2017	**-**	**6,473**	**6,473**

	Called up Share capital	Profit and loss account	Total equity
	£000	**£000**	**£000**
Balance at 1 May 2017	**-**	**6,473**	**6,473**
Total comprehensive income for the period			
Profit or loss	-	2,130	2,130
Total comprehensive income for the period	-	2,130	2,130
Dividends paid	-	(1,500)	(1,500)
Balance at 30 April 2018	**-**	**7,103**	**7,103**

The notes on pages 10 to 22 form an integral part of these financial statements.

Notes

1 Accounting policies

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

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

The Company's ultimate parent undertaking, Hills UK Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Hills UK Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Wiltshire House, County Park Business Centre, Shrivenham Road, Swindon, Wiltshire, SN1 2NR.

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Related party transactions; and
- Key Management Personnel compensation.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.
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 22 The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Measurement convention

The financial statements are prepared on the historical cost basis.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the sale of sand and gravel, muck tipping, haulage, and ready mixed concrete. Turnover is recognised on dispatch of goods or provision of services. All turnover is derived from UK based operations.

Going concern

The directors have prepared the financial statements on a going concern basis for the following reasons. The directors have reviewed the cash flow forecasts for the company for the foreseeable future and, taking account of reasonably possible changes in trading, are satisfied that the company will be able to settle its liabilities as they fall due for payment and continue in operation for a period of at least twelve months from the date of signing of these financial statements.

As at the balance sheet date the company has net current liabilities due to the inclusion of parent company loans in short term creditors (see note 12).

Notes *(continued)*

1 Accounting policies *(continued)*

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 and facilities that are repayable on demand and form an integral part of the Company's cash management are included in creditors falling due within one year.

Aggregate levy

Aggregate levy is included within both turnover and cost of sales. It is an integral part of the charge made to customers for some products and subject to value added tax.

Tangible fixed assets and depreciation

Land and buildings includes freehold land, aggregate sites, and freehold buildings thereon.

Freehold land is not depreciated. The cost less residual value of aggregate sites is depreciated over the estimated life of the site on the basis of the tonnage extracted.

The cost of aggregate sites includes acquisition and commissioning costs, engineering works, and the discounted cost of the final site restoration and post-closure aftercare costs.

Depreciation is provided by the company to write off the cost less estimated residual value of other tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	- over 3 to 15 years
Fixtures and fittings	- over 3 to 5 years
Motor vehicles	- over 3 to 5 years

Freehold buildings on aggregate sites are depreciated over the life of that site.

Stocks

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

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.

Notes *(continued)*

1 Accounting policies *(continued)*

***Taxation** (continued)*

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; 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.

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. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

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.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Post-retirement benefits

The company is a member of Hills UK Limited's defined contribution pension scheme. The assets of the scheme are held separately from those of the group and company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The company also participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Further details of the specific accounting treatment adopted are set out in note 23.

Notes *(continued)*

1 Accounting policies *(continued)*

Provision for restoration and aftercare costs

The expected costs of the restoration and aftercare of quarries 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 4.5% (2017: 4.5%). 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 aggregate quarries. Costs are then charged to the provisions as incurred.

Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date 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.

2 Turnover and segmental reporting

Turnover represents the amounts (excluding value added tax) derived from the sale of sand and gravel, haulage and ready mixed concrete. Turnover is recognised on despatch of goods or on provision of services.

The whole of the turnover and profit on ordinary activities before taxation derives from operations within the United Kingdom.

3 Other operating income

Other operating income of £127,000 *(2017: £86,000)* relates to profit on disposal of fixed assets.

4 Operating profit and auditor's remuneration

This is stated after charging/(crediting):

	2018	2017
	£000	£000
Depreciation of owned fixed assets	**1,729**	1,556
Depreciation of assets held under finance leases and hire purchase contracts	**881**	811
Auditor's remuneration: audit of these financial statements	**11**	18

Amounts receivable by the company's auditor and their associates in respect of services to the company and its associates, other than the audit of the company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's parent.

Notes *(continued)*

5 Directors' emoluments

	2018 £000	2017 £000
Emoluments	**156**	167
Defined benefit contributions	**3**	18
	159	185
Highest paid director:		
Emoluments	**156**	167
Accrued retirement benefits from defined benefit pension schemes	**25**	24
	181	191

Number of directors accruing benefits in company pension schemes:

	2018 No.	2017 No.
Defined benefit schemes	**-**	3
Defined contribution schemes	**3**	-

6 Staff costs

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

	2018 £000	2017 £000
Wages and salaries	**2,975**	2,753
Social security costs	**292**	285
Pension costs	**225**	200
	3,492	3,238

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

	2018 No.	2017 No.
Site based employees	**64**	60
Administration and sales staff	**30**	28
Company average including directors	**94**	88

Notes *(continued)*

7 Interest payable and similar charges

	2018 £000	2017 £000
Bank loan and overdrafts	**26**	29
Interest on finance leases and hire purchase contracts	**98**	99
	124	128

8 Taxation

	2018 £000	2076 £000
Analysis of charge in the year		
Current tax:		
UK corporation tax on profits of the year	**569**	519
Adjustment in respect of previous years	**86**	38
Total current tax	**655**	557
Deferred tax:		
Origination and reversal of timing differences	**(37)**	(86)
Adjustments in respect of previous years	**11**	(20)
Total deferred tax	**(26)**	(106)
Total tax	**629**	451

Factors affecting tax charge for the year

The current tax charge for the period is higher *(2017: lower)* than the standard rate of corporation tax in the UK. The differences are explained below:

	2018 £000	2017 £000
Profit for the year	**2,130**	2,528
Total tax	**629**	451
Profit on ordinary activities before tax	**2,759**	**2,979**
Standard rate of corporation tax in the UK 19% *(2017: 19.92%)*	**19%**	**19.92%**
Profit multiplied by the standard rate of corporation tax	**524**	**593**
Effects of:		
Expenses not deductible for tax purposes	**3**	4
Income not taxable	**-**	-
Adjustments to tax charge in respect of previous periods	**97**	18
Effect of change in tax rates	**5**	(65)
Group relief claimed	**-**	(99)
Total tax charge to the profit and loss	**629**	451

Notes *(continued)*

8 Taxation *(continued)*

Reductions in the UK corporation tax rate to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2018) and to 17% (effective 1 April 2020) were substantively enacted on 16 March 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 30 April 2018 has been calculated based on these rates.

9 Tangible fixed assets

	Motor vehicles £000	Land and buildings £000	Furniture and fittings £000	Plant and machinery £000	Restoration asset £000	Total £000
Cost						
At 1 May 2017	2,072	13,691	54	10,425	1,488	27,730
Additions	297	1,398	-	2,049	355	4,099
Disposals	(113)	-	-	(533)	-	(646)
At 30 April 2018	2,256	15,089	54	11,941	1,843	31,183
Depreciation						
At 1 May 2017	711	3,692	32	4,171	832	9,438
Charge for the year	444	805	5	1,149	208	2,611
On disposals	(113)	-	-	(533)	-	(646)
At 30 April 2018	1,042	4,497	37	4,787	1,040	11,403
Net book value						
At 30 April 2018	**1,214**	**10,592**	**17**	**7,154**	**803**	**19,780**
At 30 April 2017	1,361	9,999	22	6,254	656	18,292

Impairment loss and subsequent reversal

No impairment losses have been recognised in the profit and loss in the year (2017: £nil).

Land and buildings	**Cost 2018 £000**	**Net book value 2018 £000**	Cost 2017 £000	Net book Value 2017 £000
Freehold land and buildings	**5,126**	**3,956**	5,117	4,287
Short leasehold land and buildings	**9,963**	**6,636**	8,574	5,712
	15,089	**10,592**	13,691	9,999

Notes *(continued)*

9 Tangible fixed assets *(continued)*

Leased plant and machinery	**2018**	2017
	£000	£000
Net book value of plant and machinery included in fixed assets held under finance leases and hire purchase contracts	**2,522**	2,850

The equipment owned under finance leases carry lease obligations (see note 15).

The depreciation charged in the year for the assets held under finance leases was £881,000 (*2017:* £811,000).

10 Stocks

	2018	2017
	£000	£000
Raw materials and consumables	**322**	390
	322	390

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales and distribution in the year amounted to £5,940,000 (*2017:* £5,662,000) and £572,000 (*2017:* £492,000) respectively.

11 Debtors

	2018	2017
	£000	£000
Trade debtors	**4,705**	4,824
Prepayments and accrued income	**2,616**	3,026
	7,321	7,850

All debtors are due within one year.

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Bank loans and overdrafts	**1,089**	1,339
Obligations under finance leases and hire purchase contracts	**750**	882
Trade creditors	**1,958**	1,575
Corporation tax	**560**	520
Other taxes and social security costs	**822**	1,139
Accruals and deferred income	**1,914**	1,778
Amounts owed to group undertakings	**9,218**	8,705
	16,311	15,938

13 Creditors: amounts falling due after more than one year

	2018	2017
	£000	£000
Obligations under finance lease and hire purchase contracts	**1,547**	1,866
	1,547	1,866

14 Interest- bearing loans and borrowings

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

	2018	2017
	£000	£000
Creditors falling due within less than one year		
Invoice financing	**1,082**	1,314
Finance lease liabilities	**750**	882
	1,832	2,196
Creditors falling due after more than one year		
Finance lease liabilities	**1,547**	1,866
	1,547	1,866

The Invoice financing facility is a bank lending facility against trade debtors secured by an all assets debenture in favour of the bank. Interest is charged at a rate of 1.4% above UK Base Rates.

Notes *(continued)*

15 Obligations under finance leases and hire purchase contracts

	2018	2017
	£000	£000
Amounts payable:		
Within one year	**750**	882
Within two to five years	**1,547**	1,866
	2,297	2,748

16 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2018	2017	**2018**	2017	**2018**	2017
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	**-**	-	**1,117**	1,145	**1,117**	1,145
Other timing differences	**(2)**	(3)	**-**		**(2)**	(3)
Tax (assets) / liabilities	**(2)**	(3)	**1,117**	1,145	**1,115**	1,142

17 Provisions for liabilities

Site restoration and aftercare

	2018	2017
	£000	£000
At 1 May	1,113	1,110
Provided in the year	358	252
Amounts used	(124)	(249)
At 30 April	**1,347**	1,113

Site restoration and aftercare

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 appropriate aftercare period following restoration. The amounts and timing of the expected outflows are uncertain due to the projection of costs over this period of time.

The restoration and aftercare provision has been discounted using an annual discount rate of 4.5% *(2017: 4.5%)*.

Notes *(continued)*

18 Share capital

	2018	2017
	£000	£000
Allotted, called up and fully paid		
2 *(2017: 2)* ordinary shares of £1 each	**-**	-

19 Dividends

	2018	2017
	£000	£000
Dividends for which the company became liable during the year:		
Dividends paid	**1,500**	2,000

20 Capital commitments

	2018	2016
	£000	£000
Amounts contracted for but not provided in the accounts	**944**	284

21 Other financial commitments

At the year end, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	**Other**	Land and buildings	Other
	2018	**2018**	2017	2017
	£000	**£000**	£000	£000
Operating leases which expire:				
Within one year	**197**	**7**	192	20
Within one to five years	**553**	**8**	674	4
In over five years	**975**	**-**	1,082	-
	1,725	**15**	1,948	24

During the year £2,148,000 was recognised as an expense in the profit and loss account in respect of operating leases (*2017:* £1,850,000).

Notes *(continued)*

22 Accounting estimate and judgements

The preparation of the company's financial statement requires management to make judgements, estimate and assumption that affect the application of account policies and reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Key sources of estimation uncertainty

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 restoration and aftercare provision has been discounted using an annual discount rate of 4.5% *(2017: 4.5%)*.

23 Pensions

Defined contribution scheme

Employees are eligible to be members of the group's defined contribution pension scheme. The assets of the scheme are held separately from those of the group and the company in independently administered funds. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

For the year to 30th April 2018 the total contributions paid were £183,000 (2017: £108,000).

As at 30th April 2018 there was an accrual of £nil (2017: £ nil) for outstanding contributions payable.

Defined benefit pension scheme

Other employees and four directors are members of the parent company (Hills UK Limited's) defined benefit pension scheme *(2017: four directors)*. The assets of the scheme are held separately from those of the company and group. The scheme was closed to the accrual of further benefits on 1 July 2017. Three directors (*2017: three directors*) accrued benefits in the defined benefit scheme until this date.

The most recent valuation of the scheme at 1 July 2014 has been updated by the actuary on an FRS102 basis on 30 April 2018 and on the 30 April 2017.

Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS102, the scheme is accounted for by this company as if the scheme was a defined contribution scheme with the full requirements of FRS102 being adopted in the consolidated financial statements of the parent company, Hills UK Limited, which can be obtained from the address given in note 25.

The assets and liabilities of the scheme are not able to be attributed to the current trading companies in the Hills UK Group as they include significant amounts which relate to doormat or disposed subsidiaries as well as the actively trading subsidiaries.

The profit and loss charge for the defined benefit scheme is £42,000 *(2017: £92,000)*.

The total profit and loss charge for both the above schemes is £225,000 *(2017: £200,000)*.

24 Cross guarantee

The company has an unlimited composite guarantee over the borrowing facilities of Hills UK Limited, The Hills Group Limited, Hills Waste Solutions Limited, Hills Property Limited, Hills Homes Developments Limited, County Homes (Wessex) Limited, Northacre Renewable Energy Limited, Hills (West Midlands) Limited, and Able Waste Management Limited.

Notes *(continued)*

25 Ultimate parent undertakings

The company is a wholly owned subsidiary undertaking of The Hills Group Limited which in turn is a wholly owned subsidiary of Hills UK Limited which is registered in England and Wales. These results are included in the consolidated financial statements of Hills UK Limited, which may be obtained from:

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