# Hills UK Limited

Annual report and consolidated financial statements

Registered number 00530623

30 April 2024

# Contents

## Company information

**Directors**

Alan G Pardoe ACMA, Chairman
Michael P Hill, Chief Executive
Bronia G Hill
Anna P Ozberk
Richard A Hill
Fiona Hill
Ian P Hill

**Secretary**

Michael P Hill

**Auditor**

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**Registered office**

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# Strategic report

## Principal activities

The principal activities of the Hills UK group of companies during the year continued to be that of sand and gravel extraction, waste management and recycling, haulage, property investment, housing development, and the manufacture and sale of ready mixed concrete.

## Summary

The construction and housing markets have been impacted by UK macroeconomic conditions and the difficulties have been exacerbated by the problems with securing planning permissions for developments. We have seen falling demand for aggregates and have been unable to commence work on any new housing sites due to delays in obtaining technical approvals.

Against the backdrop of these events, the business has performed below expectations. Overall turnover and profit have fallen compared to the previous year, but cash and borrowings remain in a strong position. The profit before tax for the year was £ 4.8m (*2023: £5.9m*). Dividends paid in the year remain unchanged at £2.4m (*2023: £2.4m*).

The prospects for 2025 do look better for a few reasons. The Bank of England cut base rates in August 2024, with the expectation being that more will follow, the new Government is prioritising action to tackle the planning log jam, and levels of employment remain high after a period which has seen increases in real wages. However, we may not see the benefit in the current financial year and anticipate improving trading conditions in the following 2025/26 financial period.

## Quarry Products

The downwards trend in activity of the aggregate and concrete markets in the UK noted towards the end of the previous year continued throughout 2023/24. This, coupled with production problems mostly caused by prolonged adverse weather, meant that the results from our Quarry Products business were considerably below budget and prior year. High levels of rainfall and resulting issues with managing water levels gave rise to the temporary closure of extraction at one of our sites in the Cotswold Water Park. Measures have been taken to allow supply to continue should water levels impact production at the site for the coming winter.

We anticipate current market conditions to prevail for a while yet, and due to the likely time needed for the improved interest rates and any planning reforms to take effect, we are not expecting to see much of an improvement in demand until later next year, and forecast the current financial year to be another tough year. The longer-term outlook for this business, however, remains positive and it should return to being a significant contributor to Group profits over the years to come.

The search for new reserves is always an important issue and remains a challenging environment. Delays and deferrals in the planning system continue to impact the sector and have not lessened in prevalence or duration. At least this issue has been noted and action is being taken to address it. For us, the development of the Calne quarry is still in abeyance until the planning outcome can be improved, however I am pleased to report that the planning permission for Airfield Quarry in the Cotswold Water Park was approved in September 2023, although detailed permission was only granted in September 2024, delaying the development start date of this site. This reserve will enable us to continue operations in the Cotswold Water Park for many more years to come and should come onstream during 2025/6. We are progressing a planning application for further soft sand reserves in Oxfordshire and continue to look for new opportunities to extend our area of operations in the south of England when the opportunities arise.

## Waste Solutions

The Waste Solutions business overall has experienced a positive year as we continue to adopt strategies with our customers that reduce our dependence on landfill as a disposal option and increase our recycling and thermal treatment capacity.

The year has seen turnover in Hills Waste Solutions Ltd increase from £56.1m in 2023 to £58.2m in 2024 and profit pre-tax also increase to £2.3m *(2023: £2.0m)*.

## Strategic report *(continued)*

### Municipal Collections

The Municipal Collections business has seen improving performances and we have, overall, met the service levels within the collection contract. The resolution of a number of operational and contract issues has resulted in a much-reduced loss for the year. Above inflation pay increases will put some pressure on profitability in the short term but we should be well placed for the next few years of the contract.

The year has seen turnover increase from £15.7m in 2023 to £17.0m in 2024 and losses pre-tax reduce to £88k (2023: £658k).

### Wiltshire Council Contracts

The Northacre Resource Recovery Centre (NRRC), the mechanical and biological treatment facility also known as our MBT plant, has continued to work well and be a profitable operation. We continue to invest in the site and will be replacing the MBT Plant's bio filter material in the current year. We continue to work with the Environmental Agency to monitor and ensure the site operates within environmental permit levels.

The contract for diverting waste from landfill to generate electricity at the 3rd party Lakeside Energy from Waste facility continues to see a regular profit performance.

The Sands Farm Material Recovery Facility (MRF) continued to have difficulties with the quality of waste inputs, plant downtime and maintenance costs. A second shift has helped to address these challenges and to reduce the level of rejects arising, but the contract profitability has reduced from the previous year. Following the far-reaching agreement in the previous year with the Council over contract revenue we have been able to agree contract inflation related clauses and have more certainty regarding the financial performance and prospects. We expect to achieve modest levels of profitability for the remainder of the contract term.

I am hopeful that the Wiltshire Contracts, which form a key part of our Waste business, will see some reasonable improvement for the remainder of the contract term.

### Waste Disposal

The Landfill business continues to operate at similar levels to the recent past and remains profitable. There is an ongoing demand for residual landfill capacity from the nation's Waste to Energy plants unable to treat waste during periods of operational shutdown for maintenance.

### Waste to Energy

The Waste to Energy project owned and managed by Northacre Renewable Energy Ltd (NRE), the special purpose venture in which we hold a minority interest, has been evolving following the planning approval in spring 2023. Since the end of the 2024 financial year there is a new majority shareholder who have taken ownership of the project and we have received reimbursement of a significant percentage of our development costs as part of the change of ownership. We are currently working with our new partners to develop the project, achieve project financial close and commence construction. Our expectation is that financial close will now be achieved in the latter part of 2025 and the plant will become operational in 2029.

### Waste Collection

The commercial waste collection business has continued to improve and, and the business showed an increased level of profitability from the previous year. Our plans include further expansion of this business both to support the Waste to Energy process and create increased revenues as a whole.

## Strategic report *(continued)*

### Homes

The outlook for the UK housing market at the start of the year was seriously affected by the sentiment surrounding interest rate rises and economic prospects, and this manifested itself in declining levels of sale reservations. The housing market generally is now improving but for us the issue is that we do not have a ready stock of units due to planning delays stalling developments. We were unable to commence work on any of the 4 sites planned for the financial year due to the ever-lengthening time scales taken by local planning authorities to progress outline planning consents into detailed planning agreements that can be contracted up and built.

The 2023/24 financial year was profitable despite the reduced level of unit sales. Profit pre-tax in Hills Homes Developments Ltd was £2.5m *(2023: £3.2m)* on sales of £11.0m *(2023: £21.3m)*. During the period we sold a total of 28 plots, a reduction of 42 compared to 2022/23.

There has not been a lot of activity on the land acquisition front given our lack of progress on existing sites, although we have acquired one site at Regent Park, Calne which we expect to start work on in 2025. We are also hopeful that we will be shortly underway at two other sites which have hitherto been hampered by planning delays as well as a new site purchased since the year end with full consent. These will hopefully provide some plot sales for the following year.

Trading and profits in the current year are expected to be below the 2023/24 year. Whilst we are hopeful that we will meet our budget for the current year, the lack of plots available to sell will make it difficult to exceed this by significant amounts.

We have in total 172 plots (*2023: 183 plots*) either under construction or with planning permission and a further 94 plots (*2023: 70 plots*) on option subject to planning being granted and subsequent site purchase.

The market remains underpinned by a shortage of housing generally, and with reducing interest rates and high general levels of employment, we should be looking at relatively favourable selling conditions once we do get building works underway.

### Financial

The summer of 2024 has seen a continued and marked downturn in demand for aggregates and readymix concrete and we have a current shortage of plots available to sell in the housing business. The waste business has not been affected by this downturn, in part because of the NRRC and Lakeside council contracts underpinning the business. External factors do remain concerning with potential of economic shock on the UK economy and the threat to world markets posed by the continuing conflicts in the Middle East and Ukraine. If the unrest causes oil price spikes for instance, the rising cost of oil products would sizeably impact our cost base.

We will continue to manage the cash resources closely but also recognise the need to invest for the future growth of the business.

Dividend payments have been maintained at the same level for 2024.

Group net cash as at 30th April 2023 of £5,705,000 increased to £10,036,000 at 30th April 2024. Net cash generated from operating activities in the year was £13,680,000 *(2023: £15,620,000)*, as shown in the Consolidated Cash Flow Statement and, net of direct asset financing and sale of assets, £7,187,000 *(2023: £5,098,000)* of this cash was used to acquire tangible fixed assets for future business growth.

Turnover in the year reduced by £7,696,000 to £128,671,000, a reduction of 6% *(2023: increase of £11,820,000 or 9% to £136,367,000)*. The gross profit margin increased to 16% in 2024 *(2023: 15%)*. This resulted in gross profits of £20,280,000 in 2024 compared to £21,000,000 in 2023.

The group's closed defined benefit pension scheme has switched from a liability of £97,000 as at 30 April 2023 to a net asset of £2,176,000 at 30 April 2024 due mainly to improvements in inflation rates used and a better than expected return on assets. This has resulted in a gain through our Statement of Other Comprehensive Income of £1,568,000 before tax. Details of the pension liability and supporting notes are included in note 21 of these accounts.

## Strategic report *(continued)*

### Risk Management

The group's principal financial instruments comprise cash, bank borrowings, and capital financing, the main purpose of which is to provide finance for its normal operations. The main risk arising from its financial instruments are interest rate risk and liquidity risk. In addition, the group has an exposure to exchange rate fluctuations due to the purchase of machinery in Euros and the current disposal of solid recovered fuel into the European market. The directors are satisfied that the group has sufficient resources to continue the operational activities of the business despite the continued uncertain economic outlook.

The group is also exposed to other risks and other uncertainties including those associated with the impact of its operations on the environment, Government environmental policy and regulations, and Government planning policy. The directors monitor and take actions to mitigate these risks and minimise their impact. The directors welcome the recognition by the new Government that action is needed to address the current issues with our planning system to stimulate the construction sector and growth in the wider UK economy.

The group and member companies are regularly reviewing and adapting operations in response to interruptions in the supply chain over the last year which have resulted in shortages of materials and long lead times.

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

The group recognises that adverse weather events have the potential to impact our operations. Where it is economic to do so, the group is committed to investment in site infrastructure and technology to mitigate this risk and looks to manage climate risk proactively.

The possibility of a return to high levels of inflation also presents a risk to the financial performance of the group. The amount we charge to our customers may not necessarily be able to be increased in line with the increase in costs we experience to provide these services. The contracts with Wiltshire Council do provide for inflationary increases which are capped at the Consumer Prices Index but for general commercial customers our prices are subject to market fluctuations. We seek to protect profit margin by increasing our sales prices were possible.

The directors are satisfied that the group has sufficient resources to continue the operational activities of the business despite the continued uncertain economic outlook.

### Environmental Policy

The group's environmental policy is available from the group's website at www.hills-group.co.uk. Hills Waste Solutions Limited operations work within an environment management system that has been externally certified to international standard ISO14001:2004.

## Strategic report *(continued)*

**Environment and Streamlined Energy and Carbon Reporting (SECR)**

The Group and its individual operating companies are looking at ways to reduce the carbon footprint of our activities and benefit from transitioning to green technologies. As a group we are developing a strategy to meet the Government's target of a zero-carbon emissions economy by the 2050 and will be setting our own targets and goals.

The following SECR report has been prepared by an independent third-party energy efficiency consultant based on data provided by the group.

**Hills Group GHG emissions and energy use data for period**
**1 May 2023 to 30 April 2024**

| Parameter | Units | Current reporting year 01/05/23 - 30/04/24 | Comparison reporting year 01/05/22 - 30/04/23 |
|---|---|---|---|
| Energy consumption used to calculate emissions | kWh | 54,161,174 | 56,266,999 |
| Emissions from combustion of gas (scope 1) | tCO2e | 24 | 11 |
| Emissions from combustion of other fuel (scope 1) | tCO2e | - | - |
| Emissions from combustion of fuel for transport purposes (scope 1) | tCO2e | 11,449 | 12,507 |
| Emissions from business travel (scope 3) | tCO2e | 84 | 88 |
| Emissions from purchased electricity (scope 2) | tCO2e | 1,199 | 1,284 |
| Total emissions from above | tCO2e | 12,756 | 13,890 |
| Intensity ratio: Total emissions / turnover | tCO2e/£m | 99.2 | 101.9 |

**Methodology**

This report has been prepared following the GHG Reporting Protocol – Corporate Standard and using the guidance set out in Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance – HM Government (March 2019).

Energy consumption data has been sourced from utility documents. Average cost of fuel for the year is used to estimate consumption where specific data was unavailable. The comparison to previous year has been completed using last year's data. The intensity ratios (tCO2e/£m) include emissions from all business divisions.

Conversion from energy to emissions was completed by application of the relevant emissions factor from UK Government GHG Conversion Factors for Company Reporting for the appropriate year.

## Strategic report *(continued)*

**Environment and Streamlined Energy and Carbon Reporting (SECR)** *(continued)*

**Energy Efficiency Action**

In the period covered by the report the group has committed resources to the following initiatives that are expected to result in energy and carbon savings.

- trialled the use of HVO diesel for commercial collection vehicles at one waste depot, with expansion plans to trial across more of the commercial waste fleet in place.
- continuation of electric refuse collection vehicle trials
- continuation of a replacement programme of older plant and equipment with more fuel-efficient alternatives.
- moving remote operations from diesel generators to grid connections.
- when refurbishment of workplace areas is required, replacing lighting with LED fittings.
- continued use of route-planning software to optimise journey distances and reduce overall road mileage.
- implementation of driver training to promote fuel-efficient driver practices.

**Employee Involvement**

The group continues to keep its employees informed on matters affecting them as employees by way of its InTouch magazine and Safer for All magazine and regular newsletter. Staff notices, emails, company website and meetings are used to communicate immediate issues with employees. The group provides all employees with an annual performance update that details the financial performance of the group and its operations which includes commentary on the financial outlook for the current trading year.

The group looks to include its employees in the development and application of health and safety policy and procedures whilst each operation has its own employee health and safety committee made up of appointed volunteers representing their work colleagues that meets at regular intervals. In addition, the group runs a near miss reporting scheme to allow employees to report in a quick and dynamic manner health and safety and environmental concerns to managers and supervisors for action and to feedback.

The group has an online employee cost of living hub with an extended focus on wellbeing. The new Wellbeing hub provides all employees access to information, guidance and trusted advice to help with managing mental health, physical health and financial matters and lifestyle benefits . In this period the group has continued to raise awareness of mental health issues and promote employee access to support services offered under employee assistance programmes.

The group's employment practices and policies ensure that job applicants and all employees are treated in an equal and fair manner. Alongside publishing mandatory gender pay details we publish group wide gender pay details to help improve transparency on our web site. Wherever possible, efforts are made to provide appropriate facilities and conditions of service to meet the work-place requirements of all employees' including those with protected characteristics or disability. Where an employee becomes disabled whilst employed by the group, arrangements are made, wherever possible, to retrain them to enable them to perform a job identified as appropriate to their aptitude and abilities.

The group provides all employees with access to an independent whistle-blower reporting service to anonymously report serious issues and concerns to allow them to be investigated.

**Wider engagement with customers, suppliers, stakeholders and the community**

When making business decisions the group gives full consideration to minimising any possible negative impacts, whilst enhancing the positive impacts to the environment and community arising from its operations. The group operates a responsible purchasing policy that guides our business relationship with suppliers, contractors and business partners. This policy and supporting policies are published on the company's website.

An important part of our stakeholder engagement programme are the regular liaison meetings held at our sites attended by senior management with elected representatives of the local community and other invited key stakeholders to discuss and feedback on our operations. Details of these meeting and minutes of meetings are published on the consult section of our website.

## Strategic report *(continued)*

### Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the:
a) likely consequences of any decisions in the long-term;
b) interests of the company's employees;
c) need to foster the company's business relationships with suppliers, customers and others;
d) impact of the company's operations on the community and environment;
e) desirability of the company maintaining a reputation for high standards of business conduct; and
f) need to act fairly as between members of the company.

In discharging its section 172 duties the company has regard to the factors set out above. In doing so the company delegates authority for day-to-day management to executives of The Hills Group board and designated sub-committees that hold operational responsibility for engaging management in setting, approving and overseeing the execution of the business strategy and related policies. The Chairman and Chief Executive of the company are members of The Hills Group Board and report to the directors of the company at each board meeting on the operational performance of the subsidiaries that make up the group.

The company also has regard to other factors which it consider relevant to the decision making process including operating subsidiaries engagement with regulatory authorities and involvement in industry trade bodies of which they are members.

The company has established core values and a supporting policy framework developed by The Hills Group board. In the decision making process to deliver its strategic priorities the executives are guided by the policy framework with aim to make sure that the decisions taken are consistent and adhere with the company core values.

Risk and compliance, legal, pensions, stakeholder-related matters, corporate responsibility, health and safety and environmental compliance are reviewed at meetings of The Hills Group board and designated sub-committees.
The company reviews financial and operational performance and other matters as they arise over the course of the financial year. This is done through presentations to the board by the chairman and chief executive and the consideration and discussion of reports sent to directors in advance of board meetings.

Stakeholder engagement is primarily undertaken at an operational level and is a priority for the company due to the impact our business activities can have on neighbouring local communities and surrounding environment to our sites.

The interests and views of the company's key stakeholders received alongside other relevant factors are considered when making decisions. This information is published and presented in a variety of formats both use within the company but also in public facing documents. Example of the types of engagement with our employees and wider stakeholder base can be found in the Strategic Review on page 7 for employee involvement and wider engagement with customers, suppliers, stakeholders and the community. As a result of this the company's subsidiaries have an understanding of the nature of the stakeholders' concerns and, in compliance with the section 172 duty, help to promote the success of the company.

During the financial year the company has had regard to the matters set out in section 172(1)(a)-(f) when deciding on the Company's dividend policy and investment plans. In making these decisions the Board considers a range of factors, included the long-term viability of the company, expected cash flow and financing requirements, and funding of strategic investment in our business and workforce, as well as other factors.

## Strategic report *(continued)*

**Outlook**

The outlook for the business continues to be positive but as we have already indicated the short term economic and weather-related issues will have an impact again this year. The waste business has seen some improvement in the current year and should benefit from more stable markets.

Our profit budget for the current financial year is a little under £6 million, not allowing for any further property revaluations, which are not expected. As we near the end of the 1st half of the current financial year we are trading at or around the budgeted level. Our expectation is that the winter period will be challenging, and it is likely we will fall below budget in the 2nd half of the year. The extent of the shortfall is difficult to quantify due to the uncertain trading conditions, but we would expect a 15 to 20% reduction compared to budget for the year.

The Board will continue to monitor performance and events very closely and will take all the necessary actions to protect the future and wellbeing of our employees and the needs of the business.

By order of the board,

MP Hill
**Chief Executive**
**6 November 2024**

## Directors' report

The directors present their report and the financial statements of the group and company for the year ended 30 April 2024.

**Dividends**

The directors do not propose a final dividend. During the year, dividends were paid in respect of the year ended 30 April 2024 of £2,397,000 *(2023: £2,397,000)*.

**Directors**

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

Alan G Pardoe ACMA, Chairman
Michael P Hill, Chief Executive
Bronia G Hill
Anna P Ozberk
Richard A Hill
Fiona Hill *(appointed 6 June 2023)*
Ian P Hill *(appointed 6 June 2023)*
Rosie M Hill *(resigned 6 June 2023)*

**Political donations**

During the year, the group made no political contributions *(2022: £nil)*.

**Other information**

An indication of employee involvement in the business, and likely future developments in the business, has been included in the Strategic Report on pages 2 to 8.

**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 they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Auditor**

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

By order of the board

**AG Pardoe**
*Director*

**6 November 2024**

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SN1 2NR

## Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company and of the profit or loss of the group and 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 accounting 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Independent auditor's report to the members of Hills UK Limited

### Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 April 2024 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Hills UK Limited ("the Company") and its subsidiaries ("the Group") for the year ended 30 April 2024 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Other Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and notes to the financial statements, 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

#### *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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Group and 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 we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### *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 Group or Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

#### *Other information*

The Directors are responsible for the other information. The other information comprises the information included in the Annual report and consolidated financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this 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 Hills UK Limited *(continued)*

***Other Companies Act 2006 reporting***

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

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

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or 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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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.

***Responsibilities of Directors***

As explained more fully in the Statement of directors' responsibilities, 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 Group's and 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 Group or 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.

*Extent to which the audit was 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

*Non-compliance with laws and regulations*

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations;

We considered the significant laws and regulations to be UK accounting standards and applicable law, and UK tax legislation.

## Independent auditor's report to the members of Hills UK Limited *(continued)*

***Auditor's responsibilities for the audit of the financial statements (continued)***

*Non-compliance with laws and regulations (continued)*

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be UK tax legislation, UK employment law, UK health and safety legislation and the UK Environment Act.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

*Fraud*

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be in relation to revenue recognition and management override.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria (including entries posted to revenue), by agreeing to supporting documentation;
- Considering the appropriateness of key estimates and judgements applied by management in the financial statements to assess their reasonableness and for existence of any systematic bias. This included consideration of the estimates and judgements taken in relation to the restoration and aftercare provisions, the defined benefit pension scheme and the valuation of investment properties;
- Reviewing unadjusted audit differences for indications of bias or deliberate misstatement; and
- Incorporating an element of unpredictability in our response to fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## Independent auditor's report to the members of Hills UK Limited *(continued)*

### 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.

DocuSigned by:
James Eastell
ACDBBDEF1FD247D...

James Eastell (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Bristol, UK

07 November 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Consolidated Profit and Loss Account
*for the year ended 30 April 2024*

| | Note | 2024 £000 | 2023 £000 |
|---|---|---|---|
| **Group turnover** | 2 | **128,671** | 136,367 |
| Cost of sales | | **(108,391)** | (115,367) |
| **Gross profit** | | **20,280** | 21,000 |
| Distribution costs | | **(4,982)** | (5,207) |
| Administrative expenses | | **(10,248)** | (9,372) |
| Other operating income | 3 | **305** | 296 |
| **Operating profit** | 4 | **5,355** | 6,717 |
| Revaluation of investment properties | | **210** | (10) |
| Interest receivable and similar income | 6 | **410** | 218 |
| Interest payable and similar charges | 7 | **(1,140)** | (1,048) |
| **Profit before taxation** | | **4,835** | 5,877 |
| Tax on profit on ordinary activities | 8 | **(1,318)** | (1,361) |
| **Profit for the financial year** | | **3,517** | 4,516 |

The results from the current and prior year all arise from continuing operations.

The notes on pages 23 to 45 form an integral part of these financial statements.

# Consolidated Statement of Other Comprehensive Income
*for the year ended 30 April 2024*

| | Note | **2024** **£000** | 2023 £000 |
|---|---|---|---|
| Profit for the financial year | | **3,517** | 4,516 |
| **Other comprehensive income** | | | |
| Actuarial gains / (losses) recognised in the pension scheme | *21* | **1,568** | (3,500) |
| Deferred tax arising on (gains) / losses in the pension scheme | *21* | **(392)** | 875 |
| Other comprehensive income / (loss) for the year, net of tax | | **1,176** | (2,625) |
| Total comprehensive income for the year | | **4,693** | 1,891 |

The notes on pages 23 to 45 form an integral part of these financial statements.

## Consolidated Balance Sheet
***as at 30 April 2024***

| | Note | 2024 £000 | 2024 £000 | 2023 £000 | 2023 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | *9* | | **2,543** | | 124 |
| Tangible assets | *10* | | **59,994** | | 57,766 |
| Investment property | *11* | | **7,676** | | 7,562 |
| Investments | *12* | | **159** | | 159 |
| Pension asset | *21* | | **2,176** | | - |
| | | | **72,548** | | 65,611 |
| **Current assets** | | | | | |
| Stocks | *13* | **11,030** | | 11,209 | |
| Debtors *(including £2,477,000 (2023: £7,832,000) due after more than one year)* | *14* | **33,689** | | 38,596 | |
| Cash at bank and in hand | | **22,325** | | 21,145 | |
| | | **67,044** | | 70,950 | |
| **Creditors:** amounts falling due within one year | *15* | **(28,079)** | | (27,701) | |
| **Net current assets** | | | **38,965** | | 43,249 |
| **Total assets less current liabilities** | | | **111,513** | | 108,860 |
| **Creditors:** amounts falling due after more than one year | *16* | | **(6,935)** | | (9,871) |
| **Provision for liabilities** | | | | | |
| Deferred taxation | *20* | **(5,458)** | | (3,878) | |
| Other provisions | *19* | **(16,877)** | | (15,067) | |
| Pension liability | *21* | **-** | | (97) | |
| | | | **(22,335)** | | (19,042) |
| **Net assets** | | | **82,243** | | 79,947 |
| **Capital and reserves** | | | | | |
| Called up share capital | *22* | | **1,331** | | 1,331 |
| Share premium | *23* | | **118** | | 118 |
| Capital redemption reserve | *24* | | **290** | | 290 |
| Profit and loss account | | | **80,504** | | 78,208 |
| **Shareholders' funds** | | | **82,243** | | 79,947 |

The notes on pages 23 to 45 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 6 November 2024 and were signed on its behalf by:

AGPardoe

**AG Pardoe**
*Director*

## Company Balance Sheet
*as at 30 April 2024*

| | *Note* | | 2024 | | 2023 |
|---|---|---|---|---|---|
| | | **£000** | **£000** | £000 | £000 |
| **Fixed assets** | | | | | |
| Intangible assets | *27* | | **3** | | 4 |
| Tangible assets | *28* | | **7,664** | | 7,502 |
| Investment property | *29* | | **7,078** | | 7,058 |
| Investments | *30* | | **263** | | 263 |
| Pension asset | *21* | | **2,176** | | - |
| | | | **17,184** | | 14,827 |
| **Current assets** | | | | | |
| Debtors *(including £125,000 (2023: £125,000) due after more than one year)* | *31* | **15,480** | | 14,635 | |
| Cash at bank and in hand | | **21,955** | | 20,817 | |
| | | **37,435** | | 35,452 | |
| **Creditors:** amounts falling due within one year | *32* | **(18,507)** | | (16,114) | |
| **Net current assets** | | | **18,928** | | 19,338 |
| **Total assets less current liabilities** | | | **36,112** | | 34,165 |
| **Provisions for liabilities** | | | | | |
| Pension liability | *21* | | **-** | | (97) |
| Deferred taxation | *33* | | **(692)** | | (101) |
| **Net assets** | | | **35,420** | | 33,967 |
| **Capital and reserves** | | | | | |
| Called up share capital | *22* | | **1,331** | | 1,331 |
| Share premium | *23* | | **118** | | 118 |
| Capital redemption reserve | *24* | | **290** | | 290 |
| Profit and loss account | | | **33,681** | | 32,228 |
| **Shareholders' funds** | | | **35,420** | | 33,967 |

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit of the company for the year was £2,674,000 *(2023 £2,375,000).*

The notes on pages 23 to 45 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 6 November 2024 and were signed on its behalf by:

**AG Pardoe**
*Director*

## Consolidated Statement of Changes in Equity
*as at 30 April 2024*

| | Called up share capital | Share premium account | Other reserves | Profit & loss account | Total shareholder equity |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 May 2022 | 1,331 | 118 | 290 | 78,714 | 80,453 |
| **Total comprehensive income for the period** | | | | | |
| Profit | - | - | - | 4,516 | 4,516 |
| Other comprehensive loss | - | - | - | (2,625) | (2,625) |
| Total comprehensive income for the period | - | - | - | 1,891 | 1,891 |
| Dividends paid | - | - | - | (2,397) | (2,397) |
| **Balance at 30 April 2023** | **1,331** | **118** | **290** | **78,208** | **79,947** |
| Balance at 1 May 2023 | 1,331 | 118 | 290 | 78,208 | 79,947 |
| **Total comprehensive income for the period** | | | | | |
| Profit | - | - | - | 3,517 | 3,517 |
| Other comprehensive income | - | - | - | 1,176 | 1,176 |
| Total comprehensive income for the period | - | - | - | 4,693 | 4,693 |
| Dividends paid | - | - | - | (2,397) | (2,397) |
| **Balance at 30 April 2024** | **1,331** | **118** | **290** | **80,504** | **82,243** |

The notes on pages 23 to 45 form an integral part of these financial statements.

## Company Statement of Changes in Equity
*as at 30 April 2024*

| | Called up share capital | Share premium account | Other reserves | Profit & loss account | Total shareholder equity |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| Balance at 1 May 2022 | 1,331 | 118 | 290 | 34,875 | 36,614 |
| **Total comprehensive income for the period** | | | | | |
| Profit | - | - | - | 2,375 | 2,375 |
| Other comprehensive loss | - | - | - | (2,625) | (2,625) |
| Total comprehensive income for the period | - | - | - | (250) | (250) |
| Dividends paid | - | - | - | (2,397) | (2,397) |
| **Balance at 30 April 2023** | **1,331** | **118** | **290** | **32,228** | **33,967** |
| Balance at 1 May 2023 | 1,331 | 118 | 290 | 32,228 | 33,967 |
| **Total comprehensive income for the period** | | | | | |
| Profit | - | - | - | 2,674 | 2,674 |
| Other comprehensive income | - | - | - | 1,176 | 1,176 |
| Total comprehensive income for the period | - | - | - | 3,850 | 3,850 |
| Dividends paid | - | - | - | (2,397) | (2,397) |
| **Balance at 30 April 2024** | **1,331** | **118** | **290** | **33,681** | **35,420** |

The notes on pages 23 to 45 form an integral part of these financial statements.

## Consolidated Cash Flow Statement
***for the year ended 30 April 2024***

| | Note | 2024 £000 | 2023 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | **3,517** | 4,516 |
| *Adjustments for:* | | | |
| Depreciation | *10* | **8,263** | 8,041 |
| Amortisation | *9* | **15** | 11 |
| Interest receivable and similar income | *6* | **(410)** | (218) |
| Interest payable and similar charges | *7* | **1,140** | 1,048 |
| Revaluation of investment property | *11* | **(210)** | 10 |
| Profit on sale of tangible fixed assets | *3* | **(305)** | (296) |
| Taxation expense | *8* | **1,318** | 1,361 |
| Difference between benefit pension scheme cost and cash paid | *21* | **(692)** | - |
| Decrease / (increase) in trade and other debtors | *14* | **3,494** | (344) |
| Decrease in stocks | *13* | **178** | 3,980 |
| (Decrease) in trade and other creditors | *15* | **508** | (649) |
| Cash from operations | | **16,816** | 17,460 |
| Interest paid | *7* | **(783)** | (705) |
| Tax paid | | **(1,151)** | (1,135) |
| **Net cash from operating activities** | | **14,882** | 15,620 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of tangible fixed assets and investment property | | **319** | 315 |
| Payments to acquire intangible assets | | **-** | (3) |
| Interest received | *6* | **397** | 126 |
| Acquisition of tangible fixed assets and investment property | | **(7,187)** | (5,098) |
| **Net cash used in investing activities** | | **(6,471)** | (4,660) |
| **Cash flows from financing activities** | | | |
| Proceeds from new loans | | **-** | - |
| Repayment of bank borrowings | | **(1,567)** | (2,724) |
| Repayment of amounts owed under finance leases | | **(3,267)** | (2,608) |
| Dividends paid | *25* | **(2,397)** | (2,397) |
| **Net cash used in financing activities** | | **(7,231)** | (7,729) |
| **Net increase in cash and cash equivalents above** | | **1,180** | 3,231 |
| Cash and cash equivalents at 1 May | | **21,145** | 17,914 |
| **Cash and cash equivalents at 30 April** | *17* | **22,325** | 21,145 |

The notes on pages 23 to 45 form an integral part of these financial statements.

# Notes

## 1 Accounting policies

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

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- no separate parent company cash flow statement with related notes is included;
- key management personnel compensation has not been included a second time: and
- the reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 37.

***Measurement convention***

The financial statements are prepared on the historical cost basis, except for investment properties which are measured at fair value.

***Going concern***

The accounts have been prepared on the going concern basis as the directors consider this to be appropriate based on a profit for the year of £3,517,000 and net current assets of £38,965,000 for the group. It is also considered appropriate for the company based on a profit for the year of £2,674,000 and net current assets of £18,928,000.

The directors have prepared cash flow forecasts for 17 months from the date of approval of these financial statements which indicate that the group and company will have sufficient funds to meet liabilities as they become due.

At the date of this report there has been a reduction in the level of inflation in the UK's economy which is easing the cost of living crisis.

The group's businesses are affected by the economic instability differently dependent on the sector in which they trade.

Hills Waste Solution Limited and Hills Municipal Collections Limited experienced relatively stable conditions in 2024 but could face significant increased costs resulting from rises in fuel costs and other inflationary pressure. The business will normally be able to increase prices to mitigate any increases.

Hills Quarry Products Limited was more impacted by increases in repair costs rather than inflation in 2024. Over the term of our forecast, it is possible that fuel costs could rise. In general, the business will be able to increase prices to mitigate this but ultimately this will be determined by market forces. This business has also been impacted by the wetter than normal weather affecting production and costs have increased at Cerney Wick Quarry in the Cotswold Water Park as a result.

Hills Homes Development Limited will see sales over the forecast period restricted by lack of building starts rather than the market conditions which look like being favourable in 2025. If the planning logjam is freed, then there is a risk that there could be capacity issues within the industry that will put pressure on costs.

In preparing the forecasts the directors have considered the impact on the forecasts of the current UK economic environment. The forecasts do not indicate that the group would have insufficient funds to meet its liabilities as they fall due or fail to comply with its banking covenants. Consequently, the Directors are confident that the group and company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## Notes *(continued)*

### 1 Accounting policies *(continued)*

***Basis of consolidation***

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 April 2024.
A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the company takes into consideration potential voting rights that are currently exercisable. An associate is an entity in which the group has significant influence, but not control, over the operating and financial policies of the entity. Significance influence is presumed to exists when the investors holds between 20% and 50% of the equity voting rights. A joint venture is a contractual arrangement undertaking in which the group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method. Where a group company is party to a joint venture which is not an entity that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. In the parent financial statements, investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

***Landfill tax***

Landfill tax is included within both turnover and cost of sales. It is an integral part of the charges to customers for some services and is subject to value added tax.

***Intangible fixed assets***

Intangible fixed assets are capitalised and amortised to nil in equal instalments over their estimated useful life of 5 years, in accordance with FRS 102.

***Tangible fixed assets and depreciation***

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

| | | |
|---|---|---|
| Freehold buildings | - | over 50 years |
| Leasehold land and buildings | - | over the lease term |
| Plant and machinery | - | over 3 to 10 years |
| Fixtures and fittings | - | over 5 years |

Cost includes directly attributable finance costs.
Depreciation is provided on the cost less residual value of freehold aggregate bearing land on the basis of extraction of aggregates. The cost less residual value of landfill sites is depreciated over the estimated life of the site on the basis of the usage of void space. The cost of aggregate bearing land and landfill sites includes acquisition and commissioning costs, engineering works and the discounted cost of final site restoration and post-closure aftercare costs.

An impairment review is performed if events or changes in circumstances indicate that the carrying value of an asset may not be recoverable in full. Any impairment is measured by comparing the carrying value of the asset with its recoverable amount. The recoverable amount is the higher of the net realisable value or the value in use. To the extent that the carrying value exceeds the recoverable amount an impairment loss is recognised in the profit and loss account. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income or losses' in the profit and loss account.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

***Investments***

In the company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost.

***Goodwill***

Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. The estimated useful life of the goodwill is 10 years or the contract period where associated with a particular project.

***Investment properties***

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

*Investment properties subsequent to initial recognition*

The major investment properties, as per note 11, are remeasured to fair value at the reporting date by appropriately qualified external valuers. Smaller value investment properties are similarly revalued on a cyclical basis and then reviewed annually by the directors. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise.

*Properties rented to another group entity*

Investment properties rented to another group entity are transferred to property, plant and equipment, and measured applying the cost model. The deemed cost on transfer is the fair value at the date of the transfer.

***Stocks***

Inventories are stated at the lower of cost and net realisable value. Cost, in relation to work in progress and show homes compromises direct materials and, where applicable, direct labour costs and those overheads, not including any general administrative overheads, that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and overheads.

Land held for development, including land in the course of development until legal completion of the sale of the asset, is initially recorded at cost. Regular reviews are carried out to identify any impairment in the value of the land by comparing the total estimated selling process less estimated selling expenses against the book cost of the land plus estimated costs to complete. Provision is made for any irrecoverable amounts.

***Basic financial instruments***

*Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

*Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group and company's cash management.

## Notes *(continued)*

### 1 Accounting policies *(continued)*

***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 timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

***Expenses***

*Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation, in which case the payments related to the structured increases are recognised as incurred.

*Finance lease*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

*Interest receivable and Interest payable*

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account.

*Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.*

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

## Notes *(continued)*

### 1 Accounting policies *(continued)*

***Post-retirement benefits***

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group by the scheme trustees.

Pension scheme assets are measured using market values. For quoted securities, the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

The group also operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The assets of the scheme are held separately from the group in independently administered funds.

In addition to the above schemes, the company also contributes to the personal pension schemes of certain employees and directors. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Further details of specific accounting treatment are included in note 21.

***Provisions for restoration and aftercare costs***

The expected costs of the restoration and aftercare of landfill sites and aggregate sites are recognised as provisions when the obligations arise. Where the time value of money is material, the amount of the provision is discounted to present value. The discount rate used was 4.2% *(2023: 4.2%)* with a long-term inflation assumption of 2% *(2023: 2%)* producing a net discount rate of 2.2% *(2023: 2.2%)*. The unwinding of the discount is included within interest payable. Tangible fixed assets are created for the elements of the provision which confer a future economic benefit with the remainder being expensed through the profit and loss account. The capitalised elements are recognised as additions to the original assets in land and buildings. The fixed assets are charged to the profit and loss account on the basis described above in "Fixed assets and depreciation" for landfill sites. Restoration and aftercare costs are then subsequently charged to the provisions as the expense is incurred.

***Dividends on shares presented within equity***

Dividends are only recognised as a liability to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Dividend income is recognised when there is a legal right to receive.

### 2 Turnover and segmental reporting

Turnover represents the amounts (excluding value added tax) derived from the provision of waste management and recycling services, the sale of aggregates and ready mixed concrete, the provision of haulage services, the sale of residential properties, and the rental of properties.

Turnover is recognised on despatch of goods or provision of services. Turnover arising on sale of open market residential properties is recognised on legal completion.

Turnover is derived wholly from operations within the United Kingdom, all being sales to third parties.

| Analysis by activity: | **2024** | 2023 |
|---|---|---|
| | **£000** | £000 |
| Quarry products | **41,937** | 42,761 |
| Waste management and recycling | **75,110** | 71,656 |
| Property and Homes Development (including property rental) | **11,624** | 21,950 |
| | **128,671** | 136,367 |

## Notes *(continued)*

### 3 Other income

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Net gain on disposal of tangible fixed assets and investment properties | **305** | 296 |
| | **305** | 296 |

### 4 Expenses and auditor's remuneration

Included in profit/loss are the following:

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Depreciation of owned fixed assets | **5,669** | 5,799 |
| Depreciation of fixed assets held under finance leases | **2,594** | 2,242 |
| Amortisation of intangible assets | **15** | 11 |
| Short term hire – plant and machinery | **1,731** | 1,710 |
| Operating lease rentals – land buildings, vehicles and office equipment | **4,668** | 3,574 |
| (Profit) on sale of tangible fixed assets and investment properties | **(305)** | (296) |
| Rent receivable | **(674)** | (666) |

Research and development expenditure of £3,000 (*2023: £137,000*) has been added to current assets in the year ending 30 April 2024.

*Auditor's remuneration*

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Audit of these financial statements | **31** | 30 |
| Amounts receivable by the Company's auditor and its associates in respect of; | | |
| Audit of financial statements of subsidiaries of the company | **131** | 125 |
| Taxation compliance and other services | **58** | 45 |
| | **220** | 200 |

## Notes *(continued)*

### 5 Staff costs

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

| | **2024** | 2023 |
|---|---|---|
| | **£000** | £000 |
| Wages and salaries | **23,895** | 22,253 |
| Social security costs | **2,366** | 2,249 |
| Other pension costs | **1,811** | 1,675 |
| | **28,072** | 26,177 |

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

| | **2024** | 2023 |
|---|---|---|
| | **No.** | No. |
| Site based employees | **525** | 529 |
| Administration and sales staff | **207** | 188 |
| | **732** | 717 |

**Directors' emoluments**

| | **2024** | 2023 |
|---|---|---|
| | **£000** | £000 |
| Emoluments (including contributions to defined contribution pension schemes) | **471** | 547 |
| Highest paid director: | | |
| Emoluments | **278** | 280 |
| Contributions to defined contribution pension schemes | **28** | 28 |
| | **306** | 308 |

Number of directors accruing benefits in company pension schemes:

| | **2024** | 2023 |
|---|---|---|
| | **No.** | No. |
| Defined contribution schemes | **1** | 1 |

### 6 Interest receivable and similar income

| | **2024** | 2023 |
|---|---|---|
| | **£000** | £000 |
| On cash at bank | **378** | 107 |
| Other interest received | **19** | 19 |
| Notional interest on defined benefit scheme | **13** | 92 |
| | **410** | 218 |

The amount received in cash above was £397,000 (*2023:£126,000*).

## Notes *(continued)*

### 7 Interest payable and similar charges

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Bank loans and overdrafts | **410** | 434 |
| Other loans | **6** | 7 |
| On finance leases and hire purchase contracts | **367** | 264 |
| Unwind of the discounted amount of provision for site reinstatement (see note 19) | **357** | 343 |
| | **1,140** | 1,048 |

The amount paid in cash above was £783,000 (*2023: £705,000*).

### 8 Taxation – group

Total tax charge recognised in the profit and loss account;

| | 2024 £000 | 2023 £000 |
|---|---|---|
| **Analysis of charge in the year** | | |
| Current tax: | | |
| UK corporation tax on profits of the year | **166** | 39 |
| Adjustments in respect of previous years | **(36)** | 365 |
| Total current tax | **130** | 404 |
| Deferred tax (see note 20) | | |
| Origination and reversal of timing differences | **1,385** | 1,484 |
| Adjustments in respect of previous years | **(197)** | (527) |
| Effect of tax rate change on opening balance | **-** | - |
| Total deferred tax | **1,188** | 957 |
| Total tax | **1,318** | 1,361 |

Total tax charge recognised in the financial statements:

| | 2024 £000 Current tax | 2024 £000 Deferred tax | 2024 £000 Total tax | 2023 £000 Current tax | 2023 £000 Deferred tax | 2023 £000 Total tax |
|---|---|---|---|---|---|---|
| Recognised in :- | | | | | | |
| Profit and loss account | **130** | **1,188** | **1,318** | 404 | 957 | 1,361 |
| Other comprehensive income | **-** | **392** | **392** | - | (875) | (875) |
| Total tax | **130** | **1,580** | **1,710** | 404 | 82 | 486 |

## Notes *(continued)*

### 8 Taxation – group (*continued*)

**Factors affecting tax charge for the year**

The current tax charge for the period is higher *(2023: higher)* than the standard rate of corporation tax in the UK. The differences are explained below:

| | **2024** | 2023 |
|---|---|---|
| | **£000** | £000 |
| Profit for the year | **3,517** | 4,516 |
| Total tax expense | **1,318** | 1,361 |
| Profit on ordinary activities before tax | **4,835** | 5,877 |
| Standard rate of corporation tax in the UK 25% *(2023: 19.49%)* | | |
| Profit on ordinary activities multiplied by the standard rate of corporation tax | **1,209** | 1,145 |
| *Effects of:* | | |
| Expenses not deductible for tax purposes | **211** | 205 |
| Non chargeable gains | **-** | (7) |
| Non taxable income | **(52)** | (54) |
| Fixed assets differences | **48** | 101 |
| Adjustments in respect of prior periods | **(36)** | 365 |
| Adjustments in respect of prior periods – deferred tax | **(197)** | (527) |
| Adjustments in respect of changes to rate of deferred tax on opening balances | **135** | 133 |
| Total tax expense included in the profit or loss | **1,318** | 1,361 |

**Factors that may affect future tax charges**

The deferred tax asset as at 30 April 2024 has been calculated at the Corporation Tax rate of 25% (*2023 :25%*) which became applicable from 1st April 2023.

### 9 Intangible fixed assets – group

| | **Pre-Contract costs** | **Registered Trademarks** | **Goodwill** | **Total** |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| ***Cost*** | | | | |
| At 1 May 2023 | - | 25 | 503 | 528 |
| Transferred from debtors | 2,434 | - | - | 2,434 |
| At 30 April 2024 | 2,434 | 25 | 503 | 2,962 |
| ***Amortisation*** | | | | |
| At 1 May 2023 | - | 21 | 383 | 404 |
| Provided during the year | - | 1 | 14 | 15 |
| At 30 April 2024 | - | 22 | 397 | 419 |
| ***Net book value*** | | | | |
| **At 30 April 2024** | **2,434** | **3** | **106** | **2,543** |
| At 30 April 2023 | - | 4 | 120 | 124 |

The intangible fixed assets related to registered trademarks, which are being written off over their estimated life of 5 years, goodwill arising on acquisition of concrete assets which is being written off over an estimated economic life of 10 years, and pre-contract costs in relation to a fuel supply agreement with Northacre Renewal Energy Ltd which will be expensed on a per tonnage basis over the 10 year contract life.

## Notes *(continued)*

### 9 Intangible fixed assets – group *(continued)*

*Amortisation and impairment charge*

The amortisation is recognised in the following line item in the profit and loss account:

| | 2024 | 2023 |
|---|---|---|
| | £000 | £000 |
| Administrative expenses | 15 | 11 |
| | **15** | 11 |

There has been no impairment, or impairment reversal, in the year *(2023: £nil)*.

### 10 Tangible fixed assets - group

| | Freehold land and buildings | Plant and Machinery and Motor vehicles | Furniture, fittings, tools and equipment | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| ***Cost*** | | | | |
| At 1 May 2023 | 75,637 | 67,833 | 4,779 | 148,249 |
| Additions | 4,561 | 5,470 | 230 | 10,261 |
| Transfers from investment property | 244 | - | - | 244 |
| Disposals | - | (1,566) | - | (1,566) |
| At 30 April 2024 | **80,442** | **71,737** | **5,009** | **157,188** |
| ***Depreciation*** | | | | |
| At 1 May 2023 | 41,845 | 44,936 | 3,702 | 90,483 |
| Charge for the year | 2,802 | 5,108 | 353 | 8,263 |
| On disposals | - | (1,552) | - | (1,552) |
| At 30 April 2024 | **44,647** | **48,492** | **4,055** | **97,194** |
| ***Net book value*** | | | | |
| **At 30 April 2024** | **35,795** | **23,245** | **954** | **59,994** |
| At 30 April 2023 | 33,792 | 22,897 | 1,077 | 57,766 |

Carrying amount of land and buildings on costs basis is £35,795,000 *(2023: £33,792,000)*.

There has been no impairment, or impairment reversals, in the year *(2023: £nil)*

Included within land and buildings is a cost of £13,992,000 (*2023: £11,251,000)* and associated accumulated depreciation of £9,601,000 (*2023: £8,760,000)* relating to the restoration asset which represents the discounted cost of the site restoration and post-closure aftercare items.

Included in the total net book value of fixed assets is £7,137,000 *(2023: £8,317,000)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation on these assets was £2,594,000 *(2023: £2,242,000)*.

The fixed assets owned under hire purchase contracts and finance leases carry financial obligations (see note 18).

## Notes *(continued)*

### 11 Investment property - group

| | Investment property £000 |
|---|---|
| *Cost* | |
| At 1 May 2023 | 7,562 |
| Additions | 148 |
| Transfers to tangible fixed assets | (244) |
| Disposals | - |
| Revaluation | 210 |
| At 30 April 2024 | 7,676 |

The historic cost of these investment properties was £3,895,000 *(2023: £4,013,000)*. The historic cost of the asset transferred to tangible fixed assets in the year was £266,000.

The property at County Park was valued externally as at 30 April 2024 by Loveday, Chartered Surveyors, in accordance with the RICS Appraisal and Valuation Manual.

The properties at Purton were valued externally by Loveday, Chartered Surveyors at 30 April 2024, also in accordance with the RICS Appraisal and Valuation Manual.

The three residential dwellings included in investment properties were revalued externally at 30 April 2024 by D J Newport FRICS, registered valuer. The remaining investment properties were revalued by AG Pardoe, a director of Hills UK Limited, at 30 April 2024 on an open market basis.

### 12 Investments -group

| | Shares in unlisted undertakings £000 |
|---|---|
| *Cost* | |
| At 1 May 2023 | 159 |
| Additions | - |
| At 30 April 2024 | 159 |

The undertakings in which the group's and the company's interest at the year end is more than 20% are as follows:

| Company | Country of registration or incorporation | Shares held | | Country of Incorporation | Aggregate of capital and reserves | Profit or loss for year |
|---|---|---|---|---|---|---|
| *Subsidiary undertakings* | | Class | % | | £000 | £000 |
| The Hills Group Limited | England and Wales | Ordinary | 100 | UK | 2,016 | 2,494 |
| Hills Waste Solutions Limited | England and Wales | Ordinary | 100 | UK | 22,138 | 1,292 |
| Hills Quarry Products Limited | England and Wales | Ordinary | 100 | UK | 9,970 | 560 |
| Hills Municipal Collections Limited | England and Wales | Ordinary | 100 | UK | 107 | (88) |
| Estrada Grande Limited | England and Wales | Ordinary | 100 | UK | 362 | 23 |
| Hills Haulage Limited | England and Wales | Ordinary | 100 | UK | 266 | - |
| Hills Homes Developments Limited | England and Wales | Ordinary | 100 | UK | 12,065 | 1,560 |
| Hills West Midlands Limited | England and Wales | Ordinary | 100 | UK | 50 | - |
| Able Waste Management Limited | England and Wales | Ordinary | 100 | UK | 204 | - |

## Notes *(continued)*

### 12 Investments -group *(continued)*

***Associated undertakings – joint ventures***

| | | | | | |
|---|---|---|---|---|---|
| Cotswold Aggregates Limited | England and Wales | B Ordinary 50 | UK | - | - |

The principal activity of Cotswold Aggregates Limited was sand and gravel extraction. Its financial year runs to 30th June. During the year to 30 April 2024, and during the previous year, Cotswold Aggregates Limited did not trade and had net assets of £nil. The registered office address of Cotswold Aggregates Limited is Bardon Hall, Copt Oak Road, Markfield, Leicestershire, LE67 9PJ.

Cotswold Aggregates Limited has been voluntarily dissolved by agreement of the joint venture parties and was struck off the register at Companies House on 30th May 2023.

### 13 Stocks – group

| | **2024** | 2023 |
|---|---|---|
| | **£000** | £000 |
| Raw materials and consumables | **1,173** | 1,130 |
| Work in progress | **9,857** | 10,079 |
| | **11,030** | 11,209 |

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £17,315,000 *(2023: £28,195,000)* in the Group and £nil *(2023: £nil)* in the Company.

Raw materials, consumables and changes in finished goods and work in progress recognised in distribution costs in the year amounted to £2,120,000 *(2023: £2,490,000)* in the Group and £nil *(2023: £nil)* in the Company.

The total carrying amount of stocks pledged as security for liabilities in the year amounted to £9,857,000 *(2023: £10,079,000)* in the Group and £nil *(2023: £nil)* in the Company.

### 14 Debtors – group

| | **2024** | 2023 |
|---|---|---|
| | **£000** | £000 |
| Trade debtors | **16,272** | 20,661 |
| Corporation tax | **2,794** | 1,773 |
| Other debtors | **3,972** | 7,352 |
| Prepayments and accrued income | **10,651** | 8,810 |
| | **33,689** | 38,596 |

Amounts due after more than one year included in other debtors is £nil *(2023: £6,071,000)*.
Amounts due after more than one year included in prepayments and accrued income is £2,289,000 *(2023: £1,761,000)*.

### 15 Creditors: amounts falling due within one year – group

| | **2024** | 2023 |
|---|---|---|
| | **£000** | £000 |
| Bank loans and overdrafts (note 17) | **2,617** | 2,684 |
| Obligations under finance leases and hire purchase contracts (note 18) | **2,737** | 2,885 |
| Trade creditors | **10,496** | 10,248 |
| Other taxes and social security costs | **6,988** | 6,290 |
| Other creditors | **196** | 225 |
| Accruals and deferred income | **5,045** | 5,369 |
| | **28,079** | 27,701 |

## Notes *(continued)*

### 16 Creditors: amounts falling due after one year – group

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Bank loans and overdrafts (note 17) | **1,800** | 3,300 |
| Obligations under finance lease and hire purchase contracts (note 18) | **5,135** | 6,571 |
| | **6,935** | 9,871 |

### 17 Net Debt and Loans - group

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

**Net debt**

The below is an analysis of changes in net debt of the Group from the beginning to the end of the current reporting period:

| Group | Borrowings due within one year | Borrowings due after one year | Obligations under finance lease liabilities | Subtotal | Cash and cash equivalents | Net cash |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Net debt analysis** | | | | | | |
| Balance at 1 May 2023 | 2,684 | 3,300 | 9,456 | 15,440 | 21,145 | 5,705 |
| Cash flows | (67) | (1,500) | (3,267) | (4,834) | 1,180 | 6,014 |
| Non cash movements | - | - | 1,683 | 1,683 | | (1,683) |
| **Balance at 30 April 2024** | **2,617** | **1,800** | **7,872** | **12,289** | **22,325** | **10,036** |

**Interest bearing loans and borrowings**

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Creditors falling due after more than one year | | |
| Bank loans | **1,800** | 3,300 |
| Finance lease liabilities | **5,135** | 6,571 |
| | **6,935** | 9,871 |
| Creditors falling due within less than one year | | |
| Bank loans | **2,617** | 2,684 |
| Finance lease liabilities | **2,737** | 2,885 |
| | **5,354** | 5,569 |

Bank Loans

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Loans repayable within five years include: | | |
| Medium term development loan | **1,800** | 3,300 |
| Invoice discounting facilities | **2,617** | 2,684 |
| | **4,417** | 5,984 |

## Notes *(continued)*

### 17 Net Debt and Loans – group *(continued)*

Bank Loans *(continued)*

| | | |
|---|---|---|
| Analysis of maturity of debt: | | |
| Within one year or on demand | **2,617** | 2,684 |
| Within one and two years | **1,800** | 3,300 |
| Between two and five years | **-** | - |
| | **4,417** | 5,984 |

The medium term development loan of £1,800,000 *(2023: £3,300,000)* is secured on developments in progress and other capital projects of the group under a revolving credit facility of up to £20,000,000 which has been extended by 12 months and now has an expiry date of 8th November 2025. Interest is payable on the loan at a margin of 1.75% above SONIA (*2023: 1.75% above SONIA*). The invoice discounting facility for working capital requirements of £2,617,000 (*2023: £2,684,000*) is secured by an all assets debenture and is available to finance the trade debtors of Hills Waste Solutions Limited and Hills Quarry Products Limited under facilities that ran for a minimum term until June 2019. Thereafter the facility runs on with six months' notice of cancellation. Interest is payable on the loan at a margin of 1.4% above UK Base Rates.

### 18 Obligations under finance leases and hire purchase – group

The maturity of obligations under finance leases and hire purchase contracts is as follows:

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Amounts payable: | | |
| Within one year | **3,004** | 2,885 |
| In the second to fifth years | **5,426** | 6,571 |
| | **8,430** | 9,456 |

### 19 Provisions for liabilities – group

**Site restoration and aftercare reserve**

| | 2024 £000 | 2023 £000 |
|---|---|---|
| At 1 May | **15,067** | 14,377 |
| Provided in the year | **2,616** | 1,496 |
| Amounts utilised in the year | **(1,163)** | (1,149) |
| Discount unwind for the year (note 7) | **357** | 343 |
| **At 30 April** | **16,877** | 15,067 |

The site restoration and aftercare provision is an estimation of the likely restoration and aftercare costs in today's terms for the cost of restoring landfill sites and quarries and then managing them through relevant aftercare periods. This aftercare period is 60 years for landfill sites and typically 5 to 10 years for quarries.

The major cost items and areas of uncertainty are discussed in note 37, Accounting estimates and judgements.

The restoration and aftercare provision required is sensitive to the long-term discount rate and long term inflation rate assumption used. These provisions are discounted from the date on which the expenditure is expected to occur. A discount rate of 4.2% *(2023: 4.2%)* and an inflation rate of 2.0% *(2023: 2.0%)* have been used to discount the future costs to their present value to produce an effective net discount rate of 2.2% (*2023: 2.2%*).

## Notes *(continued)*

### 20 Deferred taxation - group

Deferred tax assets and liabilities are attributable to the following:

| Group | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| | **£000** | £000 | **£000** | £000 | **£000** | £000 |
| Other timing differences | **(352)** | (782) | **-** | - | **(352)** | (782) |
| Tax gains (losses) cfwd | **-** | - | **-** | - | **-** | - |
| Accelerated capital allowances | **(24)** | - | **5,292** | 4,684 | **5,268** | 4,684 |
| Deferred tax on defined benefit pension liability (asset) | **-** | (24) | **542** | - | **542** | (24) |
| Tax (assets) / liabilities | **(376)** | (806) | **5,834** | 4,684 | **5,458** | 3,878 |

The provision for deferred taxation has not been discounted.

### 21 Pension schemes

***Defined contribution pension schemes - group***

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £1,662,000 *(2023: £1,581,000).*

At 30 April 2024 contributions amounting to £137,000 *(2023: £137,000)* were payable to the scheme.

The group also contributes to the personal pension schemes of certain employees and directors. The amount charged to the profit and loss account for the year was £13,000 *(2023: £13,000).*

The total charge to the group for the above schemes in the year was £1,675,000 *(2023: £1,675,000).*

***Defined benefit scheme - group and company***

As set out in note 1 the group operates The Hills Group Limited Retirement Benefit Plan (1973) ("the plan"), a pension scheme providing benefits based on final pensionable pay. The full actuarial valuation of the plan was carried out as at 1 July 2023. This was updated to 30 April 2024 and the previous valuation as at 1 July 2020 was similarly updated at 30 April 2023 by a qualified independent actuary.

| | **2024** | 2023 |
|---|---|---|
| | **£000** | £000 |
| Present value of defined benefit obligations | **(19,404)** | (20,585) |
| Fair value of plan assets | **21,580** | 20,488 |
| Surplus / (deficit) | **2,176** | (97) |
| Related deferred tax (liability) / asset | **(542)** | 24 |
| Net asset / (liability) | **1,634** | (73) |

The asset was recognised in these accounts because the group has the right to recover any surplus in the scheme through reduced contributions and return of residual surplus.

The full actuarial valuation as at 1 July 2023 for statutory funding purposes was completed on 23rd September 2024 and showed scheme assets of £28,479,000 and scheme liabilities of £30,891,000, resulting in a statutory funding deficit of £2,412,000. The amount expected to be contributed to the scheme by the group in the year following the year end is £840,000.

## Notes *(continued)*

### 21 Pension schemes *(continued)*

***Defined contribution pension schemes – group** (continued)*

*Movements in present value of defined benefit obligation*

| | 2024 £000 | 2023 £000 |
|---|---|---|
| At 1 May | (20,585) | (26,587) |
| Past service cost | - | - |
| Interest cost | (1,007) | (811) |
| Actuarial gains | 1,309 | 5,956 |
| Benefits paid | 879 | 857 |
| At 30 April | (19,404) | (20,585) |

*Movements in fair value of plan assets*

| | 2024 £000 | 2023 £000 |
|---|---|---|
| At 1 May | 20,488 | 29,230 |
| Interest income | 1,020 | 903 |
| Actuarial gain / (loss) on plan assets | 259 | (9,456) |
| Contributions by employer | 692 | 668 |
| Contributions by members | - | - |
| Benefits paid | (879) | (857) |
| At 30 April | 21,580 | 20,488 |

*Expense recognised in the profit and loss account*

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Interest on defined benefit pension plan obligation | 1007 | 811 |
| Expected return on defined benefit pension plan assets | (1,020) | (903) |
| Total (credit) ( note 6) | (13) | (92) |

The scheme has been closed to the accrual of further benefits since 1 July 2017.

The fair value of the plan assets and the return on those assets were as follows:

| | 2024 Fair value £000 | 2023 Fair value £000 |
|---|---|---|
| Equities | 10,859 | 9,913 |
| Bonds and Gilts | 8,861 | 8,633 |
| Diversified Growth and hedge funds | 1,655 | 1,702 |
| Insured pensions | 201 | 215 |
| Cash | 4 | 25 |
| | 21,580 | 20,488 |

## Notes *(continued)*

### 21 Pension schemes *(continued)*

***Defined contribution pension schemes – group (continued)***

The allocation of total scheme assets by category in percentage terms was:

| | 2024 | 2023 |
|---|---|---|
| Equities | **50%** | **49%** |
| Bonds | **41%** | **42%** |
| Diversified Growth and hedge funds | **8%** | **8%** |
| Insured Pensions | **1%** | **1%** |
| Cash | **-%** | **-%** |

The principal actuarial assumptions used in the valuations for FRS 102 were:

| | 2024 | 2023 |
|---|---|---|
| Discount rate | **5.3%** | **5.0%** |
| Inflation assumption | **3.3%** | **3.2%** |
| Limited price indexation | **2.9%** | **2.8%** |
| Deferred pension revaluation | **2.9%** | **2.8%** |

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

| | 2024 | 2023 |
|---|---|---|
| For a male member aged 65 | **21.7** | **22.3** |
| At 65 for a male member aged 45 now | **23.0** | **23.6** |
| For a female member aged 65 | **23.8** | **24.1** |
| At 65 for a female member aged 45 now | **25.3** | **25.6** |

The mortality assumptions used for the scheme valuation are 96% of S3PMA tables for males and 94% of S3PFA_M tables for females with future improvement in line with the CMI 2023 model giving a long-term improvement rate of 1.25% for males and females.

### 22 Share capital - group and company

| | 2024 £000 | 2023 £000 |
|---|---|---|
| ***Allotted, called up and fully paid*** | | |
| 1,331,484 ordinary shares of £1 each (*2023:* 1,331,484) | **1,331** | 1,331 |

### 23 Share premium - group and company

| | 2024 £000 | 2023 £000 |
|---|---|---|
| At beginning and end of year | **118** | 118 |

# Notes *(continued)*

## 24 Capital redemption reserve - group and company

| | 2024 £000 | 2023 £000 |
|---|---|---|
| At beginning and end of year | **290** | 290 |

## 25 Dividends paid - group and company

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Dividends for which the company became liable during the year: | | |
| Interim dividend paid July 2023 at 45p per share *(July 2022: 45p)* | **599** | 599 |
| Interim dividend paid October 2023 at 45p per share *(October 2022:45p)* | **599** | 599 |
| Interim dividend paid January 2023 at 45p per share *(January 2023: 45p)* | **599** | 599 |
| Interim dividend paid April 2024 at 45p per share *(April 2023: 45p)* | **600** | 600 |
| Total dividends paid re current year | **2,397** | 2,397 |
| Analysis of dividends by type: | | |
| Dividends paid on shares classified as shareholders' funds | **2,397** | 2,397 |

## 26 Commitments

***Commitments under operating leases - group and company***

The group had minimum lease payments under non-cancellable operating leases as set out below:

| | Land and buildings 2024 £000 | Other 2024 £000 | Land and buildings 2023 £000 | Other 2023 £000 |
|---|---|---|---|---|
| Not later than one year | **1,708** | **399** | 489 | 907 |
| Later than one year and not later than five years | **6,240** | **25** | 986 | 278 |
| Later than five years | **3,099** | **-** | 510 | - |
| | **11,047** | **424** | 1,985 | 1,185 |

The company had no commitments under non-cancellable operating leases as at the balance sheet date.

**Capital Commitments – group**

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Amounts contracted for but not provided in the financial statements | **1,062** | 1,626 |

## Notes *(continued)*

### 27 Intangible fixed assets - company

| | Registered trade marks £000 |
|---|---|
| ***Cost*** | |
| At 1 May 2023 | 25 |
| Additions during the year | - |
| **At 30 April 2024** | **25** |
| ***Amortisation*** | |
| At 1 May 2023 | 21 |
| Provided during the year | 1 |
| **At 30 April 2024** | **22** |
| ***Net book value*** | |
| **At 30 April 2024** | **3** |
| At 30 April 2023 | 4 |

The intangible fixed assets related to registered trademarks, which are being written off over their estimated life of 5 years.

There has been no impairment, or impairment reversal, in the year *(2023: £nil)*.

### 28 Tangible fixed assets - company

| | Land and buildings £000 | Motor vehicles £000 | Fixtures and fittings £000 | Total £000 |
|---|---|---|---|---|
| ***Cost*** | | | | |
| At 1 May 2023 | 8,246 | 24 | 498 | 8,768 |
| Additions | 30 | - | - | 30 |
| Transfers to investment properties | 244 | - | - | 244 |
| **At 30 April 2024** | **8,520** | **24** | **498** | **9,042** |
| ***Depreciation*** | | | | |
| At 1 May 2023 | 1,014 | 24 | 228 | 1,266 |
| Charge for the year | 104 | - | 8 | 112 |
| **At 30 April 2024** | **1,118** | **24** | **236** | **1,378** |
| ***Net book value*** | | | | |
| **At 30 April 2024** | **7,402** | **-** | **262** | **7,664** |
| At 30 April 2023 | 7,232 | - | 270 | 7,502 |

Carrying amount of land and buildings on cost basis is £7,402,000 *(2023: £7,232,000)*.

## Notes *(continued)*

### 29 Investment properties - company

| | **Total** |
|---|---|
| | **£000** |
| At 1 May 2023 | 7,058 |
| Additions | 77 |
| Revaluation | 187 |
| Disposals | - |
| Transfers from tangible fixed assets | (244) |
| At 30 April 2024 | 7,078 |

The basis of valuation is set out in notes 1 and 11.
The historic cost of these investment properties is £3,657,000 *(2023: £3,846,000).* The historic cost of the asset transferred to tangible fixed assets in the year was £266,000.

### 30 Investments - company

| | **Investments in subsidiary undertakings** | **Other investments** | **Total** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| *Cost* | | | |
| At 1 May 2023 | 254 | 9 | 263 |
| Additions | - | - | - |
| **At 30 April 2024** | **254** | **9** | **263** |

There were no impairments of the company's investments during the year.

The principal subsidiary undertakings of the company, which are incorporated in Great Britain, are as follows:

| **Company** | **Principal activity** | **Class** | **Shares held %** |
|---|---|---|---|
| The Hills Group Limited | Holding company | Ordinary | 100 |
| Hills Municipal Collections Ltd | Municipal waste collection services | Ordinary | 100 |
| Estrada Grande Limited | Property holding company | Ordinary | 100 |
| Hills Haulage Ltd | Non trading | Ordinary | 100 |
| Hills West Midlands Ltd | Non trading | Ordinary | 100 |

The results of the above group undertakings have been included in the consolidated accounts of the group.

### 31 Debtors – company

| | **2024** | 2023 |
|---|---|---|
| | **£000** | £000 |
| Trade debtors | **146** | 214 |
| Amounts owed by group undertakings | **11,052** | 11,110 |
| Other debtors | **861** | 1,104 |
| Prepayments and accrued income | **312** | 193 |
| Corporation tax | **3,109** | 2,014 |
| | **15,480** | 14,635 |

Amounts due after more than one year included in prepayments and accrued income is £125,000 *(2023: £125,000).*

# Notes *(continued)*

## 32 Creditors: amounts falling due within one year - company

| | 2024 | 2023 |
|---|---|---|
| | **£000** | £000 |
| Trade creditors | **114** | 3 |
| Amounts owed to group undertakings | **17,472** | 15,116 |
| Other taxes and social security costs | **16** | 15 |
| Other creditors | **196** | 225 |
| Accruals and deferred income | **709** | 755 |
| | **18,507** | 16,114 |

Amounts owed to group undertakings are interest free and repayable on demand.

## 33 Deferred taxation - company

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| | **£000** | £000 | **£000** | £000 | **£000** | £000 |
| Accelerated capital allowances | **-** | - | **149** | 126 | **149** | 126 |
| Pension Scheme | **-** | (19) | **544** | - | **544** | (19) |
| Other timing differences | **(1)** | (6) | **-** | - | **(1)** | (6) |
| Tax assets / (liabilities) | **(1)** | (25) | **693** | 126 | **692** | 101 |

## 34 Related party transactions

*Kingshill Developments Limited*

Kingshill Developments Limited is a related party by virtue of common directorships. A loan of £1,959,000 *(2023: £1,959,000)* exists with Kingshill Developments Limited. This amount has been fully provided in these accounts.

*Transactions with key management personnel*

Loans have been made by AN Hill, a director and shareholder of the company, and his wife. At the start and end of the year the total amount outstanding was £130,000. The company pays interest at a rate of 1.1% above the prevailing Bank of England interest rate. The loans are repayable on demand.

Total amounts paid to key management personnel in the year (including directors' remuneration) amounts to £561,000 *(2023: £547,000)*

Dividends paid to directors were £722,000 *(2023: £722,000)*

## 35 Cross guarantee

The company has an unlimited composite guarantee over the borrowing facilities of Hills UK Limited, Hills Waste Solutions Limited, Hills Quarry Products Limited, The Hills Group Limited, Kingshill Developments Limited, County Homes (Wessex) Limited, Hills Homes Developments Limited, Hills Municipal Collections Limited, Hills (West Midlands) Limited, and Able Waste Management Limited.

## 36 Ultimate controlling party

Hills UK Limited is a private company with no ultimate controlling party.

## Notes *(continued)*

### 37 Accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**Key sources of estimation uncertainty and judgement**

*Net realisable value of stock*

The group makes an estimate of the net realisable values of stock which is based on assessments of current costs and prevailing market conditions. These are re-assessed annually and amended where necessary to reflect current estimates. Changes to these estimates could result in changes to profit or loss for the period and to the carrying value of the stock. See note 13 for the carrying value of stock and changes to any net realisable value provision made in the year.

*Restoration provisions*

The timing of the expected cash flows of the site restoration and aftercare provision are estimated on a site by site basis over the period covering the operational life of the site, its full restoration when completed, and the continuing aftercare period following restoration. The amounts and timing of the expected outflows are uncertain due to the projection of costs over this period of time.

The basis of the provision is the estimation of the likely restoration and aftercare costs for proscribed aftercare periods which are then discounted from the periods when the obligation are forecast to arise back to today's terms. The timing of the expected cash flows of the site restoration and aftercare provision are estimated on a site by site basis over the period covering the operational life of the site, its full restoration when completed, and the continuing aftercare period following restoration. This aftercare period is 60 years for landfill sites and typically 5 to 10 years for quarries. The amounts and timing of the expected outflows are uncertain due to the projection of costs over this period of time.

Major cost elements within the provision are cell capping costs, earthmoving costs, installation of monitoring wells and subsequent treatment of leachate, landfill gas management and routine testing of leachate composition, surface water and gas arising. Leachate arisings are calculated by reference to capped landfill surface area and estimated water infiltration through cell caps. Estimates of water infiltration are to a large extent based upon experience of capped cells. Leachate treatment costs include operation of leachate treatment plants, costs of disposal by local Water Companies, replacement of infrastructure and in some cases haulage.

Current unit costs of leachate disposal to sewer are estimated based upon current levels of contamination and modelled throughout the aftercare period. There is however expectation that the levels of contamination should progressively decrease over the aftercare periods and lead to a unit cost reduction in leachate disposal charges which is not reflected in our provision. Gas management costs include installation and maintenance of gas flaring equipment and re-drilling of gas abstraction wells. Gas flaring is estimated to be necessary for part of the aftercare scheme based upon
the period between the end of commercial utilisation of the gas to create energy and the latter stages of aftercare when gas arisings are low and passive venting is appropriate.

Future revenues from the generation of electricity from landfill gas during the aftercare period, where contracts are in place for its sale, are not deducted from the provision balances.

Aftercare cost at quarry sites include grass cutting, weed control and reseeding where an initial grass seeding has failed.

Where applicable, the cost of acquiring performance bonds to secure landfill permit requirements is also a significant cost. These costs are estimated based upon agreements in place with the Environment Agency and included in the provision.

A discount rate of 4.2% *(2023: 4.2%)* and an inflation rate of 2.0% *(2023: 2.0%)* have been used to discount the future costs to their present value to produce an effective net discount rate of 2.2% (*2023: 2.2%*).

The restoration and aftercare provision required is sensitive to the long-term discount rate and long term inflation rate assumption used. These provisions are discounted from the date on which the expenditure is expected to occur. An increase in the net discount rate of 0.3% (to 2.5%) would reduce the required provision by £888,000 from the current figure of £16,877,000 to £15,989,000. Conversely a reduction in the net discount rate by 0.3% (to 1.9%) would increase the provision required by £979,000 to £17,856,000.

## Notes *(continued)*

### 38 Post balance sheet events

*Other debtors*

Included in other debtors is an amount of £2,993,927 *(2023: £5,425,000)* relating to development expenditure on the Northacre Waste to Energy plant which was received in July 2024 as part of the settlement when the majority shareholder in the project sold their shares to a new investor. At this time also the group signed a 10 year feed stock agreement with Northacre Renewable Energy Limited to supply waste to the plant when it becomes operational.