Cumbria Waste Management Limited

Annual report and financial statements

Registered number 02665973

Year ended 31 March 2021

Contents

Strategic Report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2021.

Business Review

The Company ("CWM") and its trading subsidiaries (the Cumbria Waste Group) provide waste disposal and recycling services to both local authority and trade customers. CWM is part of the Cumbria County Holdings Group ("The CCH Group") and its parent company is Cumbria County Holdings Limited ("CCH"). 100% of the share capital of CCH is owned by Cumbria County Council. All activity is consolidated at CCH level and there are no consolidated accounts for the Cumbria Waste Group.

CWM is engaged in a number of complementary activities based at its landfill sites which include the generation of electricity from landfill gas, receipt of brown field site clearance materials, the transfer and treatment of waste, including hazardous and liquid wastes, the recycling of aggregate materials and wood and the composting of green waste.

CWM has significant operating cash balances and these balances are carefully invested in accordance with the Cumbria Waste Group's treasury management policy. Funds placed in special interest bearing bank accounts are classified as 'Cash at bank and in hand'.

The Cumbria Waste Group consists principally of CWM, two wholly owned subsidiaries and an associated undertaking. These are Cumbria Waste Recycling Limited ("CWR") that focuses on domestic and commercial recycling and Lakeland Waste Management Limited ("LWM") which operates a landfill site near Penrith and holds a 50% shareholding in Lakeland Minerals ("LM") which operates a sand quarry. All the companies share a common senior management team.

The Cumbria Waste Group has developed a business model tailored to the specific characteristics of the waste market in the North of England and surrounding areas. These include being able to handle a wide range of customers, many of which are small and in rural areas, and having facilities that can receive and process a variety of waste inputs. This business model reflects the fragmented nature of these markets. Traditionally, as a landfill operator, the Cumbria Waste Group has been able to add value throughout the whole of the waste 'value chain' from collection through to end disposal. As more of the waste we receive is recycled or is diverted from landfill, the Cumbria Waste Group has had to adapt to continue to add value to material it receives, moving up the waste hierarchy, and thereby support the continued expansion of its collection and contracting activities. The Cumbria Waste Group has invested in processes to separate and recycle glass, cans and plastic containers alongside its other recycling activities and this has proven to be very successful in attracting materials from the surrounding geographical areas and achieving high recyclate quality.

Performance in the period

The Covid-19 pandemic had a direct impact on the trading result of the Company with a change to the mix of materials and reduced volumes from customers impacting turnover resulting in a decrease of 8% to £18.8m (£20.5m prior year). Whilst in underlying terms the operating profit reflected this reduced turnover, the reported result in the prior year was impacted by increases in the provisions for the landfill restoration and aftercare of £0.8m and costs associated with the settlement of an HMRC matter relating to landfill tax on historic tipping of £0.8m. Because of those impacts profit before tax increased to £0.5m (£1.4m loss prior year).

Strong returns from the material trading division helped minimise the Covid-19 impact on turnover, despite continued high levels of volatility in the market prices for the key recyclables particularly in terms of fibre and plastics.

Other finance costs increased to £0.4m (£0.2m prior year) due to increased discount unwinding on the landfill site restoration and aftercare provisions (note 18).

CAPEX investment in the year was reduced due to the availability of contractors and materials arising from the Covid-19 pandemic.

With the impact and remaining uncertainty surrounding Covid-19, the Board took the decision to suspend the dividend payment for the year (*2020: £Nil)*. This has helped to strengthen the balance sheet with net current assets increasing to £10.9m (£10.2m prior year) and net assets increased to £5.9m (£5.7m prior year). Trade debtors reduced to £1.6m (£2.5m prior year) following the recovery of receipts from customers which were delayed in March 2020 with the sudden Covid-19 lockdown. Other provisions increased to £9.6m (£8.8m prior year) largely due to changes in assumptions used in the landfill site restoration and aftercare provision leading to an increase being made in the year of £0.5m.

Strategic Report *(continued)*

Principal risks and uncertainties

All companies in the Cumbria Waste Group maintain a risk register to record the risks facing the business, the controls in place to manage them and the residual risk to the company. This is regularly reviewed by the Board and with insurers.

The principal risks associated with landfill management relate to the future liabilities surrounding the restoration and aftercare of the sites once landfilling has ceased. This is calculated by the Directors after making the key assumptions, as set out in note 18. These calculations are verified by external specialists every three years but reviewed by the Board every year and in the current year this resulted in a charge to profit as noted above. Variations in key assumptions can impact significantly on the provision made for these future costs and, therefore, on the reported profit for the year. There are additional risks associated with the fluctuating value of recyclates, changes in legislation and the availability of effective insurance cover.

We continued to manage the risks associated with our activities with investment in health, safety and environmental improvements. The Cumbria Waste Group holds both the ISO 45001 Health and Safety standard and ISO 14001 Environmental management accreditations.

Covid-19

The Directors have considered the ongoing impact of COVID-19 on the operations of the business and following this review, at the time of approving the financial statements, believe the company is in a strong position to recover to pre pandemic trading levels. The business moved swiftly to assess and mitigate the most severe of the impacts that arose during the lockdown period. The business is now in recovery phase but conscious that the risk surrounding the pandemic are not yet over. The company holds significant liquid assets to service current liabilities and the potential for any losses. The management team prepared an appropriate budget based on the recovery path to ensure that the business fully understands the ongoing impacts of the crisis and has confidence that the actions necessary to safeguard the future of the company have been taken.

Key performance indicators

CWM prepares detailed annual budgets by business unit which are used alongside management accounts to monitor performance during the year and variance from the budget.

<u>KPI</u>	<u>Definition and method of calculation</u>	**2021**	2020
Gross Profit Margin	Gross profit in the year as a percentage of turnover	**15.8%**	8.5%
Cash Generation	EBITDA	**£1.618m**	£0.580m

The other key performance indicators monitored by CWM relate to the tonnage inputs of various materials to each of the operational facilities. They are also monitored against budget and variances are reviewed on a regular basis. The Board is also focussed on delivering the net profit targets set out in its medium term plan.

The Directors recognise the need for tight controls over costs and credit extended to customers throughout the business. The Directors are of the opinion that the budgetary controls and key performance information used to inform operational decision making are appropriate to the needs of the business.

Future Developments

The directors and management are focused on continuing with the strategy of growing our portfolio of customers through the North of England and retaining existing contracts as they come up for renewal. Following the year end we have been successful in securing a new waste processing facility in the North East.

S172 statement

Long- term decision making

Strategic and long-term decisions are made by the Executive board of directors who meet on a monthly basis. The impact and long-term effects of the COVID pandemic and the exceptionally high inflation levels we are experiencing continue to be discussed and are considered a threat to the business performance. The business has reviewed its structure and made several changes, including invested in new senior management team positions that has stabilised the business, improved performance, and cash flow. Its strong balance sheet means that it is well positioned and confident of funding its continued growth and funding additional opportunities in the year ahead.

Strategic Report *(continued)*

S172 statement *(continued)*

Interests of employees

Social distancing restrictions impacted on employee interactions and Group meetings with meetings moving to online alternatives where possible. These were considered an important tool in staying connected with staff whilst maintaining social distancing. Information about matters of concern to colleagues continues to be given through information bulletins and reports which seek to achieve a common awareness for all employees. Balancing the interests of employees and maintaining service levels provided some challenges during the year with staff demonstrating fantastic levels of commitment during this challenging time. We continue to monitor and support staff through our management teams and have invested further in our management development programme.

Interests of stakeholders including our community and the environment

Health and safety is a top priority for the Directors and we have invested significantly in expanding the Safety Health Environment and Quality (SHEQ) team. With many of our services deemed essential by the government during the Covid pandemic, great focus was given to maintaining the provision to the customers we serve whilst protecting our staff. Regular Covid related communications to staff and customers during the pandemic helped with managing the associated risks for all parties whilst maintaining service.

We actively review our approach to fostering long term business relationships with customers, suppliers, and other stakeholders, at all times seeking to operate in a manner aligned with our values and integrity.

The Board also regularly considers its environmental, corporate social responsibility, and risk management approach.

We are happy to retain our ISO standards 9001, 14001 and 27001 all independently audited for additional verification.

The company maintained its active involvement with its charities and continued its fund raising and donations to nominated worthy causes.

Maintaining our reputation for high standards of business conduct and acting fairly between members

Maintenance of the Company's reputation for its high-quality service backed by strong values is deemed critical to ongoing success.

The company values of: Team, Pride, Improve, Safe and Care inform how we conduct our operations from interviewing for vacancies to meetings with suppliers and customers.

The board annually reviews the Shareholder Agreement to ensure that it remains relevant and meets the governance needs of the business.

Employees

The company recognises its responsibilities towards disabled persons and gives full and fair consideration to applicants in positions suited to their own particular abilities where appropriate openings exist. Where employees become disabled in the course of their employment, every effort is made to provide them with continued employment.

By order of the Board

A Chant
Director

Unit 5A
Wavell Drive
Rosehill Estate
Carlisle
Cumbria
CA1 2ST

29 March 2022

Directors' Report

Results and dividends

The profit for the financial year attributable to shareholders is £343,000 *(2020: £1,139,000 loss).*

A dividend of £nil *(2020: £nil)* was paid during the year.

Donations

During the year the Company paid net charitable donations of £9,795 *(2020: received £2,000).* Net donations paid via Cumbria Waste Management Environment Trust (CWMET) under the Landfill Tax Regulations 1996 were £9,295 in the year *(2020: received £2,381).*

Charitable donations have been analysed below:

	2021	2020
	£	£
Landfill tax donation made to CWMET	**18,215**	22,074
Third party contributions received	**(8,920)**	(24,455)
Donations to local charities	**500**	381
	£9,795	(2,000)

Directors

The Directors who held office during the year, and up to the date of signature of the financial statements, were as follows:

R Barltrop *(resigned 30 November 2021)*
A Byrne *(appointed 22 February 2021)*
A Chant
R Dexter *(appointed 31 March 2021)*
A Moore *(appointed 22 February 2021)*
T Spaul
I Wood

Disclosure of information to auditor

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

The information required by schedule 7 of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 has been included in the separate Strategic Report in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. This has been done so in respect of financial risk management, exposure to risk, future developments and engagement with others.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and RSM UK Audit LLP will therefore continue in office.

By order of the Board

A Chant
Director

Unit 5A
Wavell Drive
Rosehill Estate
Carlisle
Cumbria
CA1 2ST

29 March 2022

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 102 *Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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.

Independent auditor's report to the members of Cumbria Waste Management Limited

Opinion
We have audited the financial statements of Cumbria Waste Management Limited (the 'company') for the year ended 31 March 2021 which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard 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 state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

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

Other information
The 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 our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Independent auditor's report to the members of Cumbria Waste Management Limited *(continued)*

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 the directors' report.

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

- adequate accounting records have not been kept, 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 5, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

Independent auditor's report to the members of Cumbria Waste Management Limited *(continued)*

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and asked for available correspondence with local tax authorities.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety and environmental matters. We performed audit procedures to enquire of management whether the company is in compliance with these law and regulations, asked for available correspondence with licensing or regulatory authorities and reviewed meeting minutes from throughout the year.

The audit engagement team identified the risk of management override of controls the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, if any, challenging judgments and estimates applied in the valuation of landfill provisions and defined benefit pension scheme liabilities.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://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.

RSM UK Audit LLP

Karen Musgrave (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Bluebell House
Brian Johnson Way
Preston
PR2 5PE

30/03/2022

Profit and loss account and Other Comprehensive Income

for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Turnover	2	**18,763**	20,478
Cost of sales		**(15,804)**	(18,746)
Gross profit		**2,959**	1,732
Administrative expenses	3, 9	**(2,254)**	(2,934)
Other income	4	**140**	35
Operating loss		**845**	(1,167)
Other interest receivable and similar income	7	**60**	101
Interest payable and similar charges	8	**(11)**	(102)
Other finance costs	8	**(417)**	(183)
Profit/(loss) on ordinary activities before taxation		477	(1,351)
Tax on loss on ordinary activities	10	**(134)**	212
Profit/(loss) for the financial year		**343**	(1,139)
Other comprehensive income			
Remeasurement of the net defined benefit liability	21	**(63)**	(31)
Deferred tax on net defined benefit liability	21	**12**	6
Other comprehensive income/(deficit) for the year, net of income tax		**(51)**	(25)
Total comprehensive income/(deficit) for the year		**292**	(1,164)

All amounts relate to continuing activities.

The notes on pages 12 to 26 form part of the financial statements.

Balance sheet
at 31 March 2021

	Note	**2021** £000	**2021** £000	2020 £000	2020 £000
Fixed assets					
Intangible assets	*11*		**3**		10
Tangible assets	*12*		**5,739**		5,352
Investments	*13*		**230**		230
			5,972		5,592
Current assets					
Debtors: amounts due within one year	*14*	**5,141**		6,411	
Debtors: amounts due after one year	*14,15*	**245**		221	
Cash at bank and in hand		**9,829**		8,955	
		15,215		15,587	
Creditors: amounts falling due within one year	*16*	**(4,355)**		(5,419)	
Net current assets			**10,860**		10,168
Total assets less current liabilities			**16,832**		15,760
Creditors: amounts falling due after more than one year	*17*		**(21)**		(123)
Provisions for liabilities and charges					
Other provisions	*18*		**(9,610)**		(8,821)
Pension liability	*21*		**(1,252)**		(1,159)
Net assets			**5,949**		5,657
Capital and reserves					
Called up share capital	*19*		**2,813**		2,813
Profit and loss account	*23*		**3,136**		2,844
Shareholder's funds			**5,949**		5,657

These financial statements were approved by the Board of Directors on 29 March 2022 and were signed on its behalf by:

AJ Chant
Director

Registered number 02665973

The notes on pages 12 to 26 form part of the financial statements.

Statement of Changes in Equity

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2019	2,813	4,008	6,821
Total comprehensive income for the year			
Profit for the year	-	(1,139)	(1,139)
Other comprehensive income			
Remeasurement of the net defined benefit liability	-	(31)	(31)
Deferred tax on net defined benefit liability	-	6	6
Total comprehensive income for the year	-	(1,164)	(1,164)
Transactions with owners, recorded directly in equity			
Dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 March 2020	**2,813**	**2,844**	**5,657**

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2020	2,813	2,844	5,657
Total comprehensive income for the year			
Profit for the year	-	343	343
Other comprehensive income			
Remeasurement of the net defined benefit liability	-	(63)	(63)
Deferred tax on net defined benefit liability	-	12	12
Total comprehensive income for the year	-	292	292
Transactions with owners, recorded directly in equity			
Dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 March 2021	**2,813**	**3,136**	**5,949**

The notes on pages 12 to 26 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting Policies

Cumbria Waste Management Limited (the "Company") is a private company limited by shares and incorporated and domiciled in England & Wales.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) and the requirements of the Companies Act 2006, including the provisions of the large and medium sized companies (Accounts & Reports) Regulations 2008. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's parent undertaking, Cumbria County Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Cumbria County Holdings Limited are available to the public and may be obtained from Companies House at Crown Way, Maindy, Cardiff. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Cumbria County Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.

Measurement convention

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention and within the requirements of the Companies Act 2006. Where changes in accounting policy or presentation are made, comparative figures are adjusted accordingly.

Going concern

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

The Company has sufficient financial resources and the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Having reviewed forecasts of future activity, including the review of any impact from post balance sheet events, the Directors have the expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of waste services to third party customers. Sale of goods represent sales of recyclable materials and aggregates. Services sales are waste handling and disposal and other ancillary waste management services. Turnover includes landfill tax receivable from customers and landfill tax payable in Cost of sales.

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer. This is usually at the point that the goods have been collected or delivered.

Turnover from the rendering of services is recognised when the services are provided. For waste processing, treatment and landfill facilities, this is deemed to be when waste is physically received at the sites.

Fixed assets

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

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

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

Leasehold buildings	-	over 4-20 years
Plant and machinery	-	over 4-10 years
Equipment and fittings	-	over 4-10 years

Landfill sites

Acquisition, site and cell engineering works and the cost of final site restoration and aftercare are capitalised. These costs are written off over the operational life of each site / cell, based on the amount of void space consumed or some shorter period in respect of leachate treatment facilities where appropriate. The assessments made for this purpose are based upon periodic independent surveys of each site or cell.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Provision for landfill site restoration and after-care costs

Full provision is made for the estimated costs of restoring completed landfill sites (or active cells within each site) together with estimated post-closure monitoring and after-care and maintenance costs. This value is capitalised within landfill site expenditure and is expensed to the profit and loss account on the basis of the void space consumed in each period. Further detail regarding the application of this policy is shown in note 18.

The costs of pollution control and operational monitoring during the period of operation of each landfill site are charged to the profit and loss account as incurred.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost or valuation and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity. Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Customer lists	-	over 5 years, reflecting the estimated period of benefit to the business

Notes *(continued)*

1 Accounting policies *(continued)*

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments. Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument. Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include other debtors and amounts owed by Group undertakings, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and amounts owed to Group undertakings, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

Leasing and hire purchase commitments

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

Operating lease

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

Finance lease

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

Pensions

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense/(income) on the net defined benefit liability for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

The Company also operates a money purchase pension scheme for eligible employees and accounts for the amounts due in each year as a cost in the profit and loss account

Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Related party transactions

The company has taken advantage of the exemption conferred by section 33.1A of FRS 102 allowing it not to disclose transactions and balances with other wholly owned subsidiaries of Cumbria County Holdings Limited.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Estimates and uncertainties

Provisions for restoration and aftercare costs are measured using estimated costs of the future restoration and aftercare of the landfill site combined with site survey data as explained more fully in note 18.

The landfill site fixed asset is measured at cost of construction plus the estimated restoration and aftercare costs as noted above. The assets are depreciated based on the estimates of the amount of useable void space used in the period which is supported by annual volumetric surveys of the site.

The pension scheme liabilities are measured using the projected unit method and discounted at an appropriate rate of interest taking into account current yields on guild and high quality corporate bonds.

2 Turnover

	2021	2020
	£000	£000
Sale of goods	**3,151**	3,910
Rendering of Services	**15,612**	16,568
Total turnover	**18,763**	20,478

3 Expenses and auditor remuneration

	2021	2020
	£000	£000
Operating profit is stated after charging/(crediting)		
Auditor's remuneration:		
- Audit	**21**	21
- Other services in respect of taxation	**5**	5
Operating lease expense in the year	**213**	238
Depreciation	**766**	908
Amortisation – other intangibles	**7**	8

4 Other income

	2021	2020
	£000	£000
Site rental income	**33**	32
Coronavirus Job Retention Scheme Grant	**107**	3
	140	35

Notes *(continued)*

5 Staff numbers and costs

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

	Number of employees	
	2021	2020
Administration	**37**	38
Site operations	**133**	134
	170	172

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£000	£000
Wages and salaries	**4,976**	4,802
Social security costs	**491**	442
Other pension costs	**444**	406
	5,911	5,650

Included in creditors are £37,000 of defined contribution pension payments made after the year end.

6 Directors' remuneration

	2021	2020
	£000	£000
Emoluments	**415**	539
Non-executive directors remuneration	**58**	41
	473	580
Contributions to money purchase and defined benefit pension schemes	**25**	30
	498	610

The total directors' remuneration is for all directors of Cumbria Waste Management Limited. Directors are also directors of other Group companies. Total remuneration of £169,000 *(2020: £327,000)* is attributable to qualifying services of Cumbria Waste Management Limited, however all remuneration is borne by Cumbria Waste Management Limited. Benefits are accruing to one *(2020: two)* director(s) in respect of money purchase and defined benefit pension schemes.

The aggregate of emoluments receivable by the highest paid director was £271,000 *(2020: £262,000)* and pension contributions of £nil *(2020: £nil)*.

7 Interest receivable and similar income

	2021	2020
	£000	£000
On bank deposits and money market investments	**56**	101
Other interest receivable	**3**	-
Interest on corporation tax	**1**	-
	60	101

Notes *(continued)*

8 Interest payable and other finance costs

	2021 £000	2020 £000
Interest payable		
Interest payable under finances leases and hire purchase contracts	**19**	19
Interest on landfill tax	**(8)**	83
	11	102

	2021 £000	2020 £000
Finance costs		
Interest on pension liabilities	**27**	25
Provision discounting unwinding	**390**	158
	417	183

9 Restoration and aftercare provision on closed landfill sites

Within Administrative expenses there is a charge included related to the following:

	2021 £000	2020 £000
Increase in restoration and aftercare provision on closed landfill sites	**-**	831

On closed landfill sites, movements in the restoration and aftercare provisions are charged to the profit and loss account. However, sites that remain open continue to generate revenue for Cumbria Waste Management and as such the movements are capitalised as part of the landfill site fixed asset. Refer to note 18 for specific details regarding the provision.

10 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2021 £000	2021 £000	2020 £000	2020 £000
Current tax				
Current tax on income for the period		**158**		-
Group relief receivable		**-**		(178)
Adjustments in respect of prior periods		**(12)**		(3)
Total current tax		**146**		(181)
Deferred tax (see note 15)				
Origination and reversal of timing differences	**(24)**		(16)	
Change in tax rate	**-**		(21)	
		(24)		(37)
Total tax		**122**		(218)

Notes *(continued)*

10 Taxation *(continued)*

	2021			2020		
	£000	**£000**	**£000**	£000	£000	£000
	Current tax	**Deferred tax**	**Total tax**	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	**146**	**(12)**	**134**	(181)	(31)	(212)
Recognised in other comprehensive income	**-**	**(12)**	**(12)**	-	(6)	(6)
Total tax	**146**	**(24)**	**122**	(181)	(37)	(218)

Analysis of current tax recognised in profit and loss

	2021	2020
	£000	£000
Total current tax recognised in profit and loss	**146**	(181)

Reconciliation of effective tax rate

	2021	2020
	£000	£000
Profit for the year	**343**	(1,139)
Total tax expense	**134**	(212)
Profit excluding taxation	**477**	(1,351)
Tax using the UK corporation tax rate of 19% *(2019:19%)*	**91**	(257)
Non-deductible expenses	**36**	13
Fixed asset differences	**12**	55
Tax exempt revenues	**(3)**	(17)
Adjust closing deferred tax to closing rate	**-**	(50)
Group relief claimed	**-**	-
Adjustment to tax charge in prior periods	**(12)**	(3)
Unrecognised deferred taxation	**10**	47
Total tax expense included in profit or loss	**134**	(212)

In the budget on 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 21. Deferred tax has been calculated at 19% which was the tax rate substantively enacted at 31 March 2021. The effect of remeasuring deferred tax to 25% would increase recognised deferred tax assets at 31 March 2021 to £322,000 and increase unrecognised deferred tax assets at 31 March 2021 to £499,000 (See note 15).

Notes *(continued)*

11 Intangible fixed assets

	Customer Lists £000	Total £000
Cost or fair value		
At 1 April 2020	22	22
At 31 March 2021	**22**	**22**
Amortisation		
At 1 April 2020	12	12
Charge for year	7	7
At 31 March 2021	**19**	**19**
Net book value		
At 31 March 2021	**3**	**3**
At 31 March 2020	10	10

12 Tangible fixed assets

	Freehold land £000	Leasehold landfill sites £000	Short leasehold buildings £000	Plant and machinery £000	Equipment and fittings £000	Total £000
Cost or fair value						
At 1 April 2020	79	20,257	4,999	4,868	975	31,178
Additions	-	681	147	324	19	1,171
Disposals	-	-	-	(140)	-	(140)
At 31 March 2021	**79**	**20,938**	**5,146**	**5,052**	**994**	**32,209**
Depreciation						
At 1 April 2020	-	18,420	2,802	3,914	690	25,826
Charge for year	-	87	201	413	65	766
Disposals	-	-	-	(122)	-	(122)
At 31 March 2021	**-**	**18,507**	**3,003**	**4,205**	**755**	**26,470**
Net book value						
At 31 March 2021	**79**	**2,431**	**2,143**	**847**	**239**	**5,739**
At 31 March 2020	79	1,837	2,197	954	285	5,352

Included in the total net book value of fixed assets is £315,000 *(2020: £527,000)* in respect of assets held under finance leases and hire purchase contracts. Depreciation for the year on these assets was £136,000 *(2020: £165,000)*.

Notes *(continued)*

13 Fixed asset investments

	Shares in Group undertakings £000	Total £000
Cost		
At beginning of year	230	230
Additions	-	-
At end of year	230	230
Provisions		
At beginning and end of year	-	-
Net book value		
At 31 March 2021	**230**	**230**
At 31 March 2020	230	230

The Company has the following investments in subsidiaries:

	Aggregate of capital and reserves	Total comprehensive income for the year	Principal activity	Class of shares held	Ownership 2020	Ownership 2021
	£000	£000			%	%
Cumbria Waste Recycling Limited	5,689	612	Waste collection and recycling activities	Ordinary	100	100
Lakeland Waste Management Limited	1,094	(821)	Waste management and disposal	Ordinary	100	100
Trotters Dry Waste Limited	20	-	Non-trading	Ordinary	100	100

The Company also has the following indirectly held investments in joint ventures:

	Aggregate of capital and reserves	Total comprehensive income for the year	Principal activity	Class of shares held	Ownership 2020	Ownership 2021
	£000	£000			%	%
Lakeland Minerals Limited	867	69	Operation of a sand and gravel quarry	Ordinary	50	50

The registered office of all subsidiary undertakings and joint venture is Unit 5a Wavell Drive, Rosehill, Carlisle, CA1 2ST.

14 Debtors

	2021 £000	2020 £000
Trade debtors	**1,582**	2,514
Amounts owed by subsidiary undertaking	**1,525**	1,515
Amounts owed by group undertaking	**70**	82
Amounts owed by ultimate parent undertaking	**30**	195
Amounts owed by parent undertaking	**1**	-
Deferred tax asset (see note 15)	**245**	221
Prepayments and accrued income	**1,917**	1,854
Corporation tax	**16**	251
	5,386	6,632
Due within one year	**5,141**	6,411
Due after more than one year	**245**	221
	5,386	6,632

Notes *(continued)*

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021	2020	**2021**	2020	**2021**	2020
	£000	£000	**£000**	£000	**£000**	£000
Employee benefits	**(245)**	(221)	-	-	**(245)**	**(221)**
Net tax assets	**(245)**	(221)	-	-	**(245)**	**(221)**

The deferred tax asset recognised in the year has arisen on the defined benefit pension scheme liability. A deferred tax asset of £379,000 *(2020: £250,000),* which relates to timing differences arising on restoration and aftercare expenditure, has not been provided due to the long-term nature of this expenditure and recognising the inherent uncertainty regarding the availability of taxable profits in the longer term.

16 Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Obligations under finance leases and hire purchase contracts	**130**	198
Trade creditors	**1,390**	1,128
Amounts owed to subsidiary undertaking	**249**	645
Amounts owed to ultimate parent undertaking	**187**	187
Taxation and social security	**1,170**	1,731
Accruals and deferred income	**713**	1,002
Amounts owed to parent undertakings	**490**	490
Amounts owed to group undertakings	**26**	38
	4,355	5,419

17 Creditors: amounts falling due after more than one year

	2021	2020
	£000	£000
Obligations under finance leases and hire purchase contracts	**21**	123

Analysis of debt:
Finance lease liabilities are payable as follows:

	2021	2020
	£000	£000
Less than one year	**130**	198
Between one and five years	**21**	123
	151	321

The finance lease liabilities are secured upon the assets to which they relate. The average term of the leases in place is 5 years.

Notes *(continued)*

18 Provisions for liabilities

	Future restoration and after-care costs in respect of landfill sites £000	Provision for future additional leachate costs £000	Total £000
Balance at 1 April 2020	8,670	151	8,821
Provision used during the year	(116)	-	(116)
Released to profit and loss account	-	(14)	(14)
Unwinding of discounted amount (4.5%)	390	-	390
Increase in provision	529	-	529
Balance at 31 March 2021	**9,473**	**137**	**9,610**

Restoration and aftercare provision

The restoration element of the provision relates to the costs of both intermediate and final capping and covering of landfill sites of £3,039,000 *(2020: £2,417,000)* that have been assessed based upon an independent survey, given current best practice and technology available. The dates of payment of these restoration costs are uncertain but are anticipated to be over a period of up to 25 years from the year end.

The aftercare element of the provision relates to total post closure costs of landfill sites of £6,434,000 *(2020: £6,253,000)*, including such items as monitoring, gas and leachate management and licensing that have been assessed based upon an independent survey, given current best practice and technology available. The dates of payments of these aftercare costs are uncertain but are anticipated to be over a period of approximately 60 years from closure of the relevant landfill site.

Independent surveys are undertaken every three years and the most recent was carried out for the year ended 31 March 2021. These costs may be impacted by a number of factors including changes in legislation and technology. The increase in the provision is a result of updated assumptions based on the most recent available data.

The restoration and aftercare provision is shown at net present value. The current cost has been calculated using a rate of inflation of 2.5% and a discount factor of 4.5%. The unwinding of the discount on the provision has been charged to other finance costs in the profit and loss account.

An increase of 0.5% to the rate of inflation used would result in an increase to the provisions of £1,334,000.

Provision for future additional leachate costs

Provision has been made for specific incremental costs associated with the management of leachate as a result of the provision of services to DEFRA during the Foot and Mouth epidemic in the year ended 31 March 2002. The effective future management of these costs has required an upgrade of the leachate treatment facilities at the Company's Hespin Wood landfill site. The provision is being released to the profit and loss account in line with the depreciation of the leachate treatment facilities.

19 Called up share capital

	2021 £000	2020 £000
Authorised, allotted, called up and fully paid		
2,813,000 ordinary shares of £1 each	**2,813**	2,813

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes *(continued)*

20 Commitments

Non-cancellable operating lease rentals are payable as follows:

	2021		2020	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Less than one year	**153**	**30**	116	35
Between one and five years	**610**	**41**	360	23
More than five years	**1,506**	**-**	1,194	-
	2,269	**71**	1,670	58

21 Pension scheme

Defined benefit scheme

The Company does not operate its own pension scheme. A number of employees are members of the Cumbria Local Government Pension Scheme and the Company also makes contributions to money purchase pension schemes for employees not in the Cumbria County Council scheme.

The Cumbria Local Government Pension Scheme is a defined benefit scheme of which Cumbria Waste Management is one of several participating employers, by virtue of the Company's status as a subsidiary of Cumbria County Council.

A full actuarial valuation of the scheme was carried out as at 31 March 2019 as required under the regulations governing the fund.

Based on this valuation, the actuaries advised that the cost of pensions charged to the Company's profit and loss account should be 19.1% of pensionable salaries per annum for the year commencing 1 April 2021. The company is also making fixed payments totalling £25,700 in the year in relation to deficit recovery contributions. The pensions cost has been determined after allowing for the amortisation of the difference between the assets and the accrued liabilities relating to the Company over the average remaining service lives of the current members of the fund.

In order to assess the actuarial value of the Cumbria Local Government Pension Scheme's liabilities as at 31 March 2021, the actuary has followed the approximate update method and approach set out in the CIPFA calculation guide. The assumptions adopted are based in the 2019 valuation assumptions, other than the financial assumptions as prescribed by FRS 102 as set out below.

The valuation was updated by the actuary on an FRS 102 basis as at 31 March 2021.

Net pension liability

	2021 £000	2020 £000
Defined benefit obligations	**4,342**	3,790
Plan assets	**(3,090)**	(2,631)
Net pension liability	**1,252**	1,159

Notes *(continued)*

21 Pension scheme *(continued)*

Movements in present value of defined benefit obligation

	2021 £000	2020 £000
At 1 April	**3,790**	3,771
Current service cost	**71**	101
Interest on pension scheme liabilities	**90**	90
Past service cost	**-**	18
Member contributions	**24**	31
Actuarial loss/(gain) on liabilities	**492**	(115)
Benefits/transfers paid	**(125)**	(106)
At 31 March	**4,342**	3,790

Movements in fair value of plan assets

	2021 £000	2020 £000
At 1 April	**2,631**	2,694
Interest on plan assets	**63**	65
Actuarial (loss)/gain on assets	**429**	(146)
Employer contributions	**70**	95
Member contributions	**24**	31
Benefits/transfers paid	**(125)**	(106)
Administration expenses	**(2)**	(2)
At 31 March	**3,090**	2,631

Expense recognised in the profit and loss account

	2021 £000	2020 £000
Current service cost	**71**	101
Net interest on defined benefit liability	**27**	25
Administration expenses	**2**	2
Past service cost	**-**	18
Total expense recognised in profit or loss	**100**	146
Actual return on pension scheme assets	**492**	(97)

Amounts recognised in the other comprehensive income

	2021 £000	2020 £000
Actuarial (loss)/gain	**63**	(31)
Deferred taxation on defined benefit liability	**(12)**	6
Total expense recognised in other comprehensive income	**51**	(25)

Notes *(continued)*

21 Pension scheme *(continued)*

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

	2021 Fair value %	2020 Fair value %
Equities	**38.4**	46.3
Government debt	**17.6**	18.3
Other bonds	**0.0**	6.6
Property	**8.0**	5.9
Cash/liquidity	**4.1**	4.8
Other	**31.9**	18.1

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2021 %	2020 %
Discount rate	**2.1**	2.4
Future salary increases	**4.2**	3.6
Rate of increase in pensions in payment and deferred pensions	**2.8**	2.2
Inflation assumption	**2.7**	2.1

In valuing the liabilities of the pension fund at 31 March 2021, mortality assumptions have been made as indicated below.

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

- Current pensioner aged 65: 22.7 years (male), 25.3 years (female).
- Future retiree in 20 years' time upon reaching 65: 24.3 years (male), 27.2 years (female).

22 Contingent liabilities

There is an unlimited bank guarantee between Cumbria Waste Management Limited and its subsidiary undertaking Cumbria Waste Recycling Limited.

23 Profit and loss reserves

The profit and loss reserves consist of cumulative profit and loss net of distributions to owners.

24 Post Balance Sheet Event

A contractual dispute has arisen post year end relating to an event that occurred after the end of the reporting period. There is understood to be a capped maximum potential deduction in relation to the dispute of approximately £2.2m under the relevant contract. We reserve our rights in this matter.

25 Related parties

Cumbria Waste Management Limited has sales with Lakeland Minerals Limited, a company 50% owned by subsidiary Lakeland Waste Management Limited, of £54,000 *(2020: £46,000)* and a recharge of employee costs £71,000 *(2020: £81,000)*. Cumbria Waste Management Limited incurred costs of £82,000 *(2020: £186,000)* for purchase of aggregates.

26 Ultimate parent undertaking

The Company is a subsidiary undertaking of Cumbria County Holdings Limited, a company registered in England and Wales. The ultimate controlling party is Cumbria County Council.

The largest group in which the results of the Company are consolidated is that headed by Cumbria County Holdings, incorporated in the UK. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available from Companies House at Crown Way, Maindy, Cardiff.