Hills Quarry Products Limited

Annual report and financial statements

Registered number 04320583

30 April 2022

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 six quarries located within Wiltshire, Gloucestershire, Berkshire, Oxfordshire and Dorset. Alongside these quarries the company operates six Ready Mixed Concrete plants which are supplied with a mixture of material from our own quarries and material bought in.

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 the company experienced a relatively poor period of trading in the winter followed by a bounce back in spring.

The search for new reserves is always an important issue and remains a challenging environment. Delays and deferrals in the planning system continue to adversely impact the sector and have not lessened in prevalence or duration. Our planning application for new reserves at our Calne quarry has now been determined in our favour but 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, an acceptable outturn for the year is currently anticipated. The longer-term outlook for the business remains positive, and the company should continue to 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.

There are currently a lot of forecasters predicting that the UK is about to enter a period of recession in the general economy and at the same time the Consumer Prices Index is showing a rate of inflation of 11%. Both of these factors could impact the business moving forwards. In terms of the risk from inflation there is some level of protection with our cost of sales as 55% of aggregate sold is from company reserves or from sites with royalty arrangements linked to our sales price.

Streamlined Energy and Carbon Reporting (SECR)

The company has opted to include its SECR reporting disclosures in the independently produced report published in the consolidated accounts of its ultimate parent company, Hills UK Limited. These accounts can be obtained from the contact details given in note 26.

Strategic report *(continued)*

Financial review

The profit for the year, after taxation, amounted to £1,810,000 *(2021: £2,266,000)*. Turnover in the year was 7% higher than the previous year at £41,538,000 *(2021: £38,983,000)*.

The gross profit margin for the year ended 30 April 2022 has declined slightly to 19.6% (*2021: 21%*).

Distribution and Administration expenses combined have reduced by 3.6% from 2021.

Bank borrowings, finance lease creditors, and amounts owed to group companies as at 30 April 2022 were £6,765,000 *(2021: £9,954,000*), representing a reduction of £3,189,000 over the year reflecting a sound underlying cash flow and also the fact that investment plans were delayed by the planning process.

We are expecting that the results in the current year will be slightly ahead of those for the year being reported.

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

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

The recent significant increases in the rate of inflation also present a risk to the company in that the amount we charge to our customers may not necessarily be able to be increased in line with the increase in costs we incur. Although sales prices are subject to market rate fluctuations, we naturally seek to protect profit margin by increasing 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. House building activity could be expected to be impacted by an economic downturn and this sector is an important one for the Quarry Products industry. The magnitude of these risks are difficult at this stage to quantify but the directors are satisfied that the company has sufficient resources to continue operations until more favourable conditions return.

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.

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 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 auditor's undertake reviews of company sites to review compliance with the company's health and safety management system and relevant legislation.

Strategic report *(continued)*

Environment

The group's environmental policy is available from the company's website at www.hills-group.co.uk. As part of The Hills Group the company is looking at ways to reduce the carbon footprint of our activities and benefit from transitioning to green technologies. The Hills Group 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.

By order of the board

AG Pardoe
Director

County Park Business Centre
Shrivenham Road
Swindon
Wiltshire
SN1 2NR

13 December 2022

Registered number 04320583

Directors' report

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

Dividend

During the year a dividend of £1,250,000 *(2021: £1,000,000)* was paid to the parent company, The Hills Group Limited. The directors do not recommend a final dividend *(2021: £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 £850 *(2021: £700)*. 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.

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 has regard to directives and policies set by The Hills Group Board and delegates authority for day-to-day management to line management and designated sub-committees that hold operational responsibility for engaging in setting, approving, and overseeing the execution of the business strategy and related policies. The directors of the company are members of The Hills Group Board and Finance Committee and report to the Group Board at each board meeting on the operational performance of the activities of the company.

The company also has regard to other factors which it considers relevant to the decision-making process including engagement with regulatory authorities and involvement with industry trade bodies of which it is a member.

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 the aim of ensuring that the decisions taken adhere with the company and group core values.

Risk and compliance, legal, pensions, stakeholder-related matters, diversity and inclusivity, corporate responsibility matters, health and safety matters, and environmental compliance are reviewed at management meetings and 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 review at management meetings and presentations to The Hills Group Board by the directors and the consideration and discussion of reports which, as required, are sent to management and directors in advance of meetings.

Directors' report (*continued*)

Section 172(1) Statement *(continued)*

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 the environments surrounding our sites. An important part of our stakeholder engagement programme is the regular liaison meetings held at our sites attended by senior management with elected representatives of the local community and other invited stakeholders to discuss and feedback on our operations

The interests and views of the company's key stakeholders alongside other relevant factors are considered when making decisions. This information is published and presented in a variety of formats for use both within the company and in public facing documents. As a result of this the company's management have an understanding of the nature of the stakeholders' concerns whilst discharging their responsibilities in compliance with the section 172 duty to promote success of the company. 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.

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.

By order of the board

AG Pardoe
Director

County Park Business Centre
Shrivenham Road
Swindon
Wiltshire
SN1 2NR

13 December 2022

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.

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 2022 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 2022 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that 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 its 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 company's business model and analysed how those risks might affect the 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 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 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 and as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company'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.

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 management may be in a position to make inappropriate accounting entries; and
- the risk that quarry account revenue is recorded in the wrong period or fictitiously recorded.

We did not identify any additional fraud risks.

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

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-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, 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 Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

Secondly, the Company 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 Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety legislation, employment law, environmental legislation, and planning conditions recognising the nature of the Company'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.

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

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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 6, 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.

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

Profit and Loss Account

for the year ended 30 April 2022

	Note	**2022** **£000**	2021 £000
Turnover	*2*	**41,538**	38,983
Cost of sales		**(33,384)**	(30,697)
Gross profit		**8,154**	8,286
Distribution costs		**(2,148)**	(2,193)
Administrative expenses		**(3,213)**	(3,370)
Other operating income	*3*	**65**	202
Operating profit	*4*	**2,858**	2,925
Interest payable and similar charges	*7*	**(262)**	(109)
Profit before taxation		**2,596**	2,816
Tax on profit	*8*	**(786)**	(550)
Profit for the financial year		**1,810**	2,266

All amounts relate to continuing activities.

The company has no items of other comprehensive income.

The notes on pages 13 to 25 form an integral part of these financial statements.

Balance Sheet
at 30 April 2022

	Note	**2022**		2021	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*9*		**129**		138
Tangible assets	*10*		**17,397**		20,871
			17,526		21,009
Current assets					
Stocks	*11*	**373**		239	
Debtors *(including £1,964,000 (2021: £785,000) due after more than one year)*	*12*	**11,639**		9,334	
Cash at bank and in hand		**22**		84	
		12,034		9,657	
Creditors: amounts falling due within one year	*13*	**(13,255)**		(16,047)	
Net current liabilities			**(1,221)**		(6,390)
Total assets less current liabilities			**16,305**		14,619
Creditors: amounts falling due after more than one year	*14*		**(1,645)**		(1,400)
Provision for liabilities and charges					
Deferred tax liability	*17*	**(1,522)**		(1,209)	
Other provisions	*18*	**(3,145)**		(2,577)	
			(4,667)		(3,786)
Net assets			**9,993**		9,433
Capital and reserves					
Called up share capital	*19*		**-**		-
Profit and loss account			**9,993**		9,433
Shareholders' funds			**9,993**		9,433

The notes on pages 13 to 25 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:

MP Hill
Director

Registered number 04320583

Statement of changes in equity
at 30 April 2022

	Called up Share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 May 2020	-	8,167	8,167
Total comprehensive income for the period			
Profit or (loss)	-	2,266	2,266
Total comprehensive income for the period	-	2,266	2,266
Dividends paid	-	(1,000)	(1,000)
Balance at 30 April 2021	**-**	**9,433**	**9,433**

	Called up Share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 May 2021	-	9,433	9,433
Total comprehensive income for the period			
Profit or (loss)	-	1,810	1,810
Total comprehensive income for the period	-	1,810	1,810
Dividends paid	-	(1,250)	(1,250)
Balance at 30 April 2022	**-**	**9,993**	**9,993**

The notes on pages 13 to 25 form an integral part of these financial statements.

Registered number 04320583

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"). 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 also prepared in accordance with Financial Reporting Standard 102 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 23. 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

Notwithstanding net current liabilities of £1,221,000 as at balance sheet date, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for 17 months from the date of approval of these financial statements which indicates that, taking account of a reasonably possible downside scenario and the company's ability to obtain funding from its ultimate parent company, Hills UK Limited, the company will have sufficient funds to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Hills UK Limited not seeking repayment of the amounts currently due to the group, which at 30 April 2022 amounted to £2,661,000, and providing additional financial support during that period. Hills UK Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the 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)*

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less 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 20 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.

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.

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, the unwinding of the discount on provisions, and changes in the rate of 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 24.

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 a net 2.2% (*2021: 4.0%*). The unwinding of the discount is included within interest payable and similar charges.

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 £65,000 *(2021: £202,000)* includes £65,000 (*2021: £74,000*) relating to profit on disposal of fixed assets and £nil (*2021: £128,000*) of Furlough claims.

4 Operating profit and auditor's remuneration

This is stated after charging/(crediting):

	2022	2021
	£000	£000
Depreciation of owned fixed assets	**2,902**	2,755
Depreciation of assets held under finance leases and hire purchase contracts	**917**	913
Operating lease rentals – land and buildings	**1,865**	2,173
Operating lease rentals – office equipment	**-**	14
Profit on sale of fixed assets	**(65)**	(74)
Furlough grants received	**-**	(128)
Auditor's remuneration: audit of these financial statements	**27**	23

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

	2022	2021
	£000	£000
Emoluments	**253**	233
Contributions to defined benefit pension schemes	**37**	35
	290	268
Highest paid director:		
Emoluments	**176**	162
Contributions to defined contribution pension schemes	**23**	21
	199	183

Number of directors accruing benefits in company pension schemes:

	2022	2021
	No.	No.
Defined benefit schemes	**-**	-
Defined contribution schemes	**3**	3

6 Staff costs

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

	2022	2021
	£000	£000
Wages and salaries	**4,015**	3,761
Social security costs	**406**	380
Pension costs	**413**	395
	4,834	4,536

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

	2022	2021
	No.	No.
Site based employees	**84**	80
Administration and sales staff	**33**	33
Company average including directors	**117**	113

Notes *(continued)*

7 Interest payable and similar charges

	2022	2021
	£000	£000
Bank loan and overdrafts	**16**	20
Interest on finance leases and hire purchase contracts	**87**	61
Change in the discounted amount on provision for site reinstatement (see note 18)	**151**	-
Unwind of discount on provision for site reinstatement (see note 18)	**8**	28
	262	109

8 Taxation

	2022	2021
	£000	£000
Analysis of charge in the year		
Current tax:		
UK corporation tax on profits of the year	**515**	688
Adjustment in respect of previous years	**(42)**	(133)
Total current tax	**473**	555
Deferred tax:		
Origination and reversal of timing differences	**(104)**	(139)
Adjustments in respect of changes in rate of tax	**390**	-
Adjustments in respect of previous years	**27**	134
Total deferred tax	**313**	(5)
Total tax	**786**	550

Factors affecting tax charge for the year

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

	2022	2021
	£000	£000
Profit for the year	**1,810**	2,266
Total tax	**786**	550
Profit on ordinary activities before tax	**2,596**	**2,816**
Standard rate of corporation tax in the UK 19% *(2021: 19%)*	**19%**	**19%**
Profit multiplied by the standard rate of corporation tax	**493**	**535**
Effects of:		
Expenses not deductible for tax purposes	**4**	1
Capital Allowances in excess of depreciation	**(61)**	13
Adjustments to tax charge in respect of previous periods	**(15)**	1
Effect of change in tax rates	**365**	-
Total tax charge to the profit and loss	**786**	550

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%*).

Notes *(continued)*

9 Intangible assets

	Goodwill £000
Cost	
At 1 May 2021	145
Additions during the year	-
At 30 April 2022	145
Amortisation	
At 1 May 2021	7
Provided during the year	9
At 30 April 2022	16
Net book value	
At 30 April 2022	**129**
At 30 April 2021	138

The intangible fixed assets relate to Goodwill on acquisition of Ready-Mixed Concrete facilities which are being written off over their estimated life of 10 years from commencement of operations.

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

10 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 2021	3,035	18,667	52	14,854	3,702	40,310
Additions	160	489	-	1,330	568	2,547
Disposals	(29)	(2,193)	-	(361)	-	(2,583)
At 30 April 2022	3,166	16,963	52	15,823	4,270	40,274
Depreciation						
At 1 May 2021	1,837	7,670	39	7,711	2,182	19,439
Charge for the year	490	1,288	2	1,649	390	3,819
On disposals	(28)	-	-	(353)	-	(381)
At 30 April 2022	2,299	8,958	41	9,007	2,572	22,877
Net book value						
At 30 April 2022	**867**	**8,005**	**11**	**6,816**	**1,698**	**17,397**
At 30 April 2021	1,198	10,997	13	7,143	1,520	20,871

Impairment loss and subsequent reversal

No impairment losses have been recognised in the profit and loss in the year *(2021: £nil)*.

Notes *(continued)*

10 Tangible fixed assets *(continued)*

Land and buildings	**Cost 2022 £000**	**Net book value 2022 £000**	Cost 2021 £000	Net book Value 2021 £000
Freehold land and buildings	**5,231**	**2,639**	5,144	3,029
Short leasehold land and buildings	**11,732**	**5,366**	13,523	7,968
	16,963	**8,005**	18,667	10,997

Leased plant and machinery	**2022 £000**	2021 £000
Net book value of plant and machinery included in fixed assets held under finance leases and hire purchase contracts	**2,546**	2,140

The equipment owned under finance leases carry lease obligations (see note 16).

The depreciation charged in the year for the assets held under finance leases was £917,000 *(2021: £913,000).*

11 Stocks

	2022 £000	2021 £000
Raw materials and consumables	**373**	239
	373	239

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 £7,750,000 (*2021: £6,490,000*) and £929,000 (*2021: £817,000*) respectively.

12 Debtors

	2022 £000	2021 £000
Trade debtors	**7,002**	7,165
Amounts owed by group undertakings	**93**	-
Prepayments and accrued income	**4,544**	2,169
	11,639	9,334

Amounts due after more than one year included in prepayments and accrued income is £1,964,000 *(2021: £785,000).*

Notes *(continued)*

13 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Bank loans and overdrafts	**1,521**	1,179
Obligations under finance leases and hire purchase contracts	**938**	875
Trade creditors	**4,943**	3,894
Corporation tax	**896**	689
Other taxes and social security costs	**1,372**	1,122
Accruals and deferred income	**831**	1,788
Amounts owed to group undertakings	**2,754**	6,500
	13,255	16,047

14 Creditors: amounts falling due after more than one year

	2022 £000	2021 £000
Obligations under finance lease and hire purchase contracts	**1,645**	1,400
	1,645	1,400

15 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.

	2022 £000	2021 £000
Creditors falling due within less than one year		
Invoice financing	**1,521**	1,179
Finance lease liabilities	**938**	875
	2,459	2,054

	2022 £000	2021 £000
Creditors falling due after more than one year		
Finance lease liabilities	**1,645**	1,400
	1,645	1,400

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)*

16 Obligations under finance leases and hire purchase contracts

	2022	2021
	£000	£000
Amounts payable:		
Within one year	**938**	875
Within two to five years	**1,645**	1,400
	2,583	2,275

17 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2022	2021	**2022**	2021	**2022**	2021
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	-	-	**1,522**	1,209	**1,522**	1,209
Other timing differences	-	-	-	-	-	-
Tax (assets) / liabilities	-	-	**1,522**	1,209	**1,522**	1,209

The deferred tax liability at 30 April 2022 has been calculated based on a rate of 25% (*2021: 19%*).

18 Other provisions

Provision for site restoration and aftercare

	2022	2021
	£000	£000
At 1 May	2,577	1,849
Provided in the year	568	817
Amounts utilised in the year	(159)	(117)
Discount unwind for the year (see note 7)	8	28
Changes in the discount rate (see note 7)	151	-
At 30 April	**3,145**	2,577

Site restoration and aftercare

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 quarries to their end use as specified by planning consents.

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 major cost items and areas of uncertainty are discussed in note 23, Accounting estimates and judgements.

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%*).

Notes *(continued)*

19 Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
2 *(2021: 2)* ordinary shares of £1 each	-	-

20 Dividends

	2022 £000	2021 £000
Dividends for which the company became liable during the year:		
Dividends paid	**1,250**	1,000

21 Capital commitments

	2022 £000	2021 £000
Amounts contracted for but not provided in the accounts	**1,670**	321

22 Other financial commitments

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

	Land and buildings 2022 £000	**Other 2022 £000**	Land and buildings 2021 £000	Other 2021 £000
Operating leases which expire:				
Within one year	**565**	**2**	896	6
Within one to five years	**1,264**	**-**	1,609	2
In over five years	**636**	**-**	1,608	-
	2,465	**2**	4,113	8

During the year £1,865,000 was recognised as an expense in the profit and loss account in respect of operating leases (*2021: £2,187,000*).

Notes *(continued)*

23 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 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 obligations are forecast to arise back to today's terms. The significant items included in the provision is creating the final landform to that required in the planning permission. This requires movement and placement of soils to typically profile lakes or to agriculture. Some grass seeding or tree planting can be necessary.

Aftercare periods tend to be short, typically 5-10 years, and are required as part of some site planning permissions. These costs are relatively small compared with restoration costs and can include grass cutting, weed control and reseeding where an initial grass seeding has failed.

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

The restoration and aftercare provision has a degree of sensitivity to the long-term discount rate and long-term inflation assumptions used. An increase in the net discount rate of 0.3% (to 2.5%) would reduce the required provision by £64,000 from the current figure of £3,145,000 to £3,081,000. Conversely a reduction in the net discount rate by 0.3% (to 1.9%) would increase the provision required by £67,000 to £3,212,000.

24 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 2022 the total contributions paid were £365,000 (*2021: £347,000*).

As at 30th April 2022 there was an accrual of £nil *(2021: £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 *(2019: 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.

The most recent valuation of the scheme at 1 July 2020 has been updated by the actuary on an FRS102 basis on 30 April 2022 and on the 30 April 2021.

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 26.

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 £48,000 *(2021: £48,000)*.

The total profit and loss charge for both the above schemes is £413,000 *(2021: £395,000)*.

Notes *(continued)*

25 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 Homes Developments Limited, County Homes (Wessex) Limited, Hills Municipal Collections Limited, Hills (West Midlands) Limited, and Able Waste Management Limited.

26 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
SN1 2NR