Hills Waste Solutions Limited

Annual report and financial statements

Registered number 00571289

30 April 2019

Contents

Strategic report

Principal activities

The company's principal activities are the provision of waste management services to both the private and public sector. The company manages five municipal waste contracts on behalf of Wiltshire Council including treatment of non-recyclable household waste at the company operated Mechanical Biological Treatment (MBT) plant (also known as the Northacre Resource Recovery Centre) diverting waste from landfill and creating a fuel that can be used to generate energy in power plants, two Household Recycling Centres (HRC's) and the company operates a commercial waste collection fleet, facilities for the sorting and segregation of waste and two landfill sites.

Financial review

The profit for the year, after taxation, was £1,578,000 *(2018: £2,975,000)*. Turnover decreased in the year by 1% to £55,690,000 *(2018: increased by 2% to £56,271,000)*. Gross profit margin decreased by 1% in the year to 21%. There was a 12% increase *(2018: 6% decrease)* in distribution expenses in the year. This increase of £389,000 was principally down to increased hired vehicle costs.

The overall company balance sheet at 30 April 2019 is very similar to that at 30 April 2018 and whilst net current assets have increased during the period by £1,965,000, reflecting the change in debtors (increasing by £772,000) and a £1,222,000 reduction in liabilities falling due in the year, further repayment in the in the year of bank loans has reduced creditors due over more than one year by £1,440,000. The main reason for change in the number of employees in the year was due to the transfer of staff employed on the Wiltshire Council waste collection contract to Hills Municipal Collections Ltd.

The company paid a dividend to The Hills Group Limited, its parent company of £1,000,000 during the year *(2018: £2,000,000)* so that the retained earnings of the company at 30 April 2019 stand at £21,787,000 are £578,000 more than the previous year.

We are expecting profits in the 2019/20 year to be similar to the year being reported.

Business review

Wiltshire Council Contracts

The new contracts with Wiltshire Council duly came into force on 30th July 2018, however due to the delays in our planning application for a material recycling facility at our Lower Compton site the services to be performed in the short term are significantly different to those tendered.

An application for a new material recycling plant and vehicle depot facility at Sands Farm, Calne and change of use for the existing building at Lower Compton was approved by Wiltshire Council in mid July 2018 and the outlook now seems more certain, with construction at Sands Farm, Calne now underway and scheduled for completion at the end of January 2020. We will then be in a position to deliver the original tendered services.

Our other contracts with Wiltshire Council continue to perform well. Northacre Resource Recovery Centre, the mechanical and biological treatment facility (NRRC), has recovered well from the operating issues of last year and is meeting its profit targets. The contract diverting waste from landfill to generate electricity at the Lakeside energy from waste facility continues to see a regular profit performance.

Waste Disposal

The Landfill business continues to see improved volumes and prices due to the reduced availability of landfill capacity in the market place and is showing a worthwhile improvement of profitability.

We are continuing to evaluate the economics of a waste to energy project with external funders to compliment the NRRC at Westbury. This project will provide a more economic end use, with much reduced environmental impact, for waste derived fuel produced by the NRRC which is currently exported to Europe and also for some of our commercial waste. The project secured the first milestone on the contract for difference (CFD) with the Government backed Low Carbon Contract Company , however securing planning permission for the project took longer than expected and was only finally secured in August this year. This has introduced more risk into the construction phase of the project, particularly as to whether the operations milestone in the CFD contract can be achieved. This has led our funders to undertake a review of the project to consider an alternative solution that may lead to a revised project with an improved balance of risk and return. This of course will introduce a further delay on the eventual operational start date.

Strategic report *(continued)*

Waste Collection

This business has underperformed in the last year and profits have fallen quite significantly. A thorough review of this business was undertaken in the year that resulted in exit from some markets in Bristol and a refocus on the trade waste business. This has enabled us to reduce costs and hopefully achieve a more sustainable performance. The Wiltshire based operations have benefitted from the extra scale introduced via the Wiltshire Council contract and the outlook is now much more positive.

I expect that the business will return to profitability in the current financial year and in the medium term will make a worthwhile contribution to group profits.

Summary

The waste management business as a whole continues to experience challenging times at present, with new contracts and projects taking up a significant amount of management time and resources. Profitability whilst lower than in 2017/18 has held up reasonably well and I am optimistic of an improvement to profitability in the current year. When the new Wiltshire contract is properly implemented in 2020 I am confident this business will again start to show improvement

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 £3,347,000 *(2018: £534,000)*. This expenditure was in relation to the Westbury waste to energy project mentioned above and has been carried forward in Other Debtors as it is due to be reimbursed on financial close of the project.

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. Where the company is exposed to the European supply chain we are looking at contingency planning to minimise our exposure to potential disruption from a disorderly exit from the European Union. 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. The directors monitor and take actions to mitigate these risks and minimise their impact.

Where the company is exposed to the European supply chain we are looking at contingency planning to minimise our exposure to potential disruption from a disorderly exit from the European Union.

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. 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.

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

MP Hill
Director

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

31 October 2019

Registered number: 00571289

Directors' report

The directors present their report and the financial statements of the company for the year ended 30 April 2019.

Dividend

During the year a dividend of £1,000,000 *(2018: £2,000,000)* 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
AR Knowles resigned 30th November 2018
EH Dodd appointed 1st June 2019

Political and charitable donations

During the year, the company made no political contributions *(2018: £nil)* and no charitable donations *(2018: £nil)*.

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.

Post balance sheet events

In September 2019 the company was advised of a delay to the financial close on the Northacre Energy from Waste project whilst the technology is reappraised. This will result in a delay to the project and the possible write off of some of the project development costs depending on the technology chosen after this reappraisal. This has not been determined at the date of signing these accounts. The project is still planned to be delivered.

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

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

31 October 2019

Registered number: 00571289

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Independent auditor's report to the members of Hills Waste Solutions Limited

Opinion

We have audited the financial statements of Hills Waste Solutions Limited ("the company") for the year ended 30 April 2019 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

A Campbell

Andrew Campbell-Orde (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square,
Bristol
BS1 4BE
31 October 2019

Profit and Loss Account
for the year ended 30 April 2019

	Note	**2019**	2018
		£000	£000
Turnover	*2*	**55,690**	56,271
Cost of sales		**(44,090)**	(43,822)
Gross profit		**11,600**	12,449
Distribution costs		**(3,496)**	(3,107)
Administrative expenses		**(5,867)**	(5,429)
Other operating income		**58**	98
Operating profit	*3*	**2,295**	4,011
Interest payable and similar charges	*6*	**(130)**	(181)
Profit before taxation		**2,165**	3,830
Tax on profit	*7*	**(587)**	(855)
Profit for the financial year		**1,578**	2,975

All amounts relate to continuing activities.

The company has no items of other comprehensive income.

The notes on pages 11 to 22 form an integral part of these financial statements.

Balance Sheet
at 30 April 2019

	Note	**2019** **£000**	**£000**	2018 £000	£000
Fixed assets					
Tangible assets	*8*		**26,037**		28,881
			26,037		28,881
Current assets					
Stocks	*9*	**443**		418	
Debtors	*10*	**15,696**		14,924	
Cash at bank and in hand		**62**		116	
		16,201		15,458	
Creditors: amounts falling due within one year	*11*	**(13,015)**		(14,237)	
Net current assets			**3,186**		1,221
Total assets less current liabilities			**29,223**		30,102
Creditors: amounts falling due after more than one year	*12*		**(637)**		(2,171)
Provision for liabilities and charges					
Deferred tax	*15*		**(1,293)**		(1,263)
Other provisions	*16*		**(5,506)**		(5,459)
Net assets			**21,787**		21,209
Capital and reserves					
Called up share capital	*17*		**10**		10
Profit and loss account			**21,777**		21,199
Shareholders' funds			**21,787**		21,209

The notes on pages 11 to 22 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 31 October 2019 and were signed on its behalf by:

AG Pardoe
Director

Registered number: 00571289

Statement of changes in equity
at 30 April 2019

	Called up Share capital	Profit and loss account	Total equity
	£000	**£000**	**£000**
Balance at 1 May 2017	10	20,224	20,234
Total comprehensive income for the period			
Profit or loss	-	2,975	2,975
Total comprehensive income for the period	-	2,975	2,975
	10	23,199	23,209
Dividends paid	-	(2,000)	(2,000)
Balance at 30 April 2018	**10**	**21,199**	**21,209**

	Called up Share capital	Profit and loss account	Total equity
	£000	**£000**	**£000**
Balance at 1 May 2018	**10**	**21,199**	**21,209**
Total comprehensive income for the period			
Profit or loss	-	1,578	1,578
Total comprehensive income for the period	-	1,578	1,578
	10	22,777	22,787
Dividends paid	-	(1,000)	(1,000)
Balance at 30 April 2019	**10**	**21,777**	**21,787**

The notes on pages 11 to 22 form an integral part of these financial statements.

Registered number: 00571289

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 21 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 form an integral part of the Company's cash management.

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 22.

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% *(2018: 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.

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.

Notes *(continued)*

3 Operating profit and auditor's remuneration

This is stated after charging/(crediting):

	2019	2018
	£000	£000
Depreciation of owned fixed assets	**2,391**	1,602
Depreciation of assets held under finance leases and hire purchase contracts	**696**	730
Profit on sale of fixed assets	**(58)**	(99)
Auditor's remuneration: audit of these financial statements	**30**	30

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 £3,347,000 in the year *(2018:£ 534,000)* has been carried forward in other debtors on the expectation of being reimbursed on financial close of the Westbury Energy from Waste Project. See note 21.

4 Directors' emoluments

	2019	2018
	£000	£000
Emoluments	**100**	512
	100	512
Highest paid director:		
Emoluments	**100**	393
Accrued retirement benefits from defined benefit pension schemes	**23**	-
	123	393

Number of directors accruing benefits in company pension schemes:

	2019	2018
	No.	No.
Defined benefit schemes	**-**	-
Defined contribution schemes	**2**	2

5 Staff costs

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

	2019	2018
	£000	£000
Wages and salaries	**6,193**	6,673
Social security costs	**542**	651
Pension costs	**791**	689
	7,526	**8,013**

Notes *(continued)*

5 Staff costs *(continued)*

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

	2019	2018
	No.	No.
Site based employees	**154**	198
Administration and sales staff	**43**	46
Company average including directors	**197**	244

6 Interest payable and similar charges

	2019	2018
	£000	£000
Bank loan and overdrafts	**59**	93
Other loans	**29**	29
Interest on finance leases and hire purchase contracts	**42**	59
	130	**181**

7 Taxation

Total tax recognised in the profit and loss account.

	2019	2018
	£000	£000
Analysis of charge in the year		
Current tax:		
UK corporation tax on profits of the year	**641**	747
Adjustments in respect of previous years	**(84)**	2
Total current tax	**557**	749
Deferred tax:		
Origination and reversal of timing differences	**(51)**	162
Adjustments in respect of previous years	**81**	(39)
Effect of tax rate change on opening balance	**-**	(17)
Total deferred tax	**30**	106
Total tax	**587**	855

Notes *(continued)*

7 Taxation *(continued)*

Reconciliation of effective rate

The current tax charge for the period is higher *(2018: higher)* than the standard rate of corporation tax in the UK. The differences are explained below:

	2019 £000	2018 £000
Profit for the year	**1,578**	2,975
Total tax expense	**587**	855
Profit on ordinary activities before tax	**2,165**	3,830
Standard rate of corporation tax in the UK 19% *(2018: 19.92%)*	**19%**	19%
Profit on ordinary activities multiplied by the standard rate of corporation tax	**411**	728
Effects of:		
Expenses not deductible for tax purposes	**4**	2
Fixed asset differences	**169**	179
Adjustment to deferred tax brought forward values	**6**	(17)
Adjustments to tax charge in respect of previous periods	**(3)**	(37)
Total tax expenses included in profit and loss	**587**	855

Reductions in the UK corporation tax rate 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 2019 and 2018 has been calculated using these rates.

8 Tangible fixed assets

	Motor vehicles £000	Land and buildings £000	Other assets £000	Plant and machinery £000	Total £000
Cost					
At 1 May 2018	4,638	33,554	871	26,486	65,549
Additions	293	781	10	882	1,966
Disposals	(1,198)	(1,622)	-	(600)	(3,420)
At 30 April 2019	3,733	32,713	881	26,768	64,095
Depreciation					
At 1 May 2018	3,379	15,403	720	17,166	36,668
Charge for the year	701	732	60	1,594	3,087
On disposals	(1,098)	-	-	(599)	(1,697)
At 30 April 2019	2,982	16,135	780	18,161	38,058
Net book value					
At 30 April 2019	**751**	**16,578**	**101**	**8,607**	**26,037**
At 30 April 2018	1,259	18,151	151	9,320	28,881

Impairment loss and subsequent reversal

There has been no impairment loss in the current year *(2018: £nil)*.

Registered number: 00571289

Notes *(continued)*

8 Tangible fixed assets *(continued)*

Security

The Northacre Resource Recovery Centre is pledged as security for the related bank loan provided by RBS. This is included in Land and buildings above. See note 13 for further details.

Land and buildings	**Cost 2019 £000**	**Net book value 2019 £000**	Cost 2018 £000	Net book value 2018 £000
Freehold land and buildings	**26,710**	**16,137**	29,257	17,462
Short leasehold land and buildings	**6,003**	**441**	4,297	689
	32,713	**16,578**	33,554	18,151

Leased plant and machinery

	2019 £000	2018 £000
Net book value of fixed assets held under finance leases and hire purchase contracts	**983**	1,422

The fixed assets owned under finance leases carry financial obligations as shown in note 14. The depreciation charged in the year for the assets held under finance leases was £696,000 *(2018: £730,000).*

Included within land and buildings is a cost of £3,239,000 *(2018: £3,344,000)* and associated accumulated depreciation of £2,891,000 *(2018: £2,993,000)* relating to the restoration asset which represents the discounted cost of the final site restoration and post-closure aftercare. This asset is not included in the analysis of freehold and leasehold properties shown above.

9 Stocks

	2019 £000	2018 £000
Consumables	**443**	418
	443	418

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 £292,000 and £1,445,000 respectively *(2018: £255,000 cost of sales and £1,341,000 distribution).*

10 Debtors

	2019 £000	2018 £000
Trade debtors	**8,622**	9,891
Amounts owed by group undertakings	-	2,838
Other debtors	**4,337**	-
Prepayments and accrued income	**2,737**	2,195
	15,696	**14,924**

All debtors are due within one year.

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Bank loans and overdrafts	**3,339**	3.978
Obligations under finance leases and hire purchase contracts (see note 13)	**511**	696
Trade creditors	**1,512**	1,784
Amounts owed to group undertakings	**650**	-
Corporation tax	**407**	498
Other taxes and social security costs	**4,516**	4,961
Accruals and deferred income	**2,080**	2,320
	13,015	14,237

12 Creditors: amounts falling due after one year

	2019	2018
	£000	£000
Bank loans	**-**	1,440
Obligations under finance lease and hire purchase contracts (see note 13)	**637**	731
	637	2,171

13 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.

	2019	2018
	£000	£000
Creditors falling due after more than one year		
Secured bank loans	**-**	1,440
Finance lease and hire purchase liabilities	**637**	731
	637	2,171

Creditors falling due within less than one year		
Secured bank loans	**3,339**	3,978
Finance lease and hire purchase liabilities	**511**	696
	3,850	4,674

The secured bank loans comprise a fixed term loan of £1,440,000 *(2018: £3,360,000)* which is secured against the Northacre Resource Recovery Centre (NRRC) and £1,899,000 *(2018 £2,058,000)* of variable funding against on trade debtors. The NRRC Loan is repayable over a period of seven years finishing on 31st 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 23rd June 2019 and thereafter cancellable on 6 months' notice. Interest is charged at a margin of 1.4% above UK base rates.

Notes *(continued)*

14 Other interest- bearing loans and borrowings

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

	2019	2018
	£000	£000
Amounts payable:		
With one year	**511**	695
Within one to two years	**284**	424
In the second to fifth years	**353**	303
	1,148	1,422

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	**-**	-	**1,319**	1,389	**1,319**	1,389
Tax losses carried forward	**(26)**	(126)	**-**	-	**(26)**	(126)
Tax (assets) / liabilities	**(26)**	(126)	**1,319**	1,389	**1,293**	1,263

The provision for deferred taxation has not been discounted.

16 Provisions for liabilities

Site restoration and aftercare

	2019	2018
	£000	£000
At 1 May 2018	5,459	5,443
Charge to the profit and loss account for the year	285	214
Amounts used	(353)	(310)
Changes to the discounted amount	115	112
At 30 April 2019	**5,506**	5,459

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% *(2018: 4.5%).*

Notes *(continued)*

17 Share capital

	2019	2018
	£000	£000
Allotted, called up and fully paid		
20,000 *(2018: 20,000)* ordinary shares of 50p each	**10**	10

18 Dividends

	2019	2018
	£000	£000
Dividends for which the company became liable during the year:		
Dividends paid	**1,000**	2,000

19 Capital commitments

	2019	2018
	£000	£000
Amounts contracted for but not provided in the accounts	**364**	3,189

20 Other financial commitments

	Other	Other
	2019	2018
	£000	£000
The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:		
Not later than one year	**149**	26
Later than one year and not later than five years	**3,148**	2,048
	3,297	2,074

During the year £1,149,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2018: £457,000).*

21 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

Other debtors

The amount carried forward in other debtors for sums recoverable on the Westbury Energy from Waste Project is dependent upon financial close of the project on the expected terms. As at the date of the signing of these accounts there is some uncertainty as to whether the whole of this amount will now be recovered as discussed under post balance sheet events.in the director's report.

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% *(2018: 4.5%).*

Notes *(continued)*

22 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 £467,000 *(2018: £372,000)*. An accrual of £nil has been made for these charges as at 30 April 2019 *(2018: £nil)*.

Defined benefit pension scheme

Other employees and three directors are members of the parent company (Hills UK Limited's) defined benefit pension scheme *(2018: four directors)*. The assets of the scheme are held separately from those of the company and group. The scheme closed to the accrual of further benefits on 1 July 2017.

The most recent valuation of the scheme at 1 July 2017 has been updated by the actuary on an FRS 102 basis on 30 April 2019.

Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 102, the scheme is accounted for by this company as if the scheme was a defined contribution scheme with the full requirements of FRS 102 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 £343,000 *(2018: £311,000)*.
The total profit and loss charge for both the above schemes is £810,000 *(2018: £683,000)*.

23 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 Municipal Collections Limited, Hills Homes Developments Limited, County Homes (Wessex) Limited, Hills (West Midlands) Limited and Able Waste Management Limited.

24 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