

Hills Minerals and Waste Limited

Directors' report and financial statements

30 April 1999

Registered number 571289



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the auditors to the members of Hills Minerals and Waste Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 1999.

Principal activities

The principal activities of the company are waste management and the extraction and sale of sand and gravel.

Proposed dividend and transfer to reserves

The directors have paid a final ordinary dividend of £Nil (1998 : £1,178,363). The retained profit for the year of £1,672,964 (1998 restated : £1,096,489) has been taken to reserves.

Directors and directors' interests

The directors who held office during the year were as follows:

AJ Mackenzie	(appointed 4 October 1998)
RP Hill	
PL Dixon	
AG Pardoe	
L Russell	
MR Webster	
S Wood	(resigned 6 April 1999)

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the parent company, The Hills Group Limited.

	Interest at end of year	Interest at beginning of year
MR Webster	498	498

The interests of Messrs RP Hill, AG Pardoe and PL Dixon are disclosed in the directors' report of the parent company.

Political and charitable contributions

The company made no political contributions. Charitable contributions of £1,778 (1998 : £965) were made during the year.

By order of the board


AG Pardoe
Director

Ailesbury Court
High Street
Marlborough
Wiltshire
SN8 1AA

Date

11/10/99.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those 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 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.



100 Temple Street
Bristol
BS1 6AG
United Kingdom

Report of the auditors to the members of Hills Minerals and Waste Limited

We have audited the financial statements on pages 4 to 15.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 April 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

Date

1 October 1999

Profit and loss account
for the year ended 30 April 1999

	<i>Note</i>	1999 £	1998 As restated £
Turnover from continuing operations	2	15,214,433	15,473,226
Cost of sales		(9,199,519)	(9,044,872)
Gross profit from continuing operations		6,014,914	6,428,354
Distribution costs		(1,031,201)	(714,120)
Administrative expenses		(2,318,228)	(2,361,510)
Operating profit from continuing operations		2,665,485	3,352,724
Interest receivable and similar income	6	2,540	14,517
Interest payable and similar charges	7	(142,091)	(98,998)
Profit on ordinary activities before taxation	3	2,525,934	3,268,243
Tax on profit on ordinary activities	8	(852,970)	(993,391)
Profit for the financial year		1,672,964	2,274,852
Dividends on equity shares		-	(1,178,363)
Retained profit for the year		1,672,964	1,096,489

The company had no recognised gains or losses in either year other than the profits shown above.

There is no material difference between the company's results as reported and on an unmodified historical cost basis. Accordingly, no note of historical cost profits and losses has been included.

The notes on pages 6 to 15 form part of these financial statements.

Balance sheet
at 30 April 1999

	Note	1999		1998	
		£	£	As restated	£
Fixed assets					
Tangible assets	9		10,446,731		9,413,065
Current assets					
Stocks	10	38,513		34,576	
Debtors	11	5,611,979		4,898,840	
Cash at bank and in hand		1,325		543	
		5,651,817		4,933,959	
Creditors: amounts falling due within one year	12	(3,629,669)		(4,175,465)	
Net current assets			2,022,148		758,494
Total assets less current liabilities			12,468,879		10,171,559
Creditors: amounts falling due after more than one year	13	(1,417,108)		(1,012,979)	
Provisions for liabilities and charges	14	(2,519,997)		(2,299,770)	
Net assets			8,531,774		6,858,810
Capital and reserves					
Called up share capital	15	10,000		10,000	
Profit and loss account	16	8,521,774		6,848,810	
Shareholders' funds - equity	17		8,531,774		6,858,810

The notes on pages 6 to 15 form part of these financial statements.

These financial statements were approved by the board of directors on 11/10/99 and were signed on its behalf by:



RP Hill
Director



AG Pardoe
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Cash flow statement

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Related party disclosures

As the company is a wholly owned subsidiary of The Hills Group Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of The Hills Group Limited, within which this company is included, can be contained from the address given in note 20.

Goodwill

Purchased goodwill (both positive and negative) arising on business combinations in respect of acquisitions before 1 May 1998 when FRS 10 *Goodwill and intangible fixed assets* was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 May 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

Fixed assets and depreciation

Depreciation is provided on freehold aggregate bearing land so as to write it down to an estimated residual value as the aggregate is extracted. No depreciation is provided on freehold buildings as the amount involved would not be material.

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

Fixed plant and machinery	-	5-10 years
Mobile plant and machinery	-	5 years
Fixtures and fittings	-	5 years
Motor vehicles	-	4 years

Mineral rights are written off pro rata as the minerals are extracted.

Notes (continued)

Accounting policies (continued)

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease or hire purchase contract. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The company's employees are eligible for membership of a pension scheme operated by the Hills Group of companies as described in note 19.

Stocks

Stocks are stated at the lower of cost, being net invoice prices charged by suppliers, and net realisable value. No account is taken of extracted stocks of sand and gravel at pits.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Restoration and aftercare costs and prior year adjustment

The costs of site restoration and aftercare that would be expected to be incurred if a site ceased operation immediately are recognised as a provision when work commences on a site.

Other costs may be provided on a pro rata basis based on aggregates extracted/landfill space consumed.

Costs are charged to the provision as incurred. A fixed asset is created for an amount equivalent to the provision. This is charged to the profit and loss account on a unit of production basis over the life of a site.

Prior to the implementation of FRS 12 (*Provisions, contingent liabilities and contingent assets*), the provision was established over the life of a site on a unit of production basis. Prior year figures in these accounts have been restated accordingly. The effect of this change in accounting policy is to reduce retained profit in the year ended 30 April 1999 by £35,288 (1998: increase by £70,883), increase the net book value of fixed assets by £1,169,832 (1998: increase by £1,315,689) and increase the restoration and aftercare provision by £856,927 (1998: increase by £967,496).

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

Notes (continued)

2 Analysis of turnover and profit on ordinary activities before taxation

The whole of the turnover and profit on ordinary activities before taxation derives from the company's principal activity within the United Kingdom.

3 Profit on ordinary activities before taxation

	1999	1998
	£	As restated £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging/(crediting)</i>		
Auditors' remuneration:		
Audit	11,100	10,850
Depreciation of tangible fixed assets	1,490,941	1,353,283
Hire of plant and machinery	285,155	295,851
Hire of other assets - operating leases	278,747	258,387
(Profit)/loss on sale of fixed assets	(36,986)	12,994

The total amount charged to revenue for the hire of plant and machinery amounted to £739,582 (1998 : £765,979). This comprises rentals payable under operating leases as well as depreciation on plant and machinery held under finance leases.

4 Remuneration of directors

	1999	1998
	£	£
Directors' emoluments	335,596	314,126
Compensation for loss of office	55,000	-
	<u>390,596</u>	<u>314,126</u>

The emoluments of the highest paid director were £113,702 (1998 : £108,956). He is a member of a defined benefit scheme, under which his accrued pension at the year end was £5,272 (1998 : £21,820).

	Number of directors	
	1999	1998
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	<u>7</u>	<u>6</u>

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 160 (1998 : 125):

The aggregate payroll costs of these persons were as follows:

	1999 £	1998 £
Wages and salaries	2,676,472	2,575,865
Social security costs	208,130	199,108
Other pension costs (see note 19)	212,666	170,306
	<hr/> 3,097,268 <hr/>	<hr/> 2,945,279 <hr/>

6 Interest receivable and similar income

	1999 £	1998 £
Other	2,540	14,517
	<hr/>	<hr/>

7 Interest payable and similar charges

	1999 £	1998 £
Bank interest	272	-
Interest on overdue taxation	8,138	-
Finance charges payable in respect of finance leases and hire purchase contracts	133,681	98,998
	<hr/> 142,091 <hr/>	<hr/> 98,998 <hr/>

8 Taxation

	1999 £	1998 £
UK corporation tax at 30.92% (1998 : 31%)	709,000	950,000
Prior year adjustment (note 1)	-	30,100
Over provision in previous years	(11,620)	(71,842)
Deferred taxation - current year	85,823	85,133
Deferred taxation - under provision in prior year	69,767	-
	<hr/> 852,970 <hr/>	<hr/> 993,391 <hr/>

Notes (continued)

9 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost					
At beginning of year as previously stated	7,237,382	7,107,000	561,160	1,915,422	16,820,964
Prior year adjustment for change in accounting policy (note 1)	1,946,787	-	-	-	1,946,787
At beginning of year as restated	9,184,169	7,107,000	561,160	1,915,422	18,767,751
Additions	944,964	1,045,808	100,994	526,723	2,618,489
Disposals	-	(156,964)	-	(117,349)	(274,313)
At end of year	10,129,133	7,995,844	662,154	2,324,796	21,111,927
Depreciation					
At beginning of year as previously stated	2,353,626	4,762,837	420,677	1,186,448	8,723,588
Prior year adjustment for change in accounting policy (note 1)	631,098	-	-	-	631,098
At beginning of year as restated	2,984,724	4,762,837	420,677	1,186,448	9,354,686
Charge for year	314,617	803,532	69,372	303,420	1,490,941
On disposals	-	(80,486)	-	(99,945)	(180,431)
At end of year	3,299,341	5,485,883	490,049	1,389,923	10,665,196
Net book value					
At 30 April 1999	6,829,792	2,509,961	172,105	934,873	10,446,731
At 30 April 1998	6,199,445	2,344,163	140,483	728,974	9,413,065

Land and buildings comprise:

	1999		1998	
	Cost or valuation	Net book value	Cost or valuation as restated	Net book value as restated
	£	£	£	£
Freehold land and buildings	9,352,437	6,275,478	8,949,768	6,187,426
Short leasehold land and buildings	776,696	554,314	234,401	12,019
	10,129,133	6,829,792	9,184,169	6,199,445

Notes (continued)

9 Tangible fixed assets (continued)

Plant and machinery includes £1,026,408 (1998 : £1,487,027) in respect of assets acquired under a hire purchase agreement; for hire purchase agreements in the name of the parent company £10,948 (1998 : £106,582). The depreciation for the year was £454,427 (1998 : £470,128); for hire purchase agreements in the name of the parent company £77,996 (1998 : £123,379).

10 Stocks

	1999 £	1998 £
Consumables	38,513	34,576
	<u> </u>	<u> </u>

11 Debtors

	1999 £	1998 £
Trade debtors	3,147,894	3,156,725
Amounts owed by group undertakings	2,114,950	1,458,300
Prepayments and accrued income	349,135	283,815
	<u> </u>	<u> </u>
	5,611,979	4,898,840
	<u> </u>	<u> </u>

Debtors are due within one year.

12 Creditors: amounts falling due within one year

	1999 £	1998 as restated £
Bank overdraft	60,343	16,675
Obligations under hire purchase agreements	616,361	367,065
Trade creditors	770,817	853,545
Amounts owed to group undertakings	279,583	179,176
Corporation tax	665,897	763,068
ACT payable	-	294,591
Other taxes and social security	1,055,497	1,085,277
Accruals and deferred income	181,171	616,068
	<u> </u>	<u> </u>
	3,629,669	4,175,465
	<u> </u>	<u> </u>

Notes (continued)

13 Creditors: amounts falling due after more than one year

	1999 £	1998 £
Obligations under hire purchase agreements	1,346,199	930,233
Other creditors	70,909	82,746
	<u>1,417,108</u>	<u>1,012,979</u>

Obligations under hire purchase contracts included within creditors after more than one year includes £24,736 payable within one to two years. The balance of £1,321,463 is payable within the second to fifth year.

14 Provisions for liabilities and charges

	Taxation including deferred taxation £	Restoration and aftercare £	Total £
At beginning of year as previously stated	352,983	-	352,983
Reclassification from other creditors	-	979,291	979,291
Prior year adjustment	-	967,496	967,496
	<u>352,983</u>	<u>1,946,787</u>	<u>2,299,770</u>
At beginning of year as restated	352,983	1,946,787	2,299,770
Charge for the year	155,590	64,637	220,227
	<u>508,573</u>	<u>2,011,424</u>	<u>2,519,997</u>

	1999 Provided £	Unprovided £	1998 Provided £	Unprovided £
Difference between accumulated depreciation and amortisation and capital allowances	616,149	-	412,346	-
Other timing differences	(107,576)	-	(59,363)	-
Capital gains rolled over against assets of the company	-	652,787	-	652,787
Capital losses	-	(56,905)	-	-
	<u>508,573</u>	<u>595,882</u>	<u>352,983</u>	<u>652,787</u>

Notes (continued)

15 Called up share capital

	1999 £	1998 £
<i>Authorised</i>		
40,000 Ordinary shares of 50p each	20,000	20,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
20,000 Ordinary shares of 50p each	10,000	10,000
	<hr/>	<hr/>

16 Profit and loss account

	£
At beginning of year as previously stated	6,608,278
Prior year adjustment for change in accounting policy	348,193
Tax effect of prior year adjustment for change in accounting policy	(107,661)
	<hr/>
At beginning of year as restated	6,848,810
Retained profit for the year	1,672,964
	<hr/>
At end of year	8,521,774
	<hr/>

17 Reconciliation of movements in shareholders' funds

	1999 £	1998 as restated £
Profit for the financial year	1,672,964	2,274,852
Dividends	-	(1,178,363)
	<hr/>	<hr/>
	1,672,964	1,096,489
Goodwill written off	-	(65,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	1,672,964	1,031,489
Opening shareholders' funds (originally £6,618,278 before adding prior year adjustment of £240,532)	6,858,810	5,827,321
	<hr/>	<hr/>
Closing shareholders' funds - equity interests	8,531,774	6,858,810
	<hr/>	<hr/>

Notes (continued)

18 Commitments

(a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	1999 £	1998 £
Contracted	<u>289,128</u>	<u>741,487</u>

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

	1999 Land and buildings £	Other £	1998 Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	6,751	-	4,230
In the second to fifth years inclusive	<u>23,591</u>	<u>197,273</u>	<u>23,721</u>	<u>156,749</u>
	<u>23,591</u>	<u>204,024</u>	<u>23,721</u>	<u>160,979</u>

19 Pension scheme

The group of which the company is a member operates a funded pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the group, being invested with a managed fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The charge for the year is £212,666 (1998 : £170,306). The contributions are determined by a qualified actuary on the basis of a biennial valuation. The most recent valuation was at 1 July 1997 and details are given in the accounts of The Hills Group Limited.

Notes *(continued)*

20 Ultimate parent undertaking

The company is a subsidiary undertaking of, and is controlled by, The Hills Group Limited which is registered in England and Wales. The financial statements of the company are consolidated with those of The Hills Group Limited, the accounts of which can be obtained from:

Ailesbury Court
High Street
Marlborough
Wiltshire
SN8 1AA

21 Related party disclosure

During the year transactions have been made with Cotswold Aggregates Limited, which is a company jointly controlled by The Hills Group Limited and Aggregate Industries UK Limited.

Transactions

Included within cost of sales for the year is purchases of aggregate material totalling £548,588 (1998 : £512,190).

In addition, recharges totalling £85,926 (1998 : £96,580) were made, being management fees of £7,500 (1998 : £7,500), payroll costs of £72,135 (1998 : £81,725) relating to employees of Hills Minerals and Waste Limited subcontracted to Cotswold Aggregates Limited and £6,291 (1998 : £7,355) in respect of other profit and loss items.

22 Year 2000

Most computer systems use dates which contain a year expressed as two digits. These systems need to be modified before the year 2000 to avoid systems failure.

The company depends not only on its own computer systems but also those of its customers and suppliers. As a result the company's business could be seriously disrupted if either its own systems, its customers' systems or its suppliers' systems fail.

The company has commenced a review of the impact of the year 2000 on its business. The directors believe that significant issues will be identified and adequately addressed prior to 31 December 1999.

The directors estimate the costs of addressing these issues will not be significant.

23 Contingent liabilities

The company has a composite guarantee over the borrowing facilities of The Hills Group Limited, County Homes (Wessex) Limited, Hills Property Limited, Roger Constant and Company Limited and Kingshill Developments Limited.