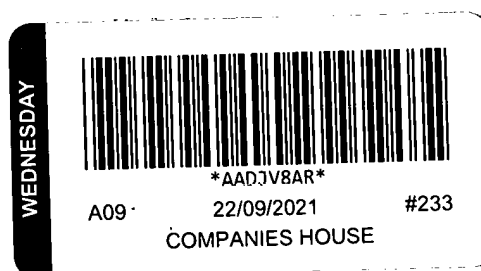


# **MALLATITE LIMITED**

Registered number 02621328

**Annual Report and Financial Statements**  
For the year ended 31 December 2020



## Contents

Strategic Report	1
Directors' Report	4
Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements	7
Independent Auditor's Report to the members of Mallatite Limited	8
Profit and Loss Account	11
Statement of Comprehensive Income	11
Balance Sheet	12
Statement of Changes in Equity	13
Notes to the financial statements	14

## Strategic Report

The Directors present their Annual Report and Financial Statements of Mallatite Limited ('the Company') for the year ended 31 December 2020.

### Principal activity

The principal activity of the Company is the design, fabrication and supply of lighting support systems, the provision of bespoke solutions within the lighting and electrical markets, the supply of passive signposts and the manufacture and supply of traffic signs, Vehicle activated signs, sign lighting equipment, bollards and highway engineering products.

### Business review and future developments

Overview – Turnover for the year was £23,054,000 (2019: £19,944,000). Operating profit before profit on sale of property and re-organisation costs was £1,941,000 (2019: £2,206,000). During the second quarter of 2020, the Company experienced a material reduction in its operations due to the impact of COVID-19 on the Company's customer base and the corresponding reduction in demand. The impact of this material reduction in turnover was partially offset by an increase in revenue following the acquisition of Signpost Solutions Limited in December 2019. The trade and certain assets of the business were hived up into the Company on 31 January 2020 (further details are included in note 14). The Company continues to realise the synergy benefits associated with the acquisition of Signpost Solutions Limited. Gross margin was impacted in the year with many staff absent on furlough during Q2 and with the costs subsequently borne by the Company. The business also had the operating overhead of an additional site with the full year effect synergy benefits to be realised in 2021.

At the start of the first COVID-19 lockdown period in the UK the Company made the decision to furlough a number of employees and to claim under the UK Government's Coronavirus Job Retention Scheme. The Company also made the decision to take advantage of the opportunity to defer our second quarter VAT payments. As the Group's trading improved going into the last quarter of the year, the Company and Group made the decision in December 2020 to return the furlough monies and to accelerate the repayment of the deferred VAT amounts.

Prior to the year end all amounts were repaid in full and as a consequence do not impact the results shown in these accounts. In making this decision the Company and Group took account of what it felt was the spirit and purpose behind the UK Government's decision to put these schemes in place.

The Company sold two properties during the year, generating a gain on sale of £1,969,000. The Company also incurred internal restructuring costs of £282,000. Further details are included in note 4. There were no such costs in the prior year.

Strategy – The business has a large and diverse product offering and is well established within specific sectors in the industry. This year has been one of consolidation, although the Company is now beginning to realise the full potential of acquisitions that have been undertaken in previous years. The Company will also continue to appraise any potential consolidation opportunities and segmentation that may exist in its UK markets or within Europe. The Company will look to take advantage of new technology to enhance product offering. This includes a B2B website, Electric Vehicle ('EV') charging and remote activation of signage.

The Company has exited the contracting sector and are focussing on the wide offering now available. The sales and marketing teams are focused on developing new relationships by targeting new routes to market, whilst maintaining the strong relationships already developed for our core business. We anticipate success with our EV charging solution and hope to take advantage of this emerging market. Factory efficiency, good housekeeping, lean manufacturing and purchasing initiatives are all the focus of our continuous improvement, together with the robust development of employee participation, skill set and mind set.

Health and Safety - The Company is committed to a continuous improvement in its health and safety performance. Its activities comply with health and safety standards and legislation, with monthly meetings held and recorded. The Directors are committed to ensuring the best working conditions and welfare of the Company's employees. Further details of the Group's health and safety activities can be found in the Hill & Smith Holdings PLC ('the Group') Annual Report.

## Strategic Report (*continued*)

**Corporate Social Responsibility** - The Company recognises the importance of balancing the interests of key stakeholders - employees, customers, shareholders and suppliers and the wider community in which it operates. The Company remains committed to continuous improvement in its environmental performance to ensure that its activities comply with environmental standards and legislation. Further details of Corporate Social Responsibility activities can be found in the Hill & Smith Holdings PLC Annual Report.

**COVID-19 and outlook** – In responding to the impact of the COVID-19 pandemic, the Board's primary focus remains on ensuring the health and wellbeing of all employees. In providing guidance and advice to our employees, we continue to follow UK Government and World Health Organisation guidelines. The Company saw a material reduction in demand in the second quarter of 2020. However, the business recovered to more normalised levels by the end of the year. Whilst there is still some uncertainty, the Directors believe that ultimately this is a temporary decline in performance and that the underlying market fundamentals for the business remain intact. The Board therefore believes that the medium- and longer-term outlook for the business is positive.

### Principal risks and uncertainties

The Board continues to develop policies and procedures that reflect the nature and scale of the Company's business. These are designed to identify, mitigate and manage risk. The Board has identified the risks affecting its business but none that present a significant threat to its business. The Board regularly reviews its risk profile throughout the year in order to monitor any developing risks and to create and implement appropriate mitigation activities. A full policies and procedures manual, which is available across the workforce, helps to ensure that the Company is kept up to date with legislation and current best practice.

### Key performance indicators

The Group's key performance indicators are commented on in detail in the Hill & Smith Holdings PLC annual report. Those that specifically relate to the Company are as follows:

**Financial** – The Company considers revenue growth (year on year), operating profit margin and return on capital employed (defined as operating profit before profit on sale of property and re-organisation costs divided by the average capital employed) to be its principal financial key performance indicators.

KPI	2020	2019
Revenue growth/(decline) (year on year)	15.6%	(2.3)%
Operating profit margin	8.4%	11.1%
Return on capital employed	35.0%	44.8%

**Non-financial** – Health and safety compliance, energy and material efficiency, use of recycled products and waste management are all principal areas of focus for the Company. The Board considers the Company's performance in these areas to be satisfactory.

### Statement by the directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006 ("the Act")

The Company is part of the Group and is therefore required to produce a Section 172 statement.

The Section 172 statement for Hill & Smith Holdings PLC, which this statement underpins, can be found on page 55 of its 2020 Annual Report.

The Board of the Company considers that it is suitably composed, with an appropriate range of pertinent skills and experience and the directors consider that they have acted, both individually and together, in good faith and in ways which would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to stakeholders and matters set out in s172 (1) (a-f) of the Act.

## Strategic Report *(continued)*

### Statement by the directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006 ("the Act") *(continued)*

Our aim is to deliver sustainable profit growth from a sustainable business model and in so doing the Board is collectively responsible for upholding high standards of corporate governance and leadership, and we place a high priority on meeting our environmental and social responsibilities, whilst continuing to deliver value to all of our stakeholders: Employees; customers; suppliers; shareholders; local communities; and Government. Effective risk management is also critical to the achievement of our strategy, and our risk management processes are integrated into our daily business activities and integrated vertically, into that of our ultimate parent company, Hill & Smith Holdings PLC.

The Board has implemented policies, systems and procedures or updated existing ones, to inform and assist its strategic planning, management and decision-making in line with its values and in support of its ultimate parent company's strategic objectives. Further details on this can be found on page 9 of the 2020 Annual Report of Hill & Smith Holdings PLC.

By order of the Board



C A Henderson  
Secretary

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

22 June 2021

## Directors' Report

The Directors present their Report and Financial Statements for the year ended 31 December 2020.

### Research and development

The Company invests in research and development on occasion. During the year it invested a total of £nil (2019: £nil).

### Dividends

A dividend payment of £1,500,000 has been made in the year ended 31 December 2020 (2019: £1,500,000). There are no proposed dividends.

### Directors

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

N Clarke  
A Paterson  
A J Beaney

### Political contributions

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

### Employees

Details of the number of employees and related costs can be found in Note 7 to the Financial Statements.

Applications for employment by disabled persons are considered fully, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The Company participates in Hill & Smith Holdings PLC's policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

### Financial risk

The financial risk management objectives and policies are managed by the directors of Hill & Smith Holdings PLC on a Group basis. From the perspective of the Company, the financial risks are integrated within the financial risks of the Group and are not managed separately. Accordingly, the financial risks of the Group, which include those of the Company, are discussed within the financial risk management section of the Group's Annual Report which does not form part of this Annual Report. Details on how to obtain a copy of the Group's Annual Report are included in Note 26.

### Going concern

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

The Company is a trading company in the Group. As at 31 December 2020, the Company had net current liabilities of £1,841,000. The Company is a party to cross guarantees given for loans and borrowings of the ultimate parent company, Hill & Smith Holdings PLC, and certain fellow subsidiaries as detailed in note 21. As a result, the Company's funding requirements are directly linked to the Group's overall financial position.

## **Directors' Report (continued)**

### ***Going concern (continued)***

At 31 December 2020, the Group had £328.3m of committed borrowing facilities, of which only £1.2m matures before December 2023 at the earliest, and a further £13.8m of on-demand facilities. The amount drawn down under these facilities at 31 December 2020 was £139.0m, which together with cash and cash equivalents of £22.0m gave total headroom of £225.1m (£212.9m committed, £12.2m on demand). The Group has not made any changes to its principal borrowing facilities between 31 December 2020 and the date of approval of these financial statements, and there have been no significant changes to liquidity headroom during that period. At 30 April 2021, the Group's net debt was £162.5m (December 2020: £146.2m). The £16.3m net debt increase during the period includes cash outflows of £7.3m for the FY2020 interim dividend and £12.0m relating to the acquisition of a fellow subsidiary, Prolectric Services Limited.

The Group's principal borrowing facilities are subject to covenants that are measured biannually in June and December, being net debt to EBITDA of a maximum of 3.0x and interest cover of a minimum of 4.0x, based on measures as defined in the facilities agreements which are adjusted from the equivalent IFRS amounts. The ratio of net debt to EBITDA at 31 December 2020 was 1.3 times and interest cover was 17.0 times.

In assessing whether these financial statements should be prepared on a going concern basis, the Directors have prepared cash flow forecasts for the Company through until 30 June 2022. The Group have aggregated the cash flow forecasts of the Group's subsidiaries to form a Group 'base case' scenario. In this 'base case' scenario, the forecasts indicate significant liquidity headroom will be maintained above the Group's borrowing facilities and financial covenants will be met throughout the period, including the covenant tests at 30 June 2021, 31 December 2021 and 30 June 2022.

The Group has carried out stress tests against the base case to determine the performance levels that would result in a breach of covenants or a reduction of headroom against its borrowing facilities to nil during the period to June 2022. The Group consider there are no reasonably plausible scenarios that would result in a breach of covenants or a reduction of headroom against its borrowings facilities to nil during this period given the ability of the Group to continue its operations throughout the COVID-19 pandemic (noting that revenues fell by only 22% in the second quarter of 2020, the worst-affected period), its ability to return to more normalised activity levels during the second half of 2020 and 2021 to date, and the positive future outlook across the infrastructure markets in which it operates. The Group also has several mitigating actions under its control including minimising capital expenditure to critical requirements, reducing levels of discretionary spend, rationalising its overhead base and curtailing future dividend payments which, although not forecast to be required, could be implemented in order to be able to meet the covenant tests and to continue to operate within borrowing facility limits. Further details are provided in the Group's 2020 annual report which can be obtained from the address in note 26.

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

### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

**Directors' Report** *(continued)*

**Other matters**

In accordance with section 414C(11) of the Companies Act 2006, certain information, including future business developments, are not presented in the Directors' Report because it is disclosed in the Strategic Report.

Details of greenhouse gas emissions, energy consumption and energy efficiency required by Part 7 of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are included in the Group's Annual Report. Details on how to obtain a copy of the Group's Annual Report are included in note 26.

By order of the Board



**C A Henderson**  
Secretary

22 June 2021

Westhaven House  
Arleston Way  
Shirley  
Solihull  
West Midlands  
B90 4LH



## **Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent Auditor's Report to the members of Mallatite Limited**

### **Opinion**

We have audited the financial statements of Mallatite Limited for the year ended 31 December 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue through until 30 June 2022.

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

### **Other information**

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

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

## **Independent Auditor's Report to the members of Mallatite Limited (*continued*)**

### **Other information (*continued*)**

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 there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the 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 directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

## Independent Auditor's Report to the members of Mallatite Limited (continued)

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 Reduced Disclosure Framework and the Companies Act 2006) and compliance with the relevant direct and indirect tax regulations in the United Kingdom. In addition, the Company complies with laws and regulations relating to its operations, health and safety, environmental and data protection.
- We understood how Mallatite Limited is complying with those frameworks by reviewing the Company policies and procedures for creating awareness of laws and regulations and how to report any instances of non-compliance. This included: the issuance of, and adherence to, a Group Policy Manual; review by an internal audit function to ensure adherence; and availability of a whistle-blowing hotline to report any instances of non-compliance. We reviewed the board minutes for evidence of discussion of legal matters and corroborated the lack of legal matters through inspecting a sample of the legal expenses included in the company's income statement.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by understanding the culture and controls present at Mallatite Limited and whether this had a strong emphasis on the prevention and detection of fraud. We also understood the performance targets related to the Company and their influence on efforts that might be made by management to manage earnings or influence the perceptions of users of the financial statements. Through these procedures we determined there to be a risk of management override associated with revenue and a fraud risk around revenue recognition relating to manual journals. In relation to management override, we performed journal entries testing on the manual journals recorded in revenue using data analytic techniques to sample from the entire population of journals, identifying specific transactions which did not meet our expectations based on specific criteria, and investigated these and confirmed that the journals were for appropriate business reasons and verified them to relevant source documentation. Our analytical review procedures focused on identifying unusual trends and unexpected relationships and increased our understanding of the entity and its environment.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiry of senior management and those charged with governance as to their awareness of non-compliance with laws and regulations, enquiry of the Group's internal legal counsel and review of internal audit reports and board minutes. A review of payments to detect unrecorded liabilities, contrary evidence and available correspondence with third parties did not identify any noncompliance.

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

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

 Ernst & Young LLP

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

Date: 23 June 2021

**Profit and Loss Account**  
*for the year ended 31 December 2020*

	<i>Note</i>	<b>2020</b> <b>£000</b>	2019 £000
<b>Turnover</b>	<b>3</b>	<b>23,054</b>	19,944
Cost of sales		<b>(15,928)</b>	(13,289)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>7,126</b>	6,655
Distribution costs		<b>(1,179)</b>	(944)
Administrative expenses		<b>(2,319)</b>	(3,505)
		<hr/>	<hr/>
Operating profit before profit on sale of property and re-organisation costs		<b>1,941</b>	2,206
Profit on sale of property and re-organisation costs	<b>4</b>	<b>1,687</b>	-
		<hr/>	<hr/>
<b>Operating profit being profit before interest and taxation</b>		<b>3,628</b>	2,206
		<hr/>	<hr/>
Interest receivable	<b>8</b>	<b>88</b>	48
Interest payable	<b>9</b>	<b>(252)</b>	(157)
		<hr/>	<hr/>
<b>Profit before taxation</b>	<b>5</b>	<b>3,464</b>	2,097
Taxation on profit	<b>10</b>	<b>(259)</b>	(414)
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<b>3,205</b>	1,683
		<hr/> <hr/>	<hr/> <hr/>

**Statement of Comprehensive Income**

*Items that will not be classified to profit or loss:*

Taxation on other comprehensive income	-	-
	<hr/>	<hr/>
<b>Other comprehensive income for the year, net of tax</b>	-	-
	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	<b>3,205</b>	1,683
	<hr/> <hr/>	<hr/> <hr/>

All operations are continuing.

The notes on pages 14 to 33 form part of the Financial Statements.

## Balance Sheet

as at 31 December 2020

	Note	2020	2019
		£000	£000
<b>Fixed assets</b>			
Intangible assets	11	11,624	7,668
Tangible assets	12	610	2,621
Right-of-use assets	13	829	413
Investments	14	2,440	7,000
		<b>15,503</b>	<b>17,702</b>
<b>Current assets</b>			
Stocks	15	2,667	2,484
Debtors	16	3,386	2,610
Cash at bank and in hand		4,528	3,690
		<b>10,581</b>	<b>8,784</b>
<b>Creditors: Amounts falling due within one year</b>	17	<b>(12,422)</b>	<b>(14,232)</b>
<b>Net current liabilities</b>		<b>(1,841)</b>	<b>(5,448)</b>
<b>Total assets less current liabilities</b>		<b>13,662</b>	<b>12,254</b>
<b>Creditors: Amounts falling due after more than one year</b>	17	<b>(7,596)</b>	<b>(7,230)</b>
<b>Net assets</b>		<b>6,066</b>	<b>5,024</b>
<b>Capital and reserves</b>			
Called up share capital	20	3,268	3,268
Share premium account		35	35
Capital redemption reserve		134	134
Profit and loss account		2,629	1,587
<b>Total equity shareholder's funds</b>		<b>6,066</b>	<b>5,024</b>

The notes on pages 14 to 33 form part of the Financial Statements.

These Financial Statements were approved by the Board of Directors and signed on their behalf by:

N Clarke  
Director

A Paterson  
Director

22 June 2021

Company No. 02621328

**Statement of Changes in Equity**  
*for the year ended 31 December 2020*

	Called up share capital £000	Share premium account £000	Capital redemption account £000	Profit and loss account £000	Total equity shareholder's funds £000
<b>At 1 January 2019</b>	<b>3,268</b>	<b>35</b>	<b>134</b>	<b>1,397</b>	<b>4,834</b>
<b>Comprehensive income</b>					
Profit for the year	-	-	-	1,683	1,683
Other comprehensive income for the year	-	-	-	-	-
Tax taken directly to the Statement of Changes in Equity	-	-	-	7	7
<b>Transactions with owners recognised directly in equity</b>					
Dividends	-	-	-	(1,500)	(1,500)
<b>At 1 January 2020</b>	<b>3,268</b>	<b>35</b>	<b>134</b>	<b>1,587</b>	<b>5,024</b>
<b>Comprehensive income</b>					
Profit for the year	-	-	-	3,205	3,205
Other comprehensive income for the year	-	-	-	-	-
Tax taken directly to the Statement of Changes in Equity	-	-	-	2	2
<b>Transactions with owners recognised directly in equity</b>					
Dividends	-	-	-	(1,500)	(1,500)
Hive-up of Signpost Solutions Limited (note 14)	-	-	-	(665)	(665)
<b>At 31 December 2020</b>	<b>3,268</b>	<b>35</b>	<b>134</b>	<b>2,629</b>	<b>6,066</b>

The share premium account represents the amount of proceeds received for shares in excess of their nominal value of £1 per share.

Capital redemption reserve arose on the repurchase and cancellation of own shares.

Profit and loss account reserve represents accumulated retained earnings.

## Notes to the financial statements

### 1 General Information

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

### 2 Accounting policies

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

#### ***Basis of preparation***

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with applicable accounting standards. The Company has used a true and fair view override in respect of the non amortisation of goodwill.

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

The Company's ultimate parent undertaking, Hill & Smith Holdings PLC includes the Company in its Consolidated Financial Statements. The Consolidated Financial Statements of Hill & Smith Holdings PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Group Headquarters (see Note 26).

#### ***Significant accounting estimates or judgements***

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

The key accounting estimates or judgements made were:

*Investment recoverability (note 14)* – The determination of whether investments should be impaired requires, amongst other factors, the estimation of future cash flows and growth factors adopted for each investment to which the Company holds. Furthermore, discount rates applied to these cash flows are determined by reference to the markets in which they operate and are risk adjusted to reflect risks and opportunities existing for each investment. As a result of the impairment review in the current year, an impairment charge of £4,560,000 has been incurred.

#### ***New IFRS standards and interpretations adopted during 2020***

In 2020 the following amendments had been endorsed by the EU, became effective and therefore were adopted by the Company:

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Conceptual Framework for Financial Reporting issued on 29 March 2018

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

#### ***Exemptions***

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

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



## Notes to the financial statements *(continued)*

### 2 Accounting policies *(continued)*

#### **Exemptions *(continued)***

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

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures;
- Certain disclosures required by IFRS 15 Revenue from Contracts with Customers; and
- Certain disclosures required by IFRS 16 Leases.

#### **Measurement convention**

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

#### **Consolidation**

In accordance with Section 400 of the Companies Act 2006, consolidated accounts have not been prepared as the Company is a wholly owned subsidiary of Hill & Smith Holdings PLC, a company incorporated in England, which has prepared Consolidated Financial Statements to include the results of the Company.

#### **Going concern**

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

The Company is a trading company in the Group. As at 31 December 2020, the Company had net current liabilities of £1,841,000. The Company is a party to cross guarantees given for loans and borrowings of the ultimate parent company, Hill & Smith Holdings PLC, and certain fellow subsidiaries as detailed in note 21. As a result, the Company's funding requirements are directly linked to the Group's overall financial position.

At 31 December 2020, the Group had £328.3m of committed borrowing facilities, of which only £1.2m matures before December 2023 at the earliest, and a further £13.8m of on-demand facilities. The amount drawn down under these facilities at 31 December 2020 was £139.0m, which together with cash and cash equivalents of £22.0m gave total headroom of £225.1m (£212.9m committed, £12.2m on demand). The Group has not made any changes to its principal borrowing facilities between 31 December 2020 and the date of approval of these financial statements, and there have been no significant changes to liquidity headroom during that period. At 30 April 2021, the Group's net debt was £162.5m (December 2020: £146.2m). The £16.3m net debt increase during the period includes cash outflows of £7.3m for the FY2020 interim dividend and £12.0m relating to the acquisition of a fellow subsidiary, Prolectric Services Limited.

The Group's principal borrowing facilities are subject to covenants that are measured biannually in June and December, being net debt to EBITDA of a maximum of 3.0x and interest cover of a minimum of 4.0x, based on measures as defined in the facilities agreements which are adjusted from the equivalent IFRS amounts. The ratio of net debt to EBITDA at 31 December 2020 was 1.3 times and interest cover was 17.0 times.

## Notes to the financial statements *(continued)*

### 2 Accounting policies *(continued)*

#### ***Going concern (continued)***

In assessing whether these financial statements should be prepared on a going concern basis, the Directors have prepared cash flow forecasts for the Company through until 30 June 2022. The Group have aggregated the cash flow forecasts of the Group's subsidiaries to form a Group 'base case' scenario. In this 'base case' scenario, the forecasts indicate significant liquidity headroom will be maintained above the Group's borrowing facilities and financial covenants will be met throughout the period, including the covenant tests at 30 June 2021, 31 December 2021 and 30 June 2022.

The Group has carried out stress tests against the base case to determine the performance levels that would result in a breach of covenants or a reduction of headroom against its borrowing facilities to nil during the period to June 2022. The Group consider there are no reasonably plausible scenarios that would result in a breach of covenants or a reduction of headroom against its borrowings facilities to nil during this period given the ability of the Group to continue its operations throughout the COVID-19 pandemic (noting that revenues fell by only 22% in the second quarter of 2020, the worst-affected period), its ability to return to more normalised activity levels during the second half of 2020 and 2021 to date, and the positive future outlook across the infrastructure markets in which it operates. The Group also has several mitigating actions under its control including minimising capital expenditure to critical requirements, reducing levels of discretionary spend, rationalising its overhead base and curtailing future dividend payments which, although not forecast to be required, could be implemented in order to be able to meet the covenant tests and to continue to operate within borrowing facility limits. Further details are provided in the Group's 2020 annual report which can be obtained from the address in note 26.

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

#### ***Investments in subsidiary undertakings***

Investments in subsidiary undertakings are stated at cost less amounts written off for impairment. Investments are reviewed for impairment where events or circumstances indicate that their carrying value may not be recoverable.

#### ***Foreign currencies***

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

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### **Turnover**

Turnover is measured based on the consideration specified in a contract with a customer for the provision of goods and services. The amount recognised excludes sales taxes and is adjusted for any discounts or volume rebates that are included in the contract. The Company does not routinely offer discounts or volume rebates, but where it does the variable element of revenue is based on the most likely amount of consideration that the Company believes it will receive. The Company recognises revenue when it transfers control over a good or service to a customer.

From 1 January 2020, the Company classified proceeds from the sale of scrap products generated in the manufacturing process within revenue. In 2020 these sales totalled £75,000. Prior to this date these proceeds were offset against cost of sales. The amount offset against cost of sales for the year-ended 31 December 2019 was £78,000. This is not considered material to warrant retrospective adjustment as the change a) is not material to the line items of revenue or cost of sales; b) has no impact on any monetary profit measure (gross profit, operating profit, pre or post tax profit); c) has no impact on remuneration or reward of the Directors or management; and d) does not change any other of the primary financial statements.

#### **Goodwill**

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units of which there is only one (galvanisers). The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the Company amortised goodwill a period of 20 years would have been chosen as the useful life for goodwill. The profit for the year would have been £562,000 lower had goodwill been amortised in the year.

#### **Financial instruments**

##### *Trade and other debtors*

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

##### *Trade and other creditors*

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

##### *Interest-bearing borrowings*

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

##### *Derivative financial instruments*

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

##### *Fair value hedges*

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

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### **Provisions**

A provision is recognised in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

#### **Pension scheme arrangements**

##### **Defined contribution scheme**

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the profit and loss account as incurred.

#### **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.

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. Land is not depreciated. The estimated useful lives are as follows:

Plant, equipment and vehicles	-	4 to 20 years
Buildings and leasehold improvements	-	50 years

Depreciation methods, useful lives and residual values are reviewed at each Balance Sheet date.

#### **Stocks and work in progress**

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

#### **Leases**

To the extent that a right-of-control exists over an asset subject to a lease and with a lease term exceeding one year, the Company recognises: a right-of-use asset, representing the underlying lease asset, and a lease liability, representing the Company's obligation to make lease payments. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the dismantling, removal and restoration costs as required by the terms of the lease contract.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to annual impairment testing, where indicators of impairment exist.

The lease liability is measured at the present value of the future lease payments discounted using the Company's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Future lease payments include: fixed payments, variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date), amounts expected to be payable under a residual guarantee and the exercise price of purchased options where it is reasonably certain that the option will be exercised. Finance charges, representing the unwinding of the discount rate, are recognised in the Profit and Loss Account over the period of the lease.

## Notes to the financial statements *(continued)*

### 2 Accounting policies *(continued)*

#### *Leases (continued)*

The Company elects not to apply the lease accounting model to short term leases (less than 12 month lease term) and low value assets. Accordingly, the lease payments for short term leases and low value assets are recognised as an expense on a straight line basis over the lease term.

For vehicle leases, where it is not practical to separate the non-lease components from the lease components, the Company elects to treat lease component and non-lease component as a single lease component.

#### *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

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

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

#### *Share based payments*

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted.

The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The share option programme allows employees to acquire shares of the ultimate parent company Hill & Smith Holdings PLC. The fair value of options granted after 7 November 2002 and those not yet vested by 31 December 2004 are not recognised as an employee expense, while those vested from 1 January 2005 onwards are expensed with a corresponding increase in equity.

Share-based payments are recharged by the ultimate parent company to participating subsidiary undertakings on an annual basis. Where the Company's parent grants rights to its equity instruments to the Group's or the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Group or the Company as the case may be account for these share-based payments as equity settled.

## Notes to the financial statements *(continued)*

### 2 Accounting policies *(continued)*

#### **Dividends**

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

#### **Expenses**

##### *Interest receivable and Interest payable*

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

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

## Notes to the financial statements *(continued)*

### 3 Turnover

The turnover of the Company is derived from the following geographical markets:

	2020 £000	2019 £000
United Kingdom	22,988	19,898
Rest of Europe	56	46
Rest of the world	10	-
	<hr/> 23,054 <hr/>	<hr/> 19,944 <hr/>

In the opinion of the Directors, there is only one major product line.

### 4 Profit on sale of property and re-organisation costs

	2020 £000	2019 £000
Profit on sale of property	1,969	-
Re-organisation costs	(282)	-
	<hr/> 1,687 <hr/>	<hr/> - <hr/>

During the year the Company disposed of two properties, generating a profit on sale of £1,969,000. The profit on sale of the properties is presented separately in the profit and loss account as it is a material item arising from a transaction that falls outside the ordinary activities of the Company and is not expected to recur.

As a result of the challenging economic environment and the impact of COVID-19 pandemic, the Company took the decision to restructure the business resulting in a cash reorganisation cost of £282,000 during the year.

No such costs were incurred the prior year.

### 5 Profit before taxation

	2020 £000	2019 £000
<b>Profit before taxation is stated</b>		
<i>after charging:</i>		
Depreciation:		
Owned assets	309	289
Right-of-use assets	197	184
Low value leases	17	12
Auditor's remuneration	29	27
<i>after crediting:</i>		
Profit on sale of fixed assets	<hr/> 1,906 <hr/>	<hr/> - <hr/>

## Notes to the financial statements *(continued)*

### 6 Remuneration of Directors

Aggregate Directors' remuneration for the year was as follows:

	2020 £000	2019 £000
Emoluments	392	354
Company contributions to money purchase pension schemes	50	48
	<u>442</u>	<u>402</u>
	<u><u>442</u></u>	<u><u>402</u></u>
	Number	Number
Directors exercising share options	-	-
Directors who are members of defined benefit pension schemes	-	-
	<u><u>-</u></u>	<u><u>-</u></u>

The remuneration of the highest paid Director excluding pension contributions was £256,000 (2019: £223,000). His accrued pension entitlement per annum at the year end was £nil (2019: £nil).

The remuneration of A J Beaney is paid by another Hill & Smith Holdings PLC group company as he provides services to a number of companies within the Group and the services he delivers to the Company are considered incidental to his wider Group role.

### 7 Staff numbers and costs

The average number of persons employed by the Company (including Directors) all of whom were involved in the principal activity was:

	2020 Number	2019 Number
Production	106	97
Administration	19	15
Sales and distribution	27	24
	<u>152</u>	<u>136</u>
	<u><u>152</u></u>	<u><u>136</u></u>

The aggregate payroll costs of these persons were:

	£000	£000
Wages and salaries	3,981	3,538
Share-based payment (see note 24)	16	19
Social security costs	371	336
Other pension costs (see note 18)	154	117
	<u>4,522</u>	<u>4,010</u>
	<u><u>4,522</u></u>	<u><u>4,010</u></u>



**Notes to the financial statements (continued)**

**8 Interest receivable**

	2020 £000	2019 £000
Bank interest receivable	88	48
	<u>88</u>	<u>48</u>

**9 Interest payable and similar charges**

	2020 £000	2019 £000
On loans from group undertakings	233	149
Interest on lease liabilities (note 13)	10	8
Other interest payable	9	-
	<u>252</u>	<u>157</u>

**10 Taxation on profit**

*Analysis of charge in year*

	2020 £000	2019 £000
<i>UK corporation tax</i>		
Current tax for the year	352	421
Relating to the prior year	(60)	6
	<u>292</u>	<u>427</u>
<i>Deferred tax (see note 19)</i>		
Current year credit	(20)	(7)
Relating to the prior year	8	(6)
Effect of change in tax rate	(21)	-
	<u>(33)</u>	<u>(13)</u>
Deferred tax credit		
	<u>259</u>	<u>414</u>

## Notes to the financial statements (*continued*)

### 10 Taxation on profit (*continued*)

#### *Factors affecting tax charge for the year*

The effective current tax rate for the year is lower (2019: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2020 £000	2019 £000
<i>Total tax reconciliation</i>		
Profit before taxation	3,464	2,097
	<hr/>	<hr/>
Profit multiplied by the effective rate of corporation tax in the UK of 19% (2019: 19%)	658	398
<i>Effects of:</i>		
(Non-taxable income)/Expenses not deductible for tax purposes	(348)	15
Difference between current and deferred tax rates	-	1
Change in deferred tax rate	(21)	-
Relating to the prior year	(52)	-
Tax relating to trading profit on business hived up in year	22	-
	<hr/>	<hr/>
<b>Total tax charge</b>	<b>259</b>	<b>414</b>
	<hr/>	<hr/>

The UK Finance Act 2016 included a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2020. However, in the UK budget on 11 March 2020, it was announced that the tax rate reduction to 17% would not occur and the UK corporation tax rate would instead remain at 19%. As the 19% rate was substantively enacted by the balance sheet date, deferred tax balances relating to the UK have been calculated at 19% (2019: 17%).

In the UK Budget on 3 March 2021 it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As any substantive enactment will be after the balance sheet date, UK related deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%.

## Notes to the financial statements (continued)

### 11 Intangible assets

	Capitalised development costs £000	Goodwill £000	Total £000
<b>Cost</b>			
At 1 January 2020	-	7,668	7,668
Acquired on hive up of trade and assets (note 14)	319	-	319
Addition (note 14)	-	3,895	3,895
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2020</b>	<b>319</b>	<b>11,563</b>	<b>11,882</b>
	<hr/>	<hr/>	<hr/>
<b>Provision</b>			
At 1 January 2020	-	-	-
Acquired on hive up of trade and assets (note 14)	258	-	258
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2020</b>	<b>258</b>	<b>-</b>	<b>258</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>At 31 December 2020</b>	<b>61</b>	<b>11,563</b>	<b>11,624</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2019	-	7,668	7,668
	<hr/>	<hr/>	<hr/>

Of the goodwill at 31 December 2020, £7,668,000 arose as a result of the acquisition of the issued share capital of Signature Limited in 2016, and certain trade and assets of D Gibson Road and Quarry Services Limited in 2018. The remaining £3,895,000 arose on the hive up of the Signpost Solutions Limited trade and assets on 31 January 2020 (refer to note 14 for further details).

## Notes to the financial statements *(continued)*

### 12 Tangible fixed assets

	Land and buildings £000	Plant, equipment and vehicles £000	Total £000
<b>Cost</b>			
At 1 January 2020	3,588	3,995	7,583
Additions	-	181	181
Disposals	(3,420)	(340)	(3,760)
Acquired on hive up of trade and assets (note 14)	1,222	1,125	2,347
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2020</b>	<b>1,390</b>	<b>4,961</b>	<b>6,351</b>
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January 2020	1,231	3,731	4,962
Charge for the year	91	218	309
Disposals	(1,113)	(225)	(1,338)
Acquired on hive up of trade and assets (note 14)	888	920	1,808
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2020</b>	<b>1,097</b>	<b>4,644</b>	<b>5,741</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>At 31 December 2020</b>	<b>293</b>	<b>317</b>	<b>610</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2019	2,357	264	2,621
	<hr/>	<hr/>	<hr/>

The gross book value of land and buildings includes freehold land of £nil (2019: £950,000) and short leaseholds (<50 years) of £21,000 (2019: £nil).

## Notes to the financial statements (continued)

### 13 Leases

The leases held by the Company can be split into two categories: land and buildings and plant, equipment and vehicles. The Company leases various properties for its manufacturing and distribution activities. Plant, equipment and vehicles include all other leases.

The movements in the carrying value of the right-of-use assets and lease liabilities for the year are as follows:

Right-of-use assets	Plant, equipment and vehicles £000	Land and buildings £000	Total £000
<b>At 1 January 2019</b>	-	-	-
Recognition on initial adoption of IFRS 16	471	-	471
Additions	126	-	126
Charge for the year	(184)	-	(184)
<b>At 31 December 2019</b>	<b>413</b>	<b>-</b>	<b>413</b>
Additions	46	-	46
Acquired on hive up of trade and assets (note 14)	-	641	641
Terminations	(51)	(23)	(74)
Charge for the year	(154)	(43)	(197)
Re-classification	(32)	32	-
<b>At 31 December 2020</b>	<b>222</b>	<b>607</b>	<b>829</b>

Lease liabilities	2020 £000	2019 £000
<b>Balance at 1 January</b>	<b>404</b>	<b>-</b>
Recognition on initial adoption of IFRS 16	-	458
Additions	45	126
Acquired on hive up of trade and assets (note 14)	643	-
Terminations	(77)	-
Interest expense	10	8
Lease payments	(221)	(188)
<b>Balance at 31 December</b>	<b>804</b>	<b>404</b>

## Notes to the financial statements *(continued)*

### 13 Leases *(continued)*

The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance costs:

	2020 £000	2019 £000
Depreciation of right-of-use assets	197	184
Low value lease expense	17	12
<b>Charged to operating profit</b>	<b>214</b>	<b>196</b>
Interest expense relating to lease liabilities	10	8
<b>Charged to profit before taxation</b>	<b>224</b>	<b>204</b>

The maturity of the lease liabilities at 31 December were as follows:

	2020 £000	2019 £000
Due within one year	208	174
Due between one and two years	168	134
Due between two and five years	346	96
Due after more than five years	82	-
<b>Total lease liabilities</b>	<b>804</b>	<b>404</b>

## Notes to the financial statements (continued)

### 14 Investments

	Shares in subsidiary undertakings £000
<b>Cost</b>	
At 1 January 2020	15,027
<b>At 31 December 2020</b>	<b>15,027</b>
<b>Provisions</b>	
At 1 January 2020	8,027
Impairment during the year	4,560
<b>At 31 December 2020</b>	<b>12,587</b>
<b>Net realisable value</b>	
<b>At 31 December 2020</b>	<b>2,440</b>
At 31 December 2019	7,000

During the prior year, the Company acquired the entire issued share capital of Signpost Solutions Limited, a company registered and domiciled in England. The registered office address of Signpost Solutions Limited is the same as the ultimate parent detailed in note 26. The trade and certain assets were hived up into the Company on 31 January 2020 for consideration of £2,445,000, left outstanding on account. Details of the resulting assets and liabilities hived up are shown below:

	£000
Intangible fixed assets	61
Tangible fixed assets	539
Right-of-use assets	641
Stock	775
Trade and other debtors	1,454
Cash	897
Trade and other creditors	(823)
Corporation tax creditor	(27)
Accruals	(427)
Deferred tax liability	(2)
Lease liability	(643)
<b>Net assets hived-up</b>	<b>2,445</b>

Following the hive up, the Company's investment in Signpost Solutions Limited was impaired down to the remaining net asset value of the entity, resulting in an impairment charge in the Company of £4,560,000. Following the hive-up, the goodwill recognised within the Group's consolidated financial statements at the original acquisition date, of £3,895,000, has been recognised within the Company. The net of these two transactions has generated a loss on hive-up of £665,000. Given the acquisition took place in the prior year, the loss has been treated as an equity transaction in the current year financial statements.

The Company also holds 100% of the issued share capital of Signature Limited. The carrying value of the investment is £nil (2019: £nil).

## Notes to the financial statements (continued)

### 15 Stocks

	2020 £000	2019 £000
Raw material and consumables	980	982
Work in progress	98	85
Finished goods	1,589	1,417
	<u>2,667</u>	<u>2,484</u>

The amount of stocks expensed to the profit and loss account in the year was £14,382,000 (2019: £12,047,000).

The value of stocks written down and expensed in the profit and loss account amounted to £208,000 (2019: £nil).

### 16 Debtors

	2020 £000	2019 £000
Trade debtors	2,874	2,157
Amounts owed by group undertakings	11	16
Deferred tax (note 19)	228	195
Prepayments and accrued income	273	242
	<u>3,386</u>	<u>2,610</u>

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

### 17 Creditors

#### Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	4,472	3,631
Amounts owed to group undertakings	4,113	8,229
Other creditors	190	-
Corporation tax	351	461
Other tax and social security	2,060	607
Accruals	1,028	1,130
Lease liabilities (note 13)	208	174
	<u>12,422</u>	<u>14,232</u>

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



## Notes to the financial statements (continued)

### 17 Creditors (continued)

#### Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Lease liabilities (note 13)	596	230
Amounts owed to group undertakings	7,000	7,000
	<u>7,596</u>	<u>7,230</u>

### 18 Pension liabilities

The Company operates a defined benefit contribution pension plan for its employees. The pension cost for the year represents contributions payable by the company to the fund and amounted to £154,000 (2019: £117,000).

### 19 Deferred tax asset

The movements in deferred taxation during the year are as follows:

	Deferred Tax £000
At 1 January 2020	195
Profit and loss account	33
Statement of changes in equity	2
Acquired on hive up of trade and assets (note 14)	(2)
At 31 December 2020	<u>228</u>

Details of amounts recognised for deferred taxation follow:

	2020 £000	2019 £000
Capital allowances in excess of depreciation	157	135
Short term timing differences	70	63
Right-of-use assets	1	(3)
Deferred tax asset	<u>228</u>	<u>195</u>

## Notes to the financial statements (continued)

### 20 Called up share capital

	2020 £000	2019 £000
<i>Allotted, called up and fully paid</i>		
3,159,378 (2019: 3,159,378) ordinary shares of £1 each	3,160	3,160
34,078 (2019: 34,078) "A" ordinary shares of £1 each	34	34
74,044 (2019: 74,044) "B" ordinary shares of £1 each	74	74
	<u>3,268</u>	<u>3,268</u>

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

### 21 Contingent liabilities

The Company is a party to cross guarantees given for bank loans and overdrafts of the ultimate parent company and certain fellow subsidiaries amounting to £133,621,000 (2019: £223,572,000).

The Company has no other guarantees (2019: £nil).

### 22 Commitments

The Company pays an annual rental charge of £338,000 (2019: £338,000) to Hawkshead Properties Limited. This is charged on an arm's length basis and is cancellable at any time. As a result, the lease payments are recognised as an expense on a straight line basis over the lease term.

The Company had capital expenditure contracted but not provided in the Financial Statements at the year end of £nil (2019: £nil).

At the year end, the Company had no forward currency commitments (2019: £nil).

### 23 Dividends

	2020 £000	2019 £000
Aggregate amount of dividends paid in the financial year: 45.9 pence per share (2019: 45.9 pence per share)	1,500	1,500
	<u>1,500</u>	<u>1,500</u>

### 24 Share-based payments

Employees of the Company have been granted various options in the ultimate parent company, which have given rise to charges related to the implied share-based payments, the details of which can be found in the Financial Statements of Hill & Smith Holdings PLC.

The total expense recognised for the period arising from share based payments is as follows:

	2020 £000	2019 £000
Expensed during the year	16	19
	<u>16</u>	<u>19</u>

## **Notes to the financial statements** *(continued)*

### **25 Related party transactions**

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

### **26 Ultimate parent company and controlling party**

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

Westhaven House  
Arleston Way  
Shirley  
Solihull  
B90 4LH

### **27 Post Balance Sheet events**

There were no significant post balance sheet events.