

HILL & SMITH (TREASURY) LIMITED

Registered number 06814150

Annual Report and Financial Statements
For the year ended 31 December 2021



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Directors' Report

The Directors present their Report and audited Financial Statements for the year ended 31 December 2021. The Directors' Report has been prepared in accordance with the special provisions relating to small companies under section 415A of the Companies Act 2006, which also provides an exemption from the preparation of a Strategic Report under section 414B.

Principal activity

The principal activity of Hill & Smith (Treasury) Limited ('the Company') is the management of group treasury arrangements. Its results for the year are set out in the Profit and Loss Account on page 7.

Business review and future developments

The financial performance and position of the company are in line with the Directors' expectations. Hill & Smith Holdings PLC ('the Group') does not monitor risks and uncertainties or KPIs at the company level. These are, instead, monitored at a Group level.

Research and development

The Company does not invest in research and development.

Dividends

No dividends were received during the year (2020: £nil). No dividends were paid during the year (2020: £nil) and no dividends are proposed.

Directors

The Directors serving during the year and in the period up to the date of this Report were as follows:

J P Whitehouse
C A Henderson
H K Nichols
P Simmons

Political and charitable contributions

The Company made no political or charitable donations or incurred any political or charitable expenditure during the current or prior year.

Employees

The Company had no employees during the current or prior year.

Financial risk

The financial risk management objectives and policies are set out in note 14.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out above.

The Company is an intermediate holding company in the Group. As at 31 December 2021, the Company had net current assets of £262,000. The Company is a party to cross guarantees given for loans and borrowings of the ultimate parent company, Hill & Smith Holdings PLC, and certain fellow subsidiaries as detailed in note 10. As a result, the Company's funding requirements are directly linked to the Group's overall financial position.

At 31 December 2021, the Group had £327.6m of committed borrowing facilities, of which only £1.8m matures before December 2023 at the earliest, and a further £13.4m of on-demand facilities. The amount drawn down under these facilities at 31 December 2021 was £125.4m, which together with cash and cash equivalents of £18.8m gave total headroom of £234.4m (£221.2m committed, £13.2m on demand). The Group has not made any changes to its principal borrowing facilities between 31 December 2021 and the date of approval of these financial statements, and there have been no significant changes to liquidity headroom during that period.

Directors' Report (*continued*)

Going concern (*continued*)

The Group's principal borrowing facilities are subject to covenants that are measured biannually in June and December, being net debt to EBITDA of a maximum of 3.0x and interest cover of a minimum of 4.0x, based on measures as defined in the facilities agreements which are adjusted from the equivalent IFRS amounts. The ratio of net debt to EBITDA at 31 December 2021 was 1.0 times and interest cover was 25.4 times.

In assessing whether these financial statements should be prepared on a going concern basis, the Directors have prepared cash flow forecasts for the Company through until 30 June 2023. The Group have aggregated the cash flow forecasts of the Group's subsidiaries to form a Group 'base case' scenario. In this 'base case' scenario, the forecasts indicate significant liquidity headroom will be maintained above the Group's borrowing facilities and financial covenants will be met throughout the period, including the covenant tests at 30 June 2022, 31 December 2022 and 30 June 2023.

The Group has carried out stress tests against the base case to determine the performance levels that would result in a breach of covenants or a reduction of headroom against its borrowing facilities to nil. For a breach of covenants to occur during the relevant period, the Group would need to experience a sustained revenue reduction of 24% compared with current expectations throughout the period from May 2022 through June 2023. A reduction in headroom against borrowing facilities to nil would occur if the Group experienced a sustained revenue reduction of 50% compared with current expectations between May 2022 and June 2023. The Directors do not consider either of these scenarios to be plausible given the ability of the Group to continue its operations throughout the COVID pandemic (noting that revenues fell by only 22% in the second quarter of 2020, the worst-affected period). The Group also has several mitigating actions under its control including minimising capital expenditure to critical requirements, reducing levels of discretionary spend, rationalising its overhead base and curtailing future dividend payments which, although not forecast to be required, could be implemented in order to be able to meet the covenant tests and to continue to operate within borrowing facility limits. Further details are provided in the Group's 2021 annual report which can be obtained from the address in note 12.

As a result of the above, the Company's ultimate parent, Hill & Smith Holdings PLC, have provided a letter of support to confirm their intention to provide sufficient funding to the Company to enable it to meet its liabilities as they fall due for a period of 12 months, from the date of approval of these financial statements. The Directors have assessed the ultimate parent company's ability to provide such support through obtaining the latest consolidated financial statements of the Group, discussing the financial position with group management and assessing the level of funds available to the Group. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for 12 months from the date of approval of the financial statements, until 30 June 2023, and therefore have prepared the financial statements on a going concern basis.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself 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 reappointed and Ernst & Young LLP will therefore continue in office.

By order of the Board



C A Henderson
Secretary

Westhaven House
Arleston Way
Shirley
Solihull
West Midlands, United Kingdom
B90 4LH

14 June 2022

Statement of Directors' responsibilities in respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing 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 101 *Reduced Disclosure Framework*.

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 Hill & Smith (Treasury) Limited

Opinion

We have audited the financial statements of Hill & Smith (Treasury) Limited for the year ended 31 December 2021 which comprise the Profit and Loss Account, the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the provisions available for small entities, in the circumstances set out in note 2 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue through to 30 June 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the members of Hill & Smith (Treasury) Limited *(continued)*

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, as set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Independent Auditor's Report to the members of Hill & Smith (Treasury) Limited (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 Reduced Disclosure Framework and the Companies Act 2006) and compliance with the relevant direct and indirect tax regulations in the United Kingdom. The company has minimal transactions, and no employees.
- We understood how Hill & Smith (Treasury) Limited is complying with those frameworks by making enquiries of senior finance personnel by reviewing Company policies and procedures for creating awareness of laws and regulations and how to report any instances of non-compliance. We also inquired with those charged with governance and gained an understanding of the entity level controls of the company in respect of these areas and the controls in place to reduce opportunity for fraudulent transactions.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by discussing with senior finance personnel and those charged with governance as to the rationale behind the specific accounting transactions. Each material financial transaction in the year was verified through recalculation or agreement to supporting source documentation. Due to the nature of the company, as a holding company of wholly owned group subsidiaries we have not identified any risk of material misstatement.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included reading board meeting minutes and relevant approval documents, enquiries of senior finance personnel and those charged with governance and agreement of transactions to supporting source documentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

Stephen Kirk (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

Date: 14th June 2022

Profit and Loss Account
for the year ended 31 December 2021

	<i>Note</i>	2021 £000	2020 £000
Other operating income		4	-
Operating profit	3	<u>4</u>	<u>-</u>
Interest receivable	5	3	3
Profit before taxation	3	<u>7</u>	<u>3</u>
Taxation on profit	6	(2)	(1)
Profit for the financial year		<u><u>5</u></u>	<u><u>2</u></u>

Statement of Comprehensive Income

Items that may be reclassified subsequently to profit or loss:

Taxation on other comprehensive income	-	-
Other comprehensive income for the year, net of tax	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>5</u></u>	<u><u>2</u></u>

All operations are continuing.

The notes on pages 10 to 18 form part of the Financial Statements.

Balance Sheet
as at 31 December 2021

	Note	2021 £000	2020 £000
Current assets			
Debtors	7	102	102
Cash at bank and in hand		163	160
		<u>265</u>	<u>262</u>
Creditors: Amounts falling due within one year	8	<u>(3)</u>	<u>(5)</u>
Net current assets		<u>262</u>	<u>257</u>
Net assets		<u>262</u>	<u>257</u>
Capital and reserves			
Called up share capital	9	500	500
Profit and loss account		(238)	(243)
Total equity shareholder's funds		<u>262</u>	<u>257</u>

The notes on pages 10 to 18 form part of the Financial Statements.

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies. These Financial Statements were approved by the Board of Directors and signed on their behalf by:



H K Nichols
Director

14 June 2022

Company No. 06814150

Statement of Changes in Equity
for the year ended 31 December 2021

	Called up share capital £000	Profit and loss account £000	Total equity shareholder's funds £000
At 31 December 2019	500	(245)	255
Comprehensive income			
Profit for the year	-	2	2
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2020	500	(243)	257
Comprehensive income			
Profit for the year	-	5	5
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2021	500	(238)	262
	<hr/>	<hr/>	<hr/>

Profit and loss account reserve represents accumulated retained earnings.

Notes to the financial statements

1 General Information

The Company is a private company limited by shares and incorporated and domiciled in England, United Kingdom. The registered office is Westhaven House, Arleston Way, Shirley, Solihull, B90 4LH.

2 Accounting policies

The following accounting policies have been applied consistently in the current and prior period in dealing with items which are considered material in relation to the Company's Financial Statements.

Basis of preparation

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with applicable accounting standards.

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards, but makes amendments where necessary in order to comply with Companies Act 2006, including the small companies regime as outlined in Part 15, and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Hill & Smith Holdings PLC includes the Company in its Consolidated Financial Statements. The Consolidated Financial Statements of Hill & Smith Holdings PLC are prepared in accordance with UK adopted international accounting standards and are available to the public and may be obtained from Group Headquarters (see note 12).

Significant accounting estimates or judgements

In the application of the Company's accounting policies outlined below, the directors are required to make estimates, assumptions and judgements about the carrying value of assets and liabilities that are not readily apparent.

In the opinion of the directors there were no estimates, assumptions or judgements that may have a significant risk of causing a material adjustment in these financial statements.

New IFRS standards and interpretations adopted during 2021

In 2021 the following amendments had been endorsed by the EU, became effective and therefore were adopted by the Company:

- Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16
- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Attributing Benefit to Periods of Service – IAS 19 Interpretation

The amendments noted above have not had a material impact on the financial statements.

Exemptions

In these Financial Statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

Exemptions *(continued)*

As the Consolidated Financial Statements of Hill & Smith Holdings PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company.

The Company is considered a financial institution, as defined under FRS 101, and therefore is unable to take the exemptions in relation to certain disclosures under IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Measurement convention

The Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss or as available-for-sale, investment property and liabilities for cash-settled share-based payments. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' Report on page 1.

The Company is an intermediate holding company in the Group. As at 31 December 2021, the Company had net current assets of £262,000. The Company is a party to cross guarantees given for loans and borrowings of the ultimate parent company, Hill & Smith Holdings PLC, and certain fellow subsidiaries as detailed in note 10. As a result, the Company's funding requirements are directly linked to the Group's overall financial position.

At 31 December 2021, the Group had £327.6m of committed borrowing facilities, of which only £1.8m matures before December 2023 at the earliest, and a further £13.4m of on-demand facilities. The amount drawn down under these facilities at 31 December 2021 was £125.4m, which together with cash and cash equivalents of £18.8m gave total headroom of £234.4m (£221.2m committed, £13.2m on demand). The Group has not made any changes to its principal borrowing facilities between 31 December 2021 and the date of approval of these financial statements, and there have been no significant changes to liquidity headroom during that period.

The Group's principal borrowing facilities are subject to covenants that are measured biannually in June and December, being net debt to EBITDA of a maximum of 3.0x and interest cover of a minimum of 4.0x, based on measures as defined in the facilities agreements which are adjusted from the equivalent IFRS amounts. The ratio of net debt to EBITDA at 31 December 2021 was 1.0 times and interest cover was 25.4 times.

In assessing whether these financial statements should be prepared on a going concern basis, the Directors have prepared cash flow forecasts for the Company through until 30 June 2023. The Group have aggregated the cash flow forecasts of the Group's subsidiaries to form a Group 'base case' scenario. In this 'base case' scenario, the forecasts indicate significant liquidity headroom will be maintained above the Group's borrowing facilities and financial covenants will be met throughout the period, including the covenant tests at 30 June 2022, 31 December 2022 and 30 June 2023.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

Going concern (continued)

The Group has carried out stress tests against the base case to determine the performance levels that would result in a breach of covenants or a reduction of headroom against its borrowing facilities to nil. For a breach of covenants to occur during the relevant period, the Group would need to experience a sustained revenue reduction of 24% compared with current expectations throughout the period from May 2022 through June 2023. A reduction in headroom against borrowing facilities to nil would occur if the Group experienced a sustained revenue reduction of 50% compared with current expectations between May 2022 and June 2023. The Directors do not consider either of these scenarios to be plausible given the ability of the Group to continue its operations throughout the COVID pandemic (noting that revenues fell by only 22% in the second quarter of 2020, the worst-affected period). The Group also has several mitigating actions under its control including minimising capital expenditure to critical requirements, reducing levels of discretionary spend, rationalising its overhead base and curtailing future dividend payments which, although not forecast to be required, could be implemented in order to be able to meet the covenant tests and to continue to operate within borrowing facility limits. Further details are provided in the Group's 2021 annual report which can be obtained from the address in note 12.

As a result of the above, the Company's ultimate parent, Hill & Smith Holdings PLC, have provided a letter of support to confirm their intention to provide sufficient funding to the Company to enable it to meet its liabilities as they fall due for a period of 12 months, from the date of approval of these financial statements. The Directors have assessed the ultimate parent company's ability to provide such support through obtaining the latest consolidated financial statements of the Group, discussing the financial position with group management and assessing the level of funds available to the Group. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for 12 months from the date of approval of the financial statements, until 30 June 2023, and therefore have prepared the financial statements on a going concern basis.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in 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.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

Financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the Profit and Loss Account. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the Profit and Loss Account (even if those gains would normally be recognised directly in reserves).

Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities, interest expense on lease liabilities, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the Profit and Loss Account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

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

Dividends

Dividends are recognised in the Financial Statements in the period in which they are approved by the Company's shareholders. Dividend income is recognised in the Profit and Loss account on the date the entity's right to receive payment is established.

Notes to the financial statements *(continued)*

3 Profit before taxation

The audit fees attributable to the Company for the years ended 31 December 2021 and 31 December 2020 are incidental to the Company and were borne by Hill & Smith Holdings PLC.

	2021 \$000	2020 \$000
Profit before taxation is stated		
<i>after crediting:</i>		
Foreign exchange gain	4	-
	<u> </u>	<u> </u>

4 Directors and employees

The Company had no employees during either the current or prior year and, as such, the aggregate payroll costs in both years were £nil. The remuneration of the Directors are paid by another Hill & Smith Holdings PLC group company as their services to the Company are incidental to their services provided to other Hill & Smith Holdings PLC group companies.

5 Interest receivable and similar income

	2021 £000	2020 £000
Bank interest receivable	3	3
	<u> </u>	<u> </u>
	3	3
	<u> </u>	<u> </u>

6 Taxation

Analysis of charge in year

	2021 £000	2020 £000
<i>UK corporation tax</i>		
Current tax for the year	2	1
	<u> </u>	<u> </u>
Total tax charge	2	1
	<u> </u>	<u> </u>

Notes to the financial statements (continued)

6 Taxation (continued)

Factors affecting tax charge for the year

The effective current tax rate for the year is higher than (2020: the same as) the standard rate of corporation tax in the UK:

	2021 £000	2020 £000
<i>Total tax reconciliation</i>		
Profit before taxation	7	3
	<hr/>	<hr/>
Profit multiplied by the effective rate of corporation tax in the UK of 19% (2020: 19%)	1	1
Expenses not deductible for tax purposes	1	-
	<hr/>	<hr/>
Total tax charge	2	1
	<hr/>	<hr/>

The UK headline corporation tax rate for the year was 19.0% (2020: 19.0%). In the Spring Budget of 2021, the UK Government announced that from 1 April 2023 the rate of UK corporation tax will increase from 19% to 25%. This new law was substantively enacted on 24 May 2021. The company had no provided or unprovided deferred tax at either year-end and as such the impact of the future tax rate change on the Company is \$nil.

7 Debtors

	2021 £000	2020 £000
Amounts owed by group undertakings	102	102
	<hr/>	<hr/>
	102	102
	<hr/>	<hr/>

Intercompany loans are unsecured and with no fixed repayment date and therefore may not be settled within the next 12 months. Interest is charged at a rate equivalent to the Group's average borrowing rate for the year.

8 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Accruals	1	4
Corporation tax	2	1
	<hr/>	<hr/>
	3	5
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

9 Called up share capital

	2021 £000	2020 £000
<i>Allotted, called up and fully paid</i>		
500,002 (2020: 500,002) ordinary shares of £1 each	500	500
	<hr/>	<hr/>
	500	500
	<hr/>	<hr/>

Each ordinary share carries equal voting rights and there are no restrictions on any share.

10 Contingent liabilities

The Company is a party to cross guarantees given for bank loans and overdrafts of the ultimate parent company and certain fellow subsidiaries amounting to £146,004,000 (2020: £133,621,000).

The Company has no other guarantees (2020: £nil).

11 Related party transactions

As an ultimately wholly owned subsidiary of Hill & Smith Holdings PLC, the Company has taken advantage of the exemption available under FRS 101 not to disclose transactions that have been made between the Company and other fellow subsidiaries of Hill & Smith Holdings PLC.

12 Ultimate parent company and controlling party

The immediate and ultimate parent and controlling party of the Company is Hill & Smith Holdings PLC, a company registered in England. Copies of the Group Financial Statements may be obtained from Group headquarters:

Westhaven House
Arleston Way
Shirley
Solihull
B90 4LH

13 Post Balance Sheet events

There were no significant post Balance Sheet events.

14 Financial instruments

(a) Management of financial risks

Overview

The Company has exposure to a number of risks associated with its use of financial instruments. This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from cash and cash equivalents and derivative financial instruments. The maximum exposure to credit risk for receivables and other financial assets is represented by their carrying amount. The Company's receivables are with intercompany counterparties and therefore, while the Company monitors its credit risk position, the receivables are considered to be low risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses.

Notes to the financial statements *(continued)*

14 Financial instruments *(continued)*

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Company buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Hill & Smith Holdings PLC Board.

Counterparty risk

A group of relationship banks provides the bulk of the banking services, with pre-approved credit limits set for each institution. Financial derivatives are entered into with banks and the underlying credit exposure to these instruments is included when considering the credit exposure to the counterparties.

Interest rate risk

From time to time, the Company adopts interest rate swaps when engaging in long-term specific investments or contracts in order to more reliably assess the financial implications of these procurements. However, the Company currently feels that using fixed interest rates for short-term day-to-day trading is not appropriate.

(b) Total financial assets and liabilities

The table below sets out the Company's accounting classification of its financial assets and liabilities and their fair values as at 31 December. The fair values of all financial assets and liabilities are not materially different to the carrying values.

	Designated at fair value £000	Amortised cost £000	Total carrying value £000	Fair value £000
Cash and cash equivalents	-	163	163	163
Other liabilities	-	(1)	(1)	(1)
Total at 31 December 2021	-	162	162	162
Cash and cash equivalents	-	160	160	160
Other liabilities	-	(4)	(4)	(4)
Total at 31 December 2020	-	156	156	156

Notes to the financial statements *(continued)*

14 Financial instruments *(continued)*

Fair value hierarchy

The Company has no financial instruments carried at fair value in either the current or prior year, and therefore no disclosure is required for the valuation method of financial instruments.

(c) Maturity profile

The table below sets out the contractual cash flows associated with the Company's financial liabilities, including estimated interest payments, analysed by maturity:

	Carrying amounts £000	Contractual cash flows £000	Due within one year £000	Due between one and two years £000	Due between two and five years £000	Due after more than five years £000
Other liabilities	1	1	1	-	-	-
Total at 31 December 2021	1	1	1	-	-	-
Other liabilities	4	4	4	-	-	-
Total at 31 December 2020	4	4	4	-	-	-

(d) Fair values

There was no gain or loss on financial instruments recognised in either the current or prior year.