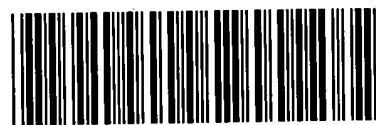


**Hills Waste Solutions Limited**  
**Annual report and financial statements**  
**Registered number 00571289**  
**30 April 2017**

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## Strategic report

### Principal activities

The company operates two landfill sites, a commercial waste collection fleet and a recycling business. It manages three Wiltshire Council contracts with a Mechanical Biological Treatment (MBT) plant (also known as the Northacre Resource Recovery Centre), transfers stations, Household Recycling Centres (HRC's), and facilities for the sorting and segregation of waste.

### Financial review

The profit for the year, after taxation, was £2,911,000 (2016: £3,411,000). Turnover decreased in the year by 1% to £55,395,000 (2015: decreased by 2% to £55,721,000). Despite the negative impact on profits arising from the interim contract extension year with Wiltshire County Council, the performance of other areas of the business has led to turnover and gross profit overall remaining at similar levels to last year. There was a 12% increase in administration expenses in the year which has led to the lower profit after taxation. Some of these additional costs, whilst part of the company's normal operations, are not expected to recur in the current year.

The company paid a dividend to The Hills Group Limited, its parent company of £3,000,000 during the year (2016: £3,000,000) so that the overall financial position of the company at 30 April 2017 is comparable to the same point last year.

We are expecting profits in the 2017/18 year to be similar to the year being reported. Thereafter with the new contracts and projects mentioned below coming on stream the company should return to growth.

### Business review

#### Wiltshire Council Contracts

The interim contract with Wiltshire Council has been extended for a further year due to continuing contractual issues. The commencement date of the new contracts has been delayed until 1<sup>st</sup> August 2018. I am pleased to report that we were successful in 4 of the 5 lots on offer, and although we were disappointed to have lost the HRC contract, overall given the tremendous difficulties encountered in the tendering process we are reasonably happy with the outcome.

Our other contracts with Wiltshire continue to perform well; the Northacre Resource Recovery Centre (NRRC) is achieving returns slightly ahead of plan. We have recently signed a new contract with a neighbouring local authority which will drive an increase of 25% in the volume being treated at the NRRC. The Lakeside Contract to divert waste from landfill to generate power at an energy from waste plant continues to see a regular profit performance.

The problems with our planning application at the Lower Compton site to retain and extend the Material Recovery Facility continue. Although the planning appeal was eventually completed and came out in our favour, there has now been a S288 application which will delay the outcome for at least a few more months and possibly longer. We are confident that it will eventually be granted but it has caused significant delay, about which we remain in discussions with Wiltshire Council about the commencement of the new services they plan to introduce. During the year we acquired neighbouring land and buildings. This gives an opportunity to pursue a Plan B which we are progressing and are hopeful that this might deliver benefits to both the company and the local community.

#### Waste Disposal

We are continuing to evaluate the economics of a waste to energy project to compliment the NRRC at Westbury and provide treatment for some of our commercial waste streams. Post year-end the project has been awarded a power generator's contract for difference at a favourable price for this project in the recent government auction. We have also determined the technology provider and the Energy Performance Certificate (EPC) contractor. We will be developing this project in conjunction with private investment financiers who are expected to be the majority partner but the Hills group should be able to retain a satisfactory equity share and the company will benefit from interfacing with the project. We are hopeful of getting to financial close on this project within the next six months, with operation scheduled for 2021.

The Landfill business has seen a continuation of improved volumes and prices due to the reduced availability of landfill capacity in the market place, and are hopeful that this trend will continue. Landfill contribution in the year was up 31% on the previous year.

We believe the future for waste management remains positive and we are committed to deliver the change that is necessary to position the business to take advantage of the opportunities that will arise. We believe that have developed a realistic plan that will deliver growth of our business without excessive risk, and at the same time deliver value to our shareholders.

## **Strategic report (continued)**

### **Waste Collection**

This business continues to show some improvement but we are finding it difficult to make a step change improvement. Profit from waste collection has increased on the previous year at the operational level but still has some way to go. During the year the parent company, The Hills Group Limited, acquired a new depot and collection service in Bristol, which, although it will need some significant changes to deliver the profitability required, will enable the group and the company to drive the business forward in this area.

This business will also have an important part to play in the provision of waste for our proposed energy plant and as such is a key element in driving our future performance.

### **Future developments and research and development**

The company continues to research the application of alternative technologies in its operations to divert waste from landfill and also to generate energy. Expenditure on research and development of future business opportunities in the year, including payroll costs of relevant staff, amounted to £110,000 (2016: £32,000).

### **Risk management**

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

The company is also exposed to other risks and other uncertainties including those associated with the impact of its operations on the environment and Government environmental policy and regulations and Government planning policy. The directors monitor and take actions to mitigate these risks and minimise their impact.

The principle risk and uncertainty facing the company is the increasingly challenging environment for securing new planning consents.

### **Environment and Quality Assurance and Corporate Social Responsibility**

The group's environmental policy is available from the company's website at [www.hills-group.co.uk](http://www.hills-group.co.uk). The company's environmental management system is externally certified to international standard ISO 14001.

The company operates a quality management system that is externally certified to international standard ISO 9001.

The company is committed to continual improvement and sets responsible targets for its operations in areas including environmental impact, service quality, and health and safety. The performance of the company against these targets is published in an annual business performance review which is sent to the ultimate parent company's shareholders and published on the company's website.

## Strategic report (continued)

### Employee involvement

The company continues to keep its employees informed on matters affecting them as employees by way of its award winning Intouch magazine, and Safer for All newsletter. Staff notices, emails, company website and meetings are used to communicate immediate issues with employees. The group operates an employee engagement programme "Move to improve" that actively seeks and rewards employees for submitting business improvement ideas for consideration by senior management.

The group's employment practices and policies ensure that job applicants and all employees are treated in an equal and fair manner. Wherever possible, efforts are made to provide appropriate facilities and conditions of service to meet the work place requirements of all employees' including those with special needs or disability. Where an employee becomes disabled whilst employed by the group, arrangements are made, wherever possible, to retrain them in order to enable them to perform a job identified as appropriate to their aptitude and abilities.

The health and safety of all employees is given paramount importance by the company and the Company's Health and Safety Management System has been certified to OHSAS18001.

By order of the board



**AG Pardoe**  
Director

23 October 2017

Wiltshire House  
County Park Business Centre  
Shrivenham Road  
Swindon  
Wiltshire  
SN1 2NR  
2016

## Directors' report

The directors present their report and the financial statements of the company for the year ended 30 April 2017.

### Dividend

During the year a dividend of £3,000,000 (2016: £3,000,000) was paid to The Hills Group Limited, the parent company and sole shareholder of the company. The directors do not recommend a final dividend.

### Directors

The following individuals served as directors during the year and to the date of signing this report:

AG Pardoe  
MP Hill  
MR Webster resigned 30<sup>th</sup> June 2017  
AR Knowles

### Political and charitable donations

During the year, the company made no political contributions (2016: £nil.) and charitable donations of £2,845 (2016: £1,678).

### Other information

An indication of research and development, employee involvement, likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

### Disclosure of information to auditor

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

### Auditor

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

By order of the board



**MP Hill**  
Director

**23 October 2017**

Wiltshire House  
County Park Business Centre  
Shrivenham Road  
Swindon  
Wiltshire  
SN1 2NR

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 *The 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; and
- 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 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 Hills Waste Solutions Limited**

We have audited the financial statements of Hills Waste Solutions Limited for the year ended 30 April 2017 set out on pages 8 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

### **Respective responsibilities of directors and auditor**

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. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.



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

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

We have nothing to report in respect of the following matters where 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.



**Huw Brown (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
66 Queen Square,  
Bristol  
BS1 4BE

30 October 2017

**Profit and Loss Account**  
*for the year ended 30 April 2017*

	<i>Note</i>	<b>2017</b> <b>£000</b>	2016 £000
<b>Turnover</b>	<b>2</b>	<b>55,395</b>	55,721
Cost of sales		<b>(42,485)</b>	(42,976)
<b>Gross profit</b>		<b>12,910</b>	12,745
Distribution costs		<b>(3,174)</b>	(3,089)
Administrative expenses		<b>(5,756)</b>	(5,134)
Other operating income		<b>77</b>	57
<b>Operating profit</b>	<b>3</b>	<b>4,057</b>	4,579
Interest receivable and similar income	<b>6</b>	-	4
Interest payable and similar charges	<b>7</b>	<b>(245)</b>	(334)
<b>Profit on ordinary activities before taxation</b>		<b>3,812</b>	4,249
Tax on profit on ordinary activities	<b>8</b>	<b>(900)</b>	(838)
<b>Profit for the financial year</b>		<b>2,912</b>	3,411

All amounts relate to continuing activities.

The company has no items of other comprehensive income.

The notes on pages 11 to 23 form an integral part of these financial statements.

**Balance Sheet**  
*at 30 April 2017*

	<i>Note</i>	<b>2017</b> £000	£000	<b>2016</b> £000	£000
<b>Fixed assets</b>					
Tangible assets	9		28,905		30,221
			<u>28,905</u>		<u>30,221</u>
<b>Current assets</b>					
Stocks	10	401		389	
Debtors	11	16,601		16,999	
Cash at bank and in hand		78		82	
		<u>17,080</u>		<u>17,470</u>	
<b>Creditors:</b> amounts falling due within one year	12	<u>(14,595)</u>		<u>(14,169)</u>	
<b>Net current assets</b>			2,485		3,301
<b>Total assets less current liabilities</b>			31,390		33,522
<b>Creditors:</b> amounts falling due after more than one year	13		(4,520)		(6,735)
<b>Provision for liabilities and charges</b>					
Deferred tax	16		(1,193)		(1,115)
Other provisions	17		(5,443)		(5,350)
<b>Net assets</b>			<u>20,234</u>		<u>20,322</u>
<b>Capital and reserves</b>					
Called up share capital	18		10		10
Profit and loss account			20,224		20,312
<b>Shareholders' funds</b>			<u>20,234</u>		<u>20,322</u>

The notes on pages 11 to 23 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 23 October 2017 and were signed on its behalf by:



**AG Pardoe**  
Director

**Statement of changes in equity**  
*at 30 April 2017*

	<b>Called up Share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 May 2015	10	19,901	19,911
<b>Total comprehensive income for the period</b>			
Profit or loss	-	3,411	3,411
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	3,411	3,411
Dividends paid		(3,000)	(3,000)
	<hr/>	<hr/>	<hr/>
<b>Balance at 30 April 2016</b>	<b>10</b>	<b>20,312</b>	<b>20,322</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	<b>Called up Share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 May 2016	10	20,312	20,322
<b>Total comprehensive income for the period</b>			
Profit or loss	-	2,912	2,912
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	2,912	2,912
Dividends paid		(3,000)	(3,000)
	<hr/>	<hr/>	<hr/>
<b>Balance at 30 April 2017</b>	<b>10</b>	<b>20,224</b>	<b>20,234</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 23 form an integral part of these financial statements.

## Notes

### 1 Accounting policies

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

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") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. 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 ultimate parent undertaking, Hills UK Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Hills UK Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Wiltshire House, County Park Business Centre, Shrivenham Road, Swindon, Wiltshire, SN1 2NR.

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:

- Cash Flow Statement and related notes;
- Related party transactions; and
- Key Management Personnel compensation.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 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 22. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### **Measurement convention**

The financial statements are prepared on the historical cost basis.

#### **Turnover**

Turnover is derived from the sale of landfill space, and from the collection, management and recycling of waste materials. Revenue is recognised on dispatch of goods or performance of services. All turnover is derived from activities carried on in the UK.

#### **Going concern**

The directors have prepared the financial statements on a going concern basis for the following reasons. The directors have reviewed the cash flow forecasts for the company for the foreseeable future and, taking account of reasonably possible changes in trading, are satisfied that the company will be able to settle its liabilities as they fall due for payment and continue in operation for a period of at least twelve months from the date of signing of these financial statements.

## Notes (continued)

### 1 Accounting policies (continued)

#### **Basic financial instruments**

##### *Trade and other debtors / creditors*

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

##### *Interest-bearing borrowings classified as basic financial instruments*

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

##### *Cash and cash equivalents*

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

#### **Landfill tax**

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

#### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost / deemed 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.

Leases in which the Company 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. Lease payments are accounted for as described below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Freehold land is not depreciated. The cost less residual value of landfill sites is depreciated over the estimated life of the site on the basis of the usage of the void space.

The cost of landfill sites includes acquisition and commissioning costs, engineering works, and the discounted cost of the final site restoration and post-closure aftercare costs.

Cost includes directly attributable finance costs.

## Notes (continued)

### 1 Accounting policies (continued)

Depreciation is provided by the company to write off the cost less estimated residual value of other tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	- over 5 to 25 years
Fixtures and fittings	- over 3 to 5 years
Motor vehicles	- over 4 to 5 years
Software	- over 3 years
Freehold buildings	- over 40 years

Freehold buildings on landfill sites are depreciated over the life of that site.

### Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. 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.

### Taxation

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

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

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

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

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

### Expenses

#### Operating lease

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

## Notes (continued)

### 1 Accounting policies (continued)

#### *Expenses (continued)*

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

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (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 are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

#### *Research and development*

Expenditure on research and development is incurred on a specific project and has been capitalised against the cost of the expected future income stream.

#### *Post-retirement benefits*

The company is a member of Hills UK Limited's defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The company also participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as permitted by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. Further details of the specific accounting treatment adopted are set out in note 23.

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

The expected costs of the restoration and aftercare of landfill sites are recognised as provisions when the obligations arise.

Where the time value of money is material, the amount of the provision is discounted to present value. The discount rate used was 4.5% (2016: 4.5%). The unwinding of the discount is included within cost of sales.

Tangible fixed assets are created for an amount equal to the capital element of the provision with the remainder being expensed through the profit and loss account. The capital elements are recognised as additions to the original assets in land and buildings. The fixed assets are charged to the profit and loss account on the basis described above in "Fixed assets and depreciation" for landfill sites. Costs are then charged to the provisions as incurred.

#### *Dividends*

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



## Notes (continued)

### 2 Turnover and segmental reporting

Turnover represents the amounts (excluding value added tax) derived from the sale of waste management services. Turnover is recognised on provision of waste management services.

The whole of the turnover and profit on ordinary activities before taxation derives from operations within the United Kingdom.

### 3 Operating profit and auditor's remuneration

This is stated after charging/(crediting):

	2017 £000	2016 £000
Depreciation of owned fixed assets	1,747	2,341
Depreciation of assets held under finance leases and hire purchase contracts	898	1,189
Profit on sale of fixed assets	(77)	(57)
Auditor's remuneration: audit of these financial statements	<u>30</u>	<u>32</u>

Amounts receivable by the company's auditor and their associates in respect of services to the company and its associates, other than the audit of the company's financial statements have not been disclosed as the information is required instead to be disclosed

Research and development expenditure of £110,000 (2016:£32,000) has been capitalised in the year

### 4 Directors' emoluments

	2017 £000	2016 £000
Emoluments	<u>266</u>	<u>287</u>
	<u>266</u>	<u>287</u>
Highest paid director:		
Emoluments	147	170
Accrued retirement benefits from defined benefit pension schemes	<u>46</u>	<u>42</u>
	<u>193</u>	<u>212</u>

Number of directors accruing benefits in company pension schemes:

	2017 No.	2016 No.
Defined benefit schemes	<u>3</u>	<u>3</u>

## Notes (continued)

### 5 Staff costs

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

	2017 £000	2016 £000
Wages and salaries	7,302	7,531
Social security costs	698	671
Pension costs	692	697
	<u>8,692</u>	<u>8,899</u>

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

	2017 No.	2016 No.
Site based employees	222	220
Administration and sales staff	60	60
	<u>282</u>	<u>280</u>

### 6 Interest receivable and similar income

	2017 £000	2016 £000
Other interest	-	4

### 7 Interest payable and similar charges

	2017 £000	2016 £000
Bank loan and overdrafts	133	186
Other loans	26	31
Interest on finance leases and hire purchase contracts	86	117
	<u>245</u>	<u>334</u>

## Notes (continued)

### 8 Taxation

Total tax recognised in the profit and loss account.

	2017 £000	2016 £000
<b>Analysis of charge in the year</b>		
Current tax:		
UK corporation tax on profits of the year	822	1,011
Adjustments in respect of previous years	-	(36)
<b>Total current tax</b>	<b>822</b>	<b>975</b>
Deferred tax:		
Origination and reversal of timing differences	140	31
Adjustments in respect of previous years	-	(48)
Effect of tax rate change on opening balance	(62)	(120)
<b>Total deferred tax</b>	<b>78</b>	<b>(137)</b>
<b>Total tax</b>	<b>900</b>	<b>838</b>

### Reconciliation of effective rate

The current tax charge for the period is higher (2016: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2017 £000	2016 £000
Profit for the year	2,912	3,411
Total tax expense	900	838
<b>Profit on ordinary activities before tax</b>	<b>3,812</b>	<b>4,249</b>
Standard rate of corporation tax in the UK 19.92% (2016: 20%)	19.92%	20.00%
Profit on ordinary activities multiplied by the standard rate of corporation tax	759	850
<i>Effects of:</i>		
Expenses not deductible for tax purposes	47	4
Fixed asset differences	156	188
Adjustment to deferred tax brought forward values	(62)	(120)
Adjustments to tax charge in respect of previous periods	-	(84)
<b>Total tax expenses included in profit and loss</b>	<b>900</b>	<b>838</b>

Reductions in the UK corporation tax rate to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) were substantively enacted on 16 March 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 30 April 2016 and 2015 has been calculated using these rates.

## Notes (continued)

### 9 Tangible fixed assets

	Motor vehicles £000	Land and buildings £000	Other assets £000	Plant and machinery £000	Total £000
<b>Cost</b>					
At 1 May 2016	4,978	32,289	723	25,666	63,656
Additions	181	666	47	456	1,350
Disposals	(413)	-	-	(415)	(828)
At 30 April 2017	4,746	32,955	770	25,707	64,178
<b>Depreciation</b>					
At 1 May 2016	3,316	13,794	644	15,681	33,435
Charge for the year	469	979	44	1,153	2,645
On disposals	(413)	-	-	(394)	(807)
At 30 April 2017	3,372	14,773	688	16,440	35,273
<b>Net book value</b>					
At 30 April 2017	1,374	18,182	82	9,267	28,905
At 30 April 2016	1,662	18,495	79	9,985	30,221

#### Impairment loss and subsequent reversal

There has been no impairment loss in the current year (2016: £nil).

#### Security

The Northacre Energy Resource Centre is pledged as security for the related bank loan provided by RBS. This is included in Land and buildings above. See note 14 for further details.

	Cost or valuation 2017 £000	Net book value 2017 £000	Cost or valuation 2016 £000	Net book value 2016 £000
<b>Land and buildings</b>				
Freehold land and buildings	29,257	18,098	28,666	18,457
Short leasehold land and buildings	3,698	84	3,623	38
	32,955	18,182	32,289	18,495

#### Leased plant and machinery

	2017 £000	2016 £000
Net book value of fixed assets held under finance leases and hire purchase contracts	1,924	2,256

The fixed assets owned under finance leases carry financial obligations as shown in note 15. The depreciation charged in the year for the assets held under finance leases was £898,000 (2016: £1,189,000).

## Notes (continued)

### 9 Tangible fixed assets (continued)

Included within land and buildings is a cost of £3,543,000 (2016: £3,464,000) and associated accumulated depreciation of £3,052,000 (2016: £2,966,000) relating to the restoration asset which represents the discounted cost of the final site restoration and post-closure aftercare.

### 10 Stocks

	2017 £000	2016 £000
Consumables	401	389
	<u>401</u>	<u>389</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Consumables were recognised as cost of sales and distribution costs in the year amounted to £227,000 and £1,403,000 respectively (2016: £231,000 cost of sales and £1,342,000 distribution).

### 11 Debtors

	2017 £000	2016 £000
Trade debtors	9,320	9,007
Amounts owed by group undertakings	4,993	6,077
Prepayments and accrued income	2,288	1,915
	<u>16,601</u>	<u>16,999</u>

All debtors are due within one year.

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

	2017 £000	2016 £000
Bank loans and overdrafts	3,885	2,736
Obligations under finance leases and hire purchase contracts (see note 14)	744	1,083
Trade creditors	1,770	2,469
Corporation tax	704	836
Other taxes and social security costs	4,719	5,309
Accruals and deferred income	2,773	1,736
	<u>14,595</u>	<u>14,169</u>

## Notes (continued)

### 13 Creditors: amounts falling due after one year

	2017 £000	2016 £000
Bank loans	3,360	5,280
Obligations under finance lease and hire purchase contracts (see note 14)	1,160	1,455
	<u>4,520</u>	<u>6,735</u>

### 14 Interest- bearing loans and borrowings

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

	2017 £000	2016 £000
<b>Creditors falling due after more than one year</b>		
Secured bank loans	3,360	5,280
Finance lease liabilities	1,160	1,455
	<u>4,520</u>	<u>6,735</u>

#### Creditors falling due within less than one year

Secured bank loans	3,885	2,736
Finance lease liabilities	744	1,083
	<u>4,629</u>	<u>3,819</u>

The secured bank loans comprise a fixed term loan of £5,280,000 (2016: £7,200,000) which is secured against the Northacre Resource Recovery Centre (NRRC) and £1,965,000 (2016 £816,000 ) of variable funding against on trade debtors. The NRRC Loan is repayable over a period of seven years finishing on 31<sup>st</sup> January 2021 at a margin of 1.75% above LIBOR. The variable debtor finance is secured by an all assets debenture and is governed by a facility agreement which is effective for a minimum period expiring on 23<sup>rd</sup> June 2018 and thereafter cancellable on 6 months' notice. Interest is charged at a margin of 1.4% above UK base rates.

### 15 Other interest- bearing loans and borrowings

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

	2017 £000	2016 £000
<b>Amounts payable:</b>		
With one year	744	1,083
Within one to two years	594	645
In the second to fifth years	566	810
	<u>1,904</u>	<u>2,538</u>

## Notes (continued)

### 16 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Accelerated capital allowances	-	-	1,193	1,115	1,193	1,115
Tax (assets) / liabilities	-	-	1,193	1,115	1,193	1,115

The provision for deferred taxation has not been discounted.

### 17 Provisions for liabilities

#### Site restoration and aftercare

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
At 1 May	5,350	5,223
Charge to the profit and loss account for the year	261	415
Amounts used	(276)	(383)
Changes to the discounted amount	108	95
<b>At 30 April</b>	<b>5,443</b>	<b>5,350</b>

#### Site restoration and aftercare

The timing of the expected cash flows of the site restoration and aftercare provision are estimated on a site by site basis over the period covering the operational life of the site, its full restoration when completed, and the continuing 60 year aftercare period following restoration. The amounts and timing of the expected outflows are uncertain due to the projection of costs over this period of time.

The restoration and aftercare provision has been discounted using an annual discount rate of 4.5% (2016: 4.5%).

### 18 Share capital

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Allotted, called up and fully paid</b>		
20,000 (2016: 20,000) ordinary shares of 50p each	10	10

### 19 Dividends

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Dividends for which the company became liable during the year:		
Dividends paid	3,000	3,000

## Notes (continued)

### 20 Capital commitments

	2017 £000	2016 £000
Amounts contracted for but not provided in the accounts	927	1,134

### 21 Other financial commitments

	Other 2017 £000	Other 2016 £000
Operating leases which expire:		
Within one year	18	346
In the second to fifth years	1,417	874
	1,435	1,220

During the year £389,000 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £408,000).

### 22 Accounting estimate and judgements

The preparation of the company's financial statement requires management to make judgements, estimate and assumption that affect the application of account policies and reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

#### Key sources of estimation uncertainty

##### Restoration provisions

The timing of the expected cash flows of the site restoration and aftercare provision are estimated on a site by site basis over the period covering the operational life of the site, its full restoration when completed, and the continuing 60 year aftercare period following restoration. The amounts and timing of the expected outflows are uncertain due to the projection of costs over this period of time.

The restoration and aftercare provision has been discounted using an annual discount rate of 4.5% (2016: 4.5%).

### 23 Pensions

#### Defined contribution scheme

Employees are eligible to be members of the group's defined contribution pension scheme. The assets of the scheme are held separately from those of the group and the company in independently administered funds. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period and amounted to £266,000 (2016: £271,000). An accrual of £nil has been made for these charges as at 30 April 2017 (2016: £45,000).

#### Defined benefit pension scheme

Other employees and four directors are members of the parent company (Hills UK Limited's) defined benefit pension scheme (2016: four directors). The assets of the scheme are held separately from those of the company and group. Three directors (2016: Three directors) accrue benefits in the defined benefit scheme.

The most recent valuation of the scheme at 1 July 2014 has been updated by the actuary on an FRS102 basis on 30 April 2017 and on the 30 April 2016.



## Notes (continued)

### 23 Pensions (continued)

Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS102, the scheme is accounted for by this company as if the scheme was a defined contribution scheme with the full requirements of FRS102 being adopted in the consolidated financial statements of the parent company, Hills UK Limited, which can be obtained from the address given in note 25.

The assets and liabilities of the scheme are not able to be attributed to the current trading companies in the Hills UK Group as they include significant amounts which relate to doormat or disposed subsidiaries as well as the actively trading subsidiaries.

The profit and loss charge for the defined benefit scheme is £426,000 (2016: £426,000).

The total profit and loss charge for both the above schemes is £692,000 (2016: £697,000).

### 24 Cross guarantee

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

### 25 Ultimate parent undertakings

The company is a subsidiary undertaking of The Hills Group Limited which in turn is a wholly owned subsidiary of Hills UK Limited which is registered in England and Wales. The largest and smallest group in which these results are included is headed by Hills UK Limited. The consolidated financial statements are available to the public and may be obtained from:

Wiltshire House  
County Park Business Centre  
Shrivenham Road  
Swindon  
Wiltshire  
SN1 2NR