VARLEY & GULLIVER LIMITED

Registered number 00330433

Annual Report and Financial Statements

For the year ended 31 December 2022

Contents

Key performance indicators
The Group's key performance indicators ("KPIs") are commented on in detail in the Hill & Smith PLC annual report. No Company specific KPIs are recorded for non-trading entities, as these will typically focus on performance comparisons which cannot be drawn on entities without trade.

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 PLC, which this statement underpins, can be found on page 75 of its 2022 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.

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 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 6 of the 2022 Annual Report of Hill & Smith PLC.

By order of the Board

C A Henderson
Secretary
24 July 2023

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

Directors' Report

The Directors present their Report and audited Financial Statements for the year ended 31 December 2022.

Research and development
The Company continues to invest in research and development. During the year it invested a total of £nil (2021: £41,000).

Dividends
Dividends of £2,523,000 were paid in the year ended 31 December 2022 (2021: £nil). There are no proposed dividends.

Directors
The Directors serving during the year and in the period up to the date of this report, none of whom has any beneficial interest in the shares of the Company, were as follows:

D V Copeland	(resigned 13 June 2022)
A D Skipp	(resigned 30 June 2022)
A J Beaney	(resigned 31 January 2022)
A Reed	(appointed 19 May 2022)
P J Wilkinson	(appointed 19 May 2022)

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

The company made charitable donations of £nil during the year (2021: £1,000).

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 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 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 23.

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 2022, the Company had net current assets of £165,000. The Company is a party to cross guarantees given for loans and borrowings of the ultimate parent company, Hill & Smith PLC, and certain fellow subsidiaries as detailed in note 20. As a result, the Company's funding requirements are directly linked to the Group's overall financial position.

Strategic Report

The Directors present their Annual Report and Financial Statements of Varley & Gulliver Limited ('the Company') for the year ended 31 December 2022.

Principal activity
The principal activity of the Company during the year was the manufacture and distribution of infrastructure products, predominantly steel fabricated products including road safety barriers. From 1 January 2022, the Company ceased most of its trading.

Business review and future developments
Overview - Turnover for the year decreased to £nil (2021: £6,833,000), with operating loss for the year of £112,000 (2021: £2,284,000).

During the prior year, Hill & Smith PLC ('the Group') announced that it would be forming a new VRS Solutions Group ('VSG'), bringing together all existing UK VRS businesses to combine strengths and expertise in temporary and permanent containment solutions. As a result of this internal restructure, the Company merged with some of the existing divisions belonging to a fellow Group company, Hill & Smith Infrastructure Limited.

As such, on 31 December 2021 Hill & Smith Limited purchased 100% of the Company's ordinary shares from Hill & Smith PLC. The Company then undertook a bonus issue of share capital from the capital redemption reserve and issued shares to Hill & Smith Infrastructure Limited to fully extinguish the capital redemption reserve. Finally, the Company undertook a share capital reduction to reduce its share capital to 1 £1 share, applying the reduction to its distributable reserves, in readiness for the hive-up of trade and assets.

On 1 January 2022, the trade and certain assets of the Company were hived up into Hill & Smith Infrastructure Limited. This process continued with further assets, predominantly leasehold land and buildings, novating over to Hill & Smith Infrastructure Limited by 10 March 2022.

The operating loss for the year related to administrative expenses remaining payable by Varley & Gulliver Ltd following the hive up of ongoing trade and assets into Hill & Smith Infrastructure Limited.

During the prior year, following the annual impairment review, the Company recognised an impairment charge of £84,000 relating to goodwill. No such charge was recognised in the current year.

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 following key areas of risk to the business: loss of key employees; competition from alternative products; price and availability of raw materials; and changes to worldwide highway standards. The Company mitigate and manage these risks by continuously monitoring current and future financial performance to facilitate rapid responses to changes in market conditions and focusing on talent development and engagement of employees alongside developing appropriate recruitment processes.

Directors' Report *(continued)*

Going concern *(continued)*
At 31 December 2022, the Group had £309.0m of committed borrowing facilities, of which only £0.3m matures before June 2026 at the earliest, and a further £11.5m of on-demand facilities. The Group refinanced its revolving credit facility in November 2022, entering into a new facility with a value of £250m that is committed until November 2026, with an option to extend the maturity by a further period at the one-period anniversary. The Group also holds $70m of Senior Unsecured Notes, and other local committed borrowing facilities of £0.6m. The amount drawn down under these committed facilities at 31 December 2022 was £107.4m, which together with cash and cash equivalents of £24.8m gave total headroom of £237.9m (£226.4m committed, £11.5m on demand). The Group has not made any changes to its principal borrowing facilities between 31 December 2022 and the date of approval of these financial statements. The only significant changes to liquidity headroom during that period were the acquisitions of Enduro Composites, which the Group completed on 17 February 2023 for an initial consideration of £28.7m, and Korns Galvanizing, which the Group acquired on 6 March 2023 for consideration of £9.4m. Substantial headroom against borrowing facilities remains in place post these acquisitions.

The 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 2022 was 0.7 times and interest cover was 21.6 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 2024. 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 2023, 31 December 2023 and 30 June 2024.

The Group has carried out stress tests against the base case to determine the performance levels that would result in a breach of covenants or a reduction of headroom against its borrowing facilities to nil. For a breach of covenants to occur during the relevant period, the Group would need to experience a sustained revenue reduction of 26% compared with current expectations throughout the period from July 2023 through June 2024. A reduction in headroom against borrowing facilities to nil would occur if the Group experienced a sustained revenue reduction of 88% compared with current expectations between July 2023 and June 2024. The Directors do not consider any of these scenarios to be plausible given the generally positive outlook across the infrastructure markets in which the Group operates. The Directors also noted the Group's ability 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. Furthermore, the Group has several mitigating actions under its control including minimising capital expenditure to critical requirements, reducing levels of discretionary spend, rationalising its overhead base and curtailing future dividend payments which, although not forecast to be required, could be implemented in order to be able to meet the covenant tests and to continue to operate within borrowing facility limits. Further details are provided in the Group's 2021 annual report which can be obtained from the address in note 23.

As a result of the above, the Company's ultimate parent, Hill & Smith 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 from the date of approval of these financial statements through to 30 June 2024. 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 from the date of approval of the financial statements, through to 30 June 2024, and therefore have prepared the financial statements on a going concern basis.

Directors' Report *(continued)*

Auditor

The directors:

(a) confirm that the company was entitled to exemption under section 479a of the Companies Act 2006 from the requirement to have its accounts for the financial period ended 31 December 2022 audited.

(b) confirm that members have not required the company to obtain an audit of its accounts for that financial period in accordance with section 476 of that Act.

(c) acknowledge their responsibilities for:

- (i) ensuring that the company keeps adequate accounting records which comply with section 386 of the Companies Act 2006, and
- (ii) preparing accounts which give a true and fair view of the assets, liabilities, and financial position of the company as at the end of the financial period and of its profit or loss for the financial period in accordance with the requirements of sections 393 and 394 of that Act, and which otherwise comply with the requirements of that Act relating to accounts, so far as applicable to the company.

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 23.

By order of the Board

C A Henderson
Secretary
24 July 2023

Westhaven House
Arleston Way
Shirley
Solihull
West Midlands
United Kingdom
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, Directors' Report and the Financial Statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Profit and Loss Account
for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	3	-	6,833
Cost of sales		-	(6,222)
Gross profit		-	611
Distribution costs		-	(237)
Administrative expenses		**(112)**	(2,658)
Operating loss before goodwill impairment		**(112)**	(2,200)
Goodwill impairment	4	-	(84)
Operating loss before interest and taxation		**(112)**	(2,284)
Interest payable and similar charges	8	**(7)**	(78)
Loss before taxation	5	**(119)**	(2,362)
Taxation on loss	9	**(533)**	472
Loss for the financial year		**(652)**	(1,890)

Statement of Comprehensive Expense

	2022	2021
Items that will not be classified to profit or loss:		
Taxation on other comprehensive income	-	-
Other comprehensive income for the year, net of tax	-	-
Total comprehensive expense for the year	**(652)**	(1,890)

All operations are continuing.

The notes on pages 10 to 28 form part of the Financial Statements.

Balance Sheet
as at 31 December 2022

	Note	**2022**		2021	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*10*		-		129
Tangible assets	*11*		-		3,125
Right-of-use assets	*12*		-		1,470
Investments	*13*		-		-
			-		4,724
Current assets					
Stocks	*14*	-		1,521	
Debtors	*15*	**32**		2,597	
Cash at bank and in hand		**177**		-	
		209		4,118	
Creditors: Amounts falling due within one year	*16*	**(44)**		(4,006)	
Net current assets			**165**		112
Total assets less current liabilities			**165**		4,836
Creditors: Amounts falling due after more than one year	*16*		-		(1,457)
Net assets			**165**		3,379
Capital and reserves					
Called up share capital	*19*		-		-
Capital redemption reserve			-		-
Profit and loss account			**165**		3,379
Total equity shareholder's funds			**165**		3,379

The notes on pages 10 to 28 form part of the Financial Statements.

For the period ended 31 December 2022 the Company was entitled to exemption under section 479a of the Companies Act 2006.
No members have required the Company to obtain an audit of its accounts for the period in question in accordance with section 476 of the Companies Act 2006.
The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.
These Financial Statements were approved by the Board of Directors and signed on their behalf by:

A. Reed

A Reed
Director
24 July 2023

Company No. 00330433

Statement of Changes in Equity
for the year ended 31 December 2022

	Called up share capital £000	Capital Redemption Reserve £000	Profit and loss account £000	Total Equity shareholder's funds £000
Balance at 1 January 2021	1,508	2	3,748	5,258
Comprehensive expense				
Loss for the year	-	-	(1,890)	(1,890)
Other comprehensive income for the year	-	-	-	-
Tax taken directly to the Statement of Changes in Equity	-	-	11	11
Transactions with owners recognised directly in equity				
Capital Reduction (note 19)	(1,508)	(2)	1,510	-
At 31 December 2021	-	-	3,379	3,379
Comprehensive expense				
Loss for the year	-	-	(652)	(652)
Other comprehensive income for the year	-	-	-	-
Tax taken directly to the Statement of Changes in Equity	-	-	(39)	(39)
Transactions with owners recognised directly in equity				
Dividend	-	-	(2,523)	(2,523)
At 31 December 2022	**-**	**-**	**165**	**165**

As explained in the Strategic Report on page 1, during the prior year as part of an internal restructuring exercise the Company undertook a bonus issue of share capital from the capital redemption reserve and issued shares to Hill & Smith Limited to fully extinguish the capital redemption reserve.

Also in the prior year, the Company also undertook a share capital reduction to reduce its share capital to 1 £1 share, applying the reduction to its distributable reserves.

Profit and loss account reserve represents accumulated retained earnings.

Notes to the financial statements

1 General Information

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

2 Accounting policies

The following accounting policies have been applied consistently in the current and prior period in dealing with items which are considered material in relation to the Company's Financial Statements, 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. The presentation and functional currency of these financial statements is Sterling and all amounts are rounded to thousands (£'000) except where otherwise indicated.

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of UK adopted international accounting 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 PLC includes the Company in its Consolidated Financial Statements. The Consolidated Financial Statements of Hill & Smith PLC are prepared in accordance with UK adopted international accounting standards and are available to the public and may be obtained from Group Headquarters (see note 23).

Significant accounting estimates or judgements

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

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

Impairment of goodwill (note 10)

The determination of whether goodwill should be impaired requires, amongst other factors, the estimation of future cash flows and growth factors adopted for each cash generating unit. 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 cash generating unit. Following the annual impairment review, the Company recognised an impairment charge of £nil relating to goodwill. A charge of £84,000 was recognised in the prior year.

New IFRS standards and interpretations adopted during 2022

The following amendments and interpretations apply for the first time in 2022, and therefore were adopted by the company:

- Amendments to IFRS 3 – Reference to Conceptual Frameworks
- Amendments to IAS 16 – Proceeds before intended use
- Amendments to IAS 37 – Onerous Contracts – costs of fulfilling a contract

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

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

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

- 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.

As the Consolidated Financial Statements of Hill & Smith 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.

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 2022, the Company had net current assets of £165,000. The Company is a party to cross guarantees given for loans and borrowings of the ultimate parent company, Hill & Smith PLC, and certain fellow subsidiaries as detailed in note 20. As a result, the Company's funding requirements are directly linked to the Group's overall financial position.

At 31 December 2022, the Group had £309.0m of committed borrowing facilities, of which only £0.3m matures before June 2026 at the earliest, and a further £11.5m of on-demand facilities. The Group refinanced its revolving credit facility in November 2022, entering into a new facility with a value of £250m that is committed until November 2026, with an option to extend the maturity by a further period at the one-period anniversary. The Group also holds $70m of Senior Unsecured Notes, and other local committed borrowing facilities of £0.6m. The amount drawn down under these committed facilities at 31 December 2022 was £107.4m, which together with cash and cash equivalents of £24.8m gave total headroom of £237.9m (£226.4m committed, £11.5m on demand). The Group has not made any changes to its principal borrowing facilities between 31 December 2022 and the date of approval of these financial statements. The only significant changes to liquidity headroom during that period were the acquisitions of Enduro Composites, which the Group completed on 17 February 2023 for an initial consideration of £28.7m, and Korns Galvanizing, which the Group acquired on 6 March 2023 for consideration of £9.4m. Substantial headroom against borrowing facilities remains in place post these acquisitions.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

Going Concern *(continued)*

The 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 2022 was 0.7 times and interest cover was 21.6 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 2024. 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 2023, 31 December 2023 and 30 June 2024.

The Group has carried out stress tests against the base case to determine the performance levels that would result in a breach of covenants or a reduction of headroom against its borrowing facilities to nil. For a breach of covenants to occur during the relevant period, the Group would need to experience a sustained revenue reduction of 26% compared with current expectations throughout the period from July 2023 through June 2024. A reduction in headroom against borrowing facilities to nil would occur if the Group experienced a sustained revenue reduction of 88% compared with current expectations between July 2023 and June 2024. The Directors do not consider any of these scenarios to be plausible given the generally positive outlook across the infrastructure markets in which the Group operates. The Directors also noted the Group's ability 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. Furthermore, the Group has several mitigating actions under its control including minimising capital expenditure to critical requirements, reducing levels of discretionary spend, rationalising its overhead base and curtailing future dividend payments which, although not forecast to be required, could be implemented in order to be able to meet the covenant tests and to continue to operate within borrowing facility limits. Further details are provided in the Group's 2021 annual report which can be obtained from the address in note 23.

As a result of the above, the Company's ultimate parent, Hill & Smith 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 from the date of approval of these financial statements through to 30 June 2024. 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 from the date of approval of the financial statements, through to 30 June 2024, and therefore have prepared the financial statements on a going concern basis.

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 PLC, a company incorporated in England, which has prepared Consolidated Financial Statements to include the results of the Company.

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.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

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.

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. Contracts with customers are generally simple. Revenue is recognised at a point in time, which is when the goods are either despatched or collected by the customer.

The Company classifies proceeds from the sale of scrap products generated in the manufacturing process within revenue.

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. 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. Following the annual impairment review, the Company recognised an impairment charge of £84,000 relating to goodwill, reducing the carrying value to nil. No such charge was recognised in the prior year. Had goodwill been amortised, the carrying value of goodwill at the end of 2021 would have been nil, hence the loss for the year would have been £84,000 lower.

Research and development

Expenditure on research activities is recognised in the Profit and Loss Account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the Profit and Loss Account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

Amortisation
Amortisation is charged to Administrative Expenses in the Profit and Loss Account on a straight-line basis over the estimated useful economic lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each Balance Sheet date. Other intangible assets are amortised from the date they are available for use up to a maximum of 20 years.

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).

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.

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.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

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.

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.

Lease remeasurements

Lease remeasurements may arise either from a reassessment of estimates used in determining the original lease accounting and relating to clauses in the original contract, or from lease modifications. Where a modification does not give rise to a separate lease, the Company accounts for this by remeasuring the lease liability based on the revised rental payments, discounted using a discount rate prevailing at the modification date. The effective date of a modification is the date when both parties agree to the lease modification. A corresponding adjustment is made to the right-of-use asset.

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.

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.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

Taxation (continued)
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.

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.

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.

Dividends
Dividends are recognised in the Financial Statements in the period in which they are approved by the Company's shareholders.

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.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

Share based payments (continued)

The share option programme allows employees to acquire shares of the ultimate parent company Hill & Smith PLC. The fair value of options granted 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)*

3 Turnover

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

	2022	2021
	£000	£000
United Kingdom	-	6,587
Rest of Europe	-	142
Asia	-	75
Rest of the world	-	29
	-	6,833

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

4 Goodwill impairment

	2022	2021
	£000	£000
Goodwill impairment (note 10)	-	84
	-	84

Following the annual impairment review, the Company recognised an impairment charge of £84,000 relating to goodwill in the prior year. No such charge was recognised in the current year.

5 Loss before taxation

	2022	2021
	£000	£000
Loss before taxation is stated		
after charging:		
Depreciation:		
Owned assets	**(11)**	(223)
Right-of-use assets	**(4)**	(76)
Amortisation of intangible assets	**(1)**	(37)
Auditor's remuneration	-	(30)
Foreign exchange loss	-	(13)
after crediting:		
Profit on sale of fixed assets	-	8

Notes to the financial statements *(continued)*

6 Remuneration of Directors

Aggregate Directors' remuneration for the year was as follows:

	2022	2021
	£000	£000
Emoluments	-	293
Company contributions to money purchase pension schemes	-	22
Compensation for loss of office	-	83
	-	397

	Number	Number
Directors exercising share options	-	1

The remuneration of the highest paid Director excluding pension contributions was £nil (2021: £151,000). His accrued pension entitlement per annum at the year-end was £nil (2021: £nil). The value of pension contributions paid into a scheme for the highest paid director was £nil (2021: £8,000).

The aggregate amount of gains made by directors on the exercise of share options was £nil (2021: £23,000), which includes a gain of £nil (2021: £nil) made by the highest paid director on exercise of share options.

Prior to his resignation, the remuneration of A J Beaney was paid by another Hill & Smith PLC group company as he provided services to a number of companies within the Group and the services he delivered to the Company were considered incidental to his wider Group role.

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

Notes to the financial statements *(continued)*

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:

	2022 Number	2021 Number
Production	-	38
Administration	-	7
Sales and distribution	-	13
	-	58

The aggregate payroll costs of these persons were:	**£000**	£000
Wages and salaries	-	2,114
Share-based payment (see note 21)	-	8
Social security costs	-	224
Other pension costs (see note 17)	-	132
	-	2,478

8 Interest payable and similar charges

	2022 £000	2021 £000
Bank interest payable	-	20
On loans from group undertakings	-	11
Interest on lease liabilities (note 12)	**7**	47
	7	78

Notes to the financial statements *(continued)*

9 Taxation on loss

Analysis of tax credit in year

	2022	2021
	£000	£000
UK corporation tax		
Current tax for the year	**(20)**	(424)
Relating to the prior year	**423**	3
Current tax credit/(charge)	**403**	(421)
Deferred tax (see note 18)		
Current year (credit)/charge	**689**	(23)
Relating to the prior year	**(559)**	(2)
Effect of change in tax rate	**-**	(26)
Deferred tax charge/(credit)	**130**	(51)
Total tax charge/(credit)	**533**	(472)

Factors affecting tax credit for the year
The effective current tax rate for the year is higher (2021: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2022	2021
	£000	£000
Total tax reconciliation		
Loss before taxation	**(119)**	(2,362)
Loss multiplied by the effective rate of corporation tax in the UK of 19% (2021: 19%)	**(23)**	(449)
Effects of:		
Non-deductible items	**(1)**	(8)
Difference between current and deferred tax rates	**-**	(5)
Capital allowances super deduction	**-**	(1)
Impact of change in deferred tax rate	**-**	(26)
Exceptional items not tax deductible	**-**	16
Relating to prior year	**(136)**	1
Deferred tax transferred to Hill and Smith Infrastructure Limited	**693**	-
Total tax (credit)/charge	**533**	(472)

The UK headline corporation tax rate for the year was 19% (2021: 19%). In the Spring Budget of 2021, the UK Government announced that from 1 April 2023 the rate of UK corporation tax will increase from 19% to 25%. This new law was substantively enacted on 24 May 2021. Therefore, UK deferred tax assets and liabilities have been calculated at a rate of 25% (2021: 25%).

Notes to the financial statements *(continued)*

10 Intangible assets

	Goodwill £000	Other intangibles £000	Capitalised development costs £000	Total £000
Cost				
At 1 January 2022	272	95	1,846	2,213
Disposal on hive up of trade and assets	(272)	(95)	(1,846)	(2,213)
At 31 December 2022	-	-	-	-
Amortisation				
At 1 January 2022	272	95	1,717	2,084
Charge for the year	-	-	-	-
Disposal on hive up of trade and assets	(272)	(95)	(1,717)	(2,084)
At 31 December 2022	-	-	-	-
Net book value				
At 31 December 2022	-	-	-	-
At 31 December 2021	-	-	129	129

As detailed on page 1, the trade and assets of Varley & Gulliver Limited were hived up into Hill and Smith Infrastructure Limited. An impairment charge of £84,000 was recognised in the prior year.

Notes to the financial statements *(continued)*

11 Tangible fixed assets

	Land and buildings £000	Plant, equipment and vehicles £000	Total £000
Cost			
At 1 January 2022	3,136	1,181	4,317
Disposal on hive up of trade and assets	(3,136)	(1,181)	(4,317)
At 31 December 2022	-	-	-
Depreciation			
At 1 January 2022	136	1,056	1,192
Charge for the year	-	11	11
Disposal on hive up of trade and assets	(136)	(1,067)	(1,203)
At 31 December 2022	-	-	-
Net book value			
At 31 December 2022	-	-	-
At 31 December 2021	3,000	125	3,125

Notes to the financial statements *(continued)*

12 Leases

The leases held by the Company can be split into two categories: land and buildings and plant, equipment and vehicles. The Company leases two 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 current and prior year are as follows:

Right-of-use assets	**Land and buildings**	**Plant, equipment and vehicles**	**Total**
	£000	**£000**	**£000**
At 1 January 2021	**1,243**	**111**	**1,354**
Additions	-	22	22
Terminations	-	(11)	(11)
Remeasurement	181	-	181
Charge for the year	(25)	(51)	(76)
At 31 December 2021	**1,399**	**71**	**1,470**
Disposal on hive up of trade and assets	(1,399)	(68)	(1,467)
Charge for the year	-	(3)	(3)
At 31 December 2022	-	-	-

The lease remeasurement arose during the year due to an increase in future property rental payments.

Lease liabilities	**2022**	2021
	£000	£000
Balance at 1 January	**1,500**	1,366
Additions	-	22
Terminations	-	(14)
Interest expense	**7**	47
Lease payments	-	(102)
Remeasurement	-	181
Disposal on hive up of trade and assets	**(1,507)**	-
Balance at 31 December	-	1,500

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

	2022	2021
	£000	£000
Depreciation of right-of-use assets	**4**	76
Charged to operating loss	**4**	76
Interest expense relating to lease liabilities	-	47
Charged to loss before taxation	**4**	123

Notes to the financial statements *(continued)*

12 Leases *(continued)*

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

	2022	2021
	£000	£000
Due within one year	-	43
Due between one and two years	-	31
Due between two and five years	-	40
Due after more than five years	-	1,386
Total lease liabilities	-	1,500

13 Investments

	Trade investments
	£000
Cost	
At 1 January 2022	**40**
Disposal	(40)
At 31 December 2022	-
Provisions	
At 1 January 2022	**40**
Disposal	(40)
at 31 December 2022	-
Net realisable value	
At 31 December 2022	-
At 31 December 2021	-

The prior year investment represents a 19.9% stake in Advanced Aluminium Solutions Limited. The registered office address of Advanced Aluminium Solutions Limited is 57-70 Alfred Street, Sparkbrook, Birmingham, West Midlands, B12 8JR.

14 Stocks

	2022	2021
	£000	£000
Raw material and consumables	-	933
Finished goods	-	588
	-	1,521

The amount of stocks expensed to the profit and loss account in the year was £nil (2021: £5,671,000).

Notes to the financial statements *(continued)*

15 Debtors

	2022	2021
	£000	£000
Trade debtors	-	1,667
Amounts owed by group undertakings	-	1
Corporation tax	**20**	423
Deferred tax (note 18)	-	169
Prepayments and accrued income	-	47
Other debtors	**12**	290
	32	2,597

16 Creditors

Creditors: amounts falling due within one year

	2022	2021
	£000	£000
Bank overdraft	-	1,530
Trade creditors	-	1,143
Amounts owed to group undertakings	-	858
Other creditors	**44**	224
Other tax and social security	-	41
Accruals	-	167
Lease liabilities (note 12)	-	43
	44	4,006

Creditors: amounts falling due after more than one year

	2022	2021
	£000	£000
Lease liabilities (note 12)	-	1,457
	-	1,457

Notes to the financial statements *(continued)*

17 Pension liabilities

The Company is a subsidiary of Hill & Smith PLC and participates in the Hill & Smith 2016 Pension Scheme, which has sections that provide benefits on both a defined benefit and a defined contribution basis. Details of the Schemes and the most recent actuarial valuation are contained in note 26 to the Group Financial Statements. There are also separate personal pension plans.

The pension cost for the year represents contributions payable by the company to the defined contribution fund and amounted to £nil (2021: £132,000).

18 Deferred tax asset

	Deferred Tax asset £000
At 1 January 2022	169
Charged to Profit and loss account	(130)
Charged to Statement of changes in equity	(39)
At 31 December 2022	-

Details of amounts recognised for deferred taxation follow:

	2022 £000	2021 £000
Capital allowances in excess of depreciation	-	53
Other timing differences	-	117
Right-of-use assets	-	(1)
Deferred tax asset	-	169

19 Called up share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
1 ordinary share of £1 (2021: 1 ordinary shares of £1 each)	-	-
	-	-

During the year, as part of an internal restructuring exercise as explained in the Strategic Report on page 1, the Company undertook a share capital reduction to reduce its share capital to 1 ordinary share of £1, applying the reduction to its distributable reserves.

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

Notes to the financial statements *(continued)*

20 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 £128,693,000 (2021: £146,004,000).

The Company has no other guarantees (2021: £nil).

21 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 PLC.

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

	2022	2021
	£000	£000
Expensed during the year	-	8

22 Related party transactions

As an ultimately wholly owned subsidiary of Hill & Smith 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 PLC.

23 Ultimate parent company and controlling party

The immediate parent entity of the Company is Hill & Smith Infrastructure Limited.

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

Westhaven House
Arleston Way
Shirley
Solihull
United Kingdom
B90 4LH

24 Post Balance Sheet events

There were no other significant post Balance Sheet events.