

Hills Minerals and Waste Limited

**Directors' report and financial
statements**

Registered number 571289

30 April 2003



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 2003.

Principal activities

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

Business review

The results of the year are set out on page 4.

Proposed dividend and transfer to reserves

The directors recommend that a final ordinary dividend of £75 per share be paid (2002: £75). The retained profit for the year of £ 977,252 (2002: £1,118,312) has been transferred to reserves.

Directors and directors' interests

The directors who held office during the year and their interests in the ordinary shares of the company were as follows:

	Interest at beginning and end of year
AJ Mackenzie	-
RP Hill	1
PL Dixon	-
AG Pardoe	-
L Russell	-
MR Webster	-

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 beginning and end of year
MR Webster	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 during the year (2002: £Nil). Donations to UK charities amounted to £1,655 (2002: £1,339).

Auditors

During the year, KPMG transferred their audit practice to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 29 May 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising.

Pursuant to a shareholder's resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board


AG Pardoe
Director

Ailesbury Court
High Street
Marlborough
Wiltshire
SN8 1AA

12 September 2003

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.



KPMG LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

Independent auditor's report to the member of Hills Minerals and Waste Limited

We have audited the financial statements on pages 4 to 16.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

12 September 2003

Profit and loss account
for the year ended 30 April 2003

	Note	2003 £	2002 £
Turnover from continuing operations	2	29,709,204	26,422,918
Cost of sales		(20,626,643)	(16,920,586)
Gross profit		9,082,561	9,502,332
Distribution costs		(1,639,570)	(1,875,838)
Administrative expenses		(3,518,390)	(3,599,969)
Operating profit from continuing operations		3,924,601	4,026,525
Profit on disposal of fixed assets		22,631	-
Interest payable and similar charges	6	(160,680)	(182,076)
Profit on ordinary activities before taxation	3	3,786,552	3,844,449
Tax on profit on ordinary activities	7	(1,309,300)	(1,226,137)
Profit for the financial year		2,477,252	2,618,312
Dividends on equity shares	8	(1,500,000)	(1,500,000)
Retained profit for the year		977,252	1,118,312

The company has no recognised gains or losses in either year other than the profits shown above and therefore no separate statement of total recognised gains and losses has been prepared.

The notes on pages 6 to 16 form part of these financial statements.

Balance sheet
at 30 April 2003

	Note	2003 £	£	2002 £	£
Fixed assets					
Tangible assets	9		13,859,047		12,462,173
Current assets					
Stocks	10	44,033		34,253	
Debtors (including £135,773 (2002: £149,350) due after more than one year)	11	16,188,720		15,410,033	
Cash at bank and in hand		1,545		456	
		<u>16,234,298</u>		<u>15,444,742</u>	
Creditors: amounts falling due within one year	12	<u>(10,274,619)</u>		<u>(9,912,326)</u>	
Net current assets			<u>5,959,679</u>		<u>5,532,416</u>
Total assets less current liabilities			<u>19,818,726</u>		<u>17,994,589</u>
Creditors: amounts falling due after more than one year	13		<u>(2,763,279)</u>		<u>(2,063,522)</u>
Provisions for liabilities and charges	14		<u>(2,590,547)</u>		<u>(2,443,419)</u>
Net assets			<u>14,464,900</u>		<u>13,487,648</u>
Capital and reserves					
Called up share capital	15	10,000		10,000	
Profit and loss account	16	14,454,900		13,477,648	
Shareholder's funds - equity	17		<u>14,464,900</u>		<u>13,487,648</u>

The notes on pages 6 to 16 form part of these financial statements.

These financial statements were approved by the board of directors on 11 September 2003 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 except as noted below. The company has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements. The company has followed the transitional arrangements of FRS 17 'Retirement benefits' in these financial statements.

Basis of preparation

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

Under Financial Reporting Standard 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.

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. The consolidated financial statements of The Hills Group Limited, within which this company is included, can be obtained 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.

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:

Plant and machinery	- 5-10 years
Fixtures and fittings	- 5 years
Motor vehicles	- 4-5 years

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

Notes (continued)

1 Accounting policies (continued)

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

The group, of which the company is a member, operates a pension scheme providing benefits based on final pensionable pay. Employees of the company are eligible to be members of this scheme. The assets of the scheme are held separately from those of the company and group. 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.

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. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Restoration and aftercare costs

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.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the sale of sand and gravel, and waste management services.

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

	2003 £	2002 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit	20,000	19,500
Depreciation of tangible fixed assets		
Owned	1,208,946	1,635,418
Leased	1,174,467	735,616
Hire of plant and machinery	186,946	79,505
Hire of other assets - operating leases	143,275	85,000
Profit on sale of fixed assets	(22,631)	(33,053)

4 Remuneration of directors

	2003 £	2002 £
Directors' emoluments	456,809	416,750

The emoluments of the highest paid director were £ 163,502 (2002: £146,565). He is a member of a defined benefit scheme, under which his accrued pension at the year end was £34,077 (2002: £31,631).

	Number of directors	
	2003	2002
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	4	4

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 177 (2002: 184):

The aggregate payroll costs of these persons were as follows:

	2003 £	2002 £
Wages and salaries	3,708,355	3,453,194
Social security costs	278,776	345,285
Other pension costs (see note 19)	488,132	360,000
	<u>4,475,263</u>	<u>4,158,479</u>

6 Interest payable and similar charges

	2003 £	2002 £
Amounts payable on bank loans and overdrafts	686	3,066
Finance charges payable in respect of finance leases and hire purchase contracts	159,994	179,010
	<u>160,680</u>	<u>182,076</u>

7 Taxation

Analysis of charge in period

	£	2003 £	£	2002 £
<i>UK corporation tax</i>				
Current tax on income for the period	1,137,001		1,205,956	
Adjustments in respect of prior periods	(74,965)		31,015	
Total current tax		1,062,036		1,236,971
<i>Deferred tax (see note 14)</i>				
Origination/reversal of timing differences	50,958		(44,879)	
Adjustment in respect of previous years	196,306		34,045	
		247,264		(10,834)
Tax on profit on ordinary activities		<u>1,309,300</u>		<u>1,226,137</u>

Notes (continued)

7 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2002: higher) than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained below.

	2003 £	2002 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	3,786,552	3,844,449
	<hr/>	<hr/>
Current tax at 30% (2002: 30%)	1,135,966	1,153,335
<i>Effects of:</i>		
Expenses not deductible for tax purposes	51,993	7,743
Increase in general provisions	19,570	-
Capital allowances for period in excess of depreciation	(70,528)	44,878
Adjustments to tax charge in respect of previous periods	(74,965)	31,015
	<hr/>	<hr/>
Total current tax charge (see above)	1,062,036	1,236,971
	<hr/>	<hr/>

8 Dividends

	2003 £	2002 £
Equity shares:		
Final dividend proposed	1,500,000	1,500,000
	<hr/>	<hr/>

Notes (continued)

9 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost					
At beginning of year	12,976,603	10,386,330	690,492	3,998,740	28,052,165
Additions	1,407,320	1,396,950	22,356	957,828	3,784,454
Disposals	-	(147,200)	-	(179,826)	(327,026)
At end of year	14,383,923	11,636,080	712,848	4,776,742	31,509,593
Depreciation					
At beginning of year	5,244,750	7,451,497	573,441	2,320,304	15,589,992
Charge for year	669,962	1,056,081	76,230	581,140	2,383,413
On disposals	-	(146,304)	-	(176,555)	(322,859)
At end of year	5,914,712	8,361,274	649,671	2,724,889	17,650,546
Net book value					
At 30 April 2003	8,469,211	3,274,806	63,177	2,051,853	13,859,047
At 30 April 2002	7,731,853	2,934,833	117,051	1,678,436	12,462,173

Land and buildings comprise:

	2003		2002	
	Cost or valuation £	Net book value £	Cost or valuation £	Net book value £
Freehold land and buildings	11,296,367	7,153,197	10,534,376	6,563,790
Short leasehold land and buildings	3,087,556	1,316,014	2,442,227	1,168,063
	14,383,923	8,469,211	12,976,603	7,731,853

Included in the total net book value of plant and machinery is £4,033,380 (2002: £3,264,274) in respect of assets acquired under a hire purchase agreement. The depreciation for the year on these assets was £1,174,467 (2002: £735,616).

Notes (continued)

10 Stocks

	2003 £	2002 £
Consumables	44,033	34,253

11 Debtors

	2003 £	2002 £
<i>Due within one year</i>		
Trade debtors	4,854,049	4,636,284
Amounts owed by group undertakings	10,942,993	10,220,017
Other debtors	13,577	13,577
Prepayments and accrued income	242,328	390,805
	<u>16,052,947</u>	<u>15,260,683</u>
<i>Due after more than one year</i>		
Other debtors	135,773	149,350
	<u>16,188,720</u>	<u>15,410,033</u>

12 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank overdrafts	138,222	249,623
Obligations under finance leases and hire purchase agreements	1,167,578	898,940
Trade creditors	1,284,588	1,266,555
Amounts owed to group undertakings	2,375,947	2,164,824
Corporation tax	376,487	560,710
Other tax and social security	2,170,745	1,806,136
Accruals and deferred income	1,261,052	1,465,538
Dividend proposed	1,500,000	1,500,000
	<u>10,274,619</u>	<u>9,912,326</u>

Notes (continued)

13 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Obligations under finance leases and hire purchase agreements	2,763,279	2,063,522

Obligations under hire purchase contracts included within creditors after more than one year includes £1,048,965 (2002: £762,090) payable within one to two years. The balance of £1,714,314 (2002: £1,301,462) is payable within the second to fifth year.

14 Provisions for liabilities and charges

	Deferred taxation £	Restoration and aftercare £	Total £
At beginning of year	312,466	2,130,953	2,443,419
Increase for the year (note 7)	247,264	65,172	312,436
Utilised in the year	-	(165,308)	(165,308)
At end of year	559,730	2,030,817	2,590,547

The elements of deferred taxation are as follows:

	2003 £	2002 £
Difference between accumulated depreciation and capital allowances	887,397	361,829
Other timing differences	(327,667)	(49,363)
Deferred tax liability	559,730	312,466

Notes (continued)

15 Called up share capital

	2003 £	2002 £
<i>Authorised</i>		
Equity: 40,000 ordinary shares of 50p each	20,000	20,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: 20,000 ordinary shares of 50p each	10,000	10,000
	<hr/>	<hr/>

16 Profit and loss account

	£
At beginning of year	13,477,648
Retained profit for the year	977,252
	<hr/>
At end of year	14,454,900
	<hr/>

17 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	977,252	2,618,312
Dividends	(1,500,000)	(1,500,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	(522,748)	1,118,312
Opening shareholders' funds	13,487,648	12,369,336
	<hr/>	<hr/>
Closing shareholders' funds - equity interests	12,964,900	13,487,648
	<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:

	2003 £	2002 £
Contracted	380,060	419,367

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

	2003 Land and buildings £	Other £	2002 Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	4,106		3,814
In the second to fifth years inclusive	60,000	53,260	80,000	54,408
	60,000	57,366	80,000	58,222

19 Pension scheme

The group, of which the company is a member, operates a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the group and company, 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 £388,000 (2002: £360,000). The contributions are determined by a qualified actuary on the basis of a biennial valuation using the projected unit method.

The most recent valuation was at 1 July 2001 and details are given in the accounts of The Hills Group Limited.

Whilst the company continues to account for pension costs in accordance with the Statement of Standard Accounting Practice 24 'Accounting for pension costs', under FRS17 'Retirement benefits' the following transitional disclosures are required:

The valuation at 1 July 2001 has been updated by the actuary on an FRS17 basis on 30 April 2002 and 30 April 2003.

The full disclosure required under the transitional arrangements of FRS17 'Retirement benefits' has been included in the consolidated financial statements of The Hills Group Limited. These accounts can be obtained from the address in note 20.

Notes (continued)

19 Pension scheme (continued)

The company is a member of a pension scheme providing benefits based on final pensionable pay. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme will be accounted for by the company when the accounting standard is fully adopted by the company as if the scheme was a defined contribution scheme.

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 disclosures

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 are purchases of aggregate material totalling £1,068,756 (2002: £917,121).

In addition, recharges totalling £136,497 (2002: £194,347) were made, being management fees of £7,500 (2001: £7,500), payroll costs of £128,997 (2002: £117,890) relating to employees of Hills Minerals and Waste Limited subcontracted to Cotswold Aggregates Limited and £23,259 (2002: £68,957) in respect of other profit and loss items.

At the year end Cotswold Aggregates Limited owed £50,407 (2002: £75,947) to Hills Minerals and Waste Limited.

22 Contingent liabilities

The company has an unlimited 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.