

Hills Waste Solutions Limited
Annual report and financial statements
Registered number 00571289
30 April 2022



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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 Northacre Resource Recovery Centre (which diverts waste from landfill and creates a fuel that can be used to generate energy in power plants), two Household Recycling Centres (HRC's), a mixed recycling sorting facility at Sands Farm, Calne, and a residual landfill contract. The company also operates a commercial waste collection fleet, facilities for the sorting and segregation of commercial waste, and two landfill sites.

Financial review

The company suffered a loss in the year, after taxation, of £2,483,000 (2021: profit of £1,340,000). The loss was due to a significant change in the discount rate applied in calculating the provision for site restoration. The change resulted in a charge of £4,188,000 to the "Interest payable and similar charges" line of the Profit and Loss Account. This is considered in more detail in note 16 which details the basis of the provision and includes notes on the provision's sensitivity to changes in the long-term Government bond rate to which the discount rate is tied.

Turnover increased in the year by 2% to £52,654,000 (2021: decreased by 1% to £51,625,000). Gross profit margin remained constant in the year at 18% (2021: reduced by 3% to 18%).

The large increase in the site restoration provision is the foremost difference to the company balance sheet as at 30 April 2022 compared to that at 30 April 2021. The provision has increased by £4,844,000. The other notable change is the increase in creditors due after more than one year. The short-term bank facility held at 30th April 2021 for the recycling equipment at Sands Farm was converted into a finance lease for £5,500,000 repayable over five years. There was a corresponding reduction in creditors due within one year.

The company did not pay a dividend to The Hills Group Limited, its parent company during the year (2021: £750,000) so that the retained earnings of the company at 30 April 2022 of £20,844,000 are £2,483,000 less than the previous year.

We fully expect underlying profits in the 2022/23 year to be ahead of those in 2021/22, although, current volatility in financial markets means that is not possible to forecast the likely value of the site restoration provision at the end of 2023. Inevitably, there is a risk that a further significant change to the provision will be required.

Business review

Wiltshire Council Contracts

2022 has again been challenging for the company's waste management and recycling operations. Most notably, significant interruption to operations at our mechanical and biological treatment facility (MBT) heavily impacted performance.

Our MBT at Westbury was subject to close Environment Agency scrutiny with respect to odour emissions on exchange of the bio-filter medium resulting in a plant shutdown for several weeks and reduced working for some months following. This greatly reduced input revenue for a large part of the year and inevitably increased costs in mitigating the issue in as timely a fashion as possible. Overall, the incident resulted in a loss of almost £1m in operating contribution during the period.

The Sands Farm Material Recovery Facility (MRF) has continued to experience difficulty in processing the higher than anticipated volumes of domestic recyclate collected as a result of the increase in home working during and following the pandemic period. Input contamination has also affected plant efficiency and ultimately the volume of both the material able to be sent for sale to re-processors and of residual waste sent for disposal. Costs have been high. A second shift has been introduced to address throughput and reduce third party disposal costs and the profitability of this operation should improve.

With the MBT returned to capacity operation, and the detailed improvements at the Sands Farm MRF, improved results are expected in 2023.

The contract for diverting waste from landfill to generate electricity at the 3rd party operated Lakeside Energy from Waste facility continues to see a regular profit performance.

Strategic report (continued)

Waste Disposal

The Landfill business continues to operate at similar levels to the recent past and remains profitable. This year, as described above, has seen a change in the net discount rate applied to the long-term provision for restoration and an exceptional charge to the profit and loss account. The restoration provision is an allowance for costs that may arise over a 60 year period after the closure of a landfill. This time horizon is clearly difficult to forecast and by nature is a best estimate of likely events far into the future. Much of the cost relates to the treatment of leachate and the company is looking at ways to reduce this cost and the subsequent provision required over the longer term.

Waste Collection

The commercial waste collection business has continued to improve and, with much of the customer base returning after the various lockdowns, the business showed good growth. The company plans further investment in this business both in support of the waste to energy project at Westbury and as a means to achieve revenue growth as a whole.

Summary

The company overall has experienced a challenging year as we continue to migrate up the waste hierarchy and reduce our dependence on landfill as a disposal option. Profitability has improved since the end of the year being reported and the MBT has returned to full operation for the whole of the year to date so that we should see an improved performance from underlying trading operations. I am hopeful that over the medium term we will see a steady growth in profits from this business.

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 £67,000 (2021: £144,000). This expenditure was in relation to the Westbury waste to energy project being promoted by Northacre Renewable Energy Limited, a company in which the company's ultimate parent company has a minority interest. The expenditure on the project has been carried forward in Other Debtors (due after more than one year) 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 supplies in Euros.

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.

One of the key risks and uncertainties facing the company is the increasingly challenging environment for securing new planning consents.

The company also recognises the increasing exposure posed by cyber risk as our management systems and customer interface increasingly moves onto online and electronic platforms. The company currently holds Cyberessential+ accreditation and has also appointed specialist advisors to help manage this risk and data security.

The recent significant increases in the rate of inflation also present a risk to the financial performance of the company. The amount we charge to our customers may not necessarily be able to be increased in line with the increase in costs we experience to provide these services. The contracts with Wiltshire County Council do provide for inflationary increases which are capped at the Consumer Prices Index but for general commercial customers our prices are subject to market fluctuations

There is also considerable commentary at present that the cost of living crisis and increases in interest rates will lead to a recession in the UK economy. Commercial waste activity would be impacted by a downturn in industrial and commercial activity but again the municipal contracts would be protected from this. The magnitude of these risks are difficult at this stage to quantify but the directors are satisfied that the company has sufficient resources to continue the operational activities of the business despite the continued uncertain economic outlook.

Strategic report (continued)

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. As part of The Hills Group the company is looking at ways to reduce the carbon footprint of its activities and benefit from transitioning to green technologies. The Hills Group are developing a strategy to meet the Government's target of a net-zero emissions economy by the 2050 and will be setting our own targets and goals. The company's environmental management system that 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.

Streamlined Energy and Carbon Reporting (SECR)

The company has opted to include its SECR reporting disclosures in the independently produced report published in the consolidated accounts of its' ultimate parent company Hills UK Limited. These accounts can be obtained from the contact details given in note 24.

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.

Weekly communications are used to spotlight welfare issues such as raising awareness of the importance of mental health and promoting the support services offered under employee healthcare assistance programmes. Staff have telephone and online access to 24-hour health care support lines.

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 ISO 45001.

The company provides all employees with access to an independent whistle-blower reporting service to anonymously report serious issues and concerns to allow them to be investigated.

By order of the board



MP Hill
Director

13 December 2022

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

Directors' report

The directors present their report and the financial statements of the company for the year ended 30 April 2022.

Dividend

During the year a dividend of £nil (2021: £750,000) was paid to The Hills Group Limited, the parent company and only 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
EH Dodd
JW Bucksey

Political and charitable donations

During the year, the company made no political contributions (2021: £nil.) and no charitable donations (2021: £600).

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 which starts on page 1.

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the:

- a) likely consequences of any decisions in the long-term;
- b) interests of the company's employees;
- c) need to foster the company's business relationships with suppliers, customers and others;
- d) impact of the company's operations on the community and environment;
- e) desirability of the company maintaining a reputation for high standards of business conduct; and
- f) need to act fairly as between members of the company.

In discharging its section 172 duties the Company has regard to the factors set out above. In doing so the Company has regard to directives and policies set by The Hills Group Board and delegates authority for day-to-day management to line management and designated sub-committees that hold operational responsibility for engaging in setting, approving and overseeing the execution of the business strategy and related policies. The directors of the Company are members of The Hills Group Board and Finance Committee and report to the Group Board at each board meeting on the operational performance of the activities of the Company.

The Company also has regard to other factors which it consider relevant to the decision making process including engagement with regulatory authorities and involvement in industry trade bodies of which it is a member.

The Company has established core values and a supporting policy framework developed by The Hills Group Board. In the decision making process to deliver its strategic priorities the executives are guided by the policy framework with aim to make sure that the decisions taken are consistent and adhere with the Company and Group core values.

Risk and compliance, legal, pensions, stakeholder-related matters, diversity and inclusivity, corporate responsibility matters, health and safety matters and environmental compliance are reviewed at management meetings and meetings of The Hills Group Board and designated sub-committees.

The Company reviews financial and operational performance and other matters as they arise over the course of the financial year. This is done through review at management meetings and presentations to The Hills Group Board by the directors and the consideration and discussion of reports which, as required, are sent to management and directors in advance of meetings.

Directors' report (continued)

Section 172(1) Statement (continued)

Stakeholder engagement is primarily undertaken at an operational level and is a priority for the Company due to the impact our business activities can have on neighbouring local communities and surrounding environment to our sites. An important part of our stakeholder engagement programme are the regular liaison meetings held at our sites attended by senior management with elected representatives of the local community, and other invited stakeholders, to discuss and feedback on our operations

The interests and views of the Company's key stakeholders received alongside other relevant factors are considered when making decisions. This information is published and presented in a variety of formats for use both within the Company and in public facing documents. As a result of this the Company's management have an understanding of the nature of the stakeholders' concerns whilst discharging their responsibilities in compliance with the section 172 duty to promote success of the Company.

During the financial year the Company has had regard to the matters set out in section 172(1)(a)-(f) when deciding on the Company's dividend policy. In making this decision the Board considers a range of factors, included the long-term viability of the Company, expected cash flow and financing requirements and funding of strategic investment in our business and workforce as well as other factors.

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.

By order of the board



MP Hill
Director

13 December 2022

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;
- 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 2022 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 2022 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.

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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

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

Fraud and breaches of laws and regulations – ability to detect (*continued*)

Identifying and responding to risks of material misstatement due to fraud (continued)

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that management may be in a position to make inappropriate accounting entries; and
- the risk that waste management revenue is recorded in the wrong period or fictitiously recorded

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls

We also performed procedures including:

- Assessing for a selection of turnover recorded around the year end, if it is recorded in the correct period based on the turnover recognition criteria; and
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety legislation, employment law, environmental legislation, and planning conditions recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

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 6, 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.

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.



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

15 December 2022

Profit and Loss Account
for the year ended 30 April 2022

	<i>Note</i>	2022 £000	2021 £000
Turnover	2	52,654	51,625
Cost of sales		(43,035)	(42,091)
		<hr/>	<hr/>
Gross profit		9,619	9,534
Distribution costs		(2,084)	(2,024)
Administrative expenses		(5,464)	(6,091)
Other operating income		79	489
		<hr/>	<hr/>
Operating profit	3	2,150	1,908
Interest payable and similar charges	6	(4,356)	(152)
		<hr/>	<hr/>
Profit before taxation		(2,206)	1,756
Tax on profit	7	(277)	(416)
		<hr/>	<hr/>
Profit for the financial year		(2,483)	1,340
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing activities.

The company has no items of other comprehensive income.

The notes on pages 13 to 25 form an integral part of these financial statements.

Balance Sheet
at 30 April 2022

	Note	2022 £000	£000	2021 £000	£000
Fixed assets					
Tangible assets	8		30,266		31,747
			<u>30,266</u>		<u>31,747</u>
Current assets					
Stocks	9	430		415	
Debtors (including £6,257,000 (2021: £5,942,000) due after more than one year)	10	21,759		20,898	
Cash at bank and in hand		233		-	
		<u>22,422</u>		<u>21,313</u>	
Creditors: amounts falling due within one year	11	(13,688)		(21,067)	
Net current assets / (liabilities)			8,734		246
Total assets less current liabilities			39,000		31,993
Creditors: amounts falling due after more than one year	12		(4,276)		(389)
Provision for liabilities and charges					
Deferred tax	15		(2,638)		(1,879)
Other provisions	16		(11,232)		(6,388)
Net assets			<u>20,854</u>		<u>23,337</u>
Capital and reserves					
Called up share capital	17		10		10
Profit and loss account			20,844		23,327
Shareholders' funds			<u>20,854</u>		<u>23,337</u>

The notes on pages 13 to 25 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 13 December 2022 and were signed on its behalf by:



AG Pardoe
Director

Statement of changes in equity
at 30 April 2022

	Called up Share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 May 2020	10	22,737	22,747
Total comprehensive income for the period			
Profit or (loss)	-	1,340	1,340
	<hr/>	<hr/>	<hr/>
	-	1,340	1,340
Total comprehensive income for the period	<hr/>	<hr/>	<hr/>
	10	24,077	24,087
Dividends paid	-	(750)	(750)
	<hr/>	<hr/>	<hr/>
Balance at 30 April 2021	10	23,327	23,337
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Called up Share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 May 2021	10	23,327	23,337
Total comprehensive income for the period			
Profit or (loss)	-	(2,483)	(2,483)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	<hr/>	<hr/>	<hr/>
	-	(2,483)	(2,483)
	<hr/>	<hr/>	<hr/>
	10	20,844	20,854
Dividends paid	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 30 April 2022	10	20,844	20,854
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 13 to 25 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”). 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 also prepared in accordance with Financial Reporting Standard 102 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 financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for 17 months from the date of approval of these financial statements which indicates that, taking account of a reasonably possible downside scenario and the company’s ability to obtain funding from its ultimate parent company, Hills UK Limited, the company will have sufficient funds to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Hills UK Limited providing additional financial support during that period. Hills UK Limited has indicated its intention to continue to make available such funds as are needed by the company, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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.

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.

Notes (continued)

1 Accounting policies (continued)

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.

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 changes in the discount rate, 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.

Notes (continued)

1 Accounting policies (continued)

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 net discount rate used was 2.2% (2021: 4.0%). The unwinding of the discount is included within interest payable and similar charges (2021: 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.

Government Grants

The company recognises government grants related to income in the period that the expense is incurred.

The company has included income related to government grants as part of other operating income in the statement of profit and loss and other comprehensive income.

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):

	2022 £000	2021 £000
Depreciation of owned fixed assets	4,182	3,536
Depreciation of assets held under finance leases and hire purchase contracts	1,130	248
Operating lease rentals	1,047	1,141
Profit on sale of fixed assets	(79)	(286)
Furlough grants received	-	(203)
Auditor's remuneration: audit of these financial statements	35	30
	<u> </u>	<u> </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 £67,000 (2021: £144,000) has been added to current assets in the year.

4 Directors' emoluments

	2022 £000	2021 £000
Emoluments (including contributions to defined benefit pension schemes)	318	309
	<u>318</u>	<u>309</u>
Highest paid director:		
Emoluments	158	179
Contributions to defined benefit pension schemes	22	22
	<u>180</u>	<u>201</u>

Number of directors accruing benefits in company pension schemes:

	2022 No.	2021 No.
Defined contribution schemes	3	3
	<u> </u>	<u> </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:

	2022	2021
	£000	£000
Wages and salaries	5,906	5,559
Social security costs	575	523
Pension costs	947	960
	7,428	7,042

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

	2022	2021
	No.	No.
Site based employees	131	128
Administration and sales staff	49	50
Company average including directors	180	178

6 Interest payable and similar charges

	2022	2021
	£000	£000
Bank loans and overdrafts	15	14
Other bank loan	-	73
Interest on finance leases and hire purchase contracts	153	65
Change in the discounted amount on provision for site reinstatement (see note 16)	3,997	-
Unwind of the discounted amount on provision for site reinstatement (see note 16)	191	-
	4,356	152

The unwind of the discounted amount on provision for site reinstatement in year ending 30 April 2021 of £258,000 (as per note 16) was charged to Cost of Sales.

Notes (continued)

7 Taxation

Total tax recognised in the profit and loss account.

	2022 £000	2021 £000
Analysis of charge in the year		
Current tax:		
UK corporation tax on profits of the year	(515)	318
Adjustments in respect of previous years	33	(197)
Total current tax	<u>(482)</u>	<u>121</u>
Deferred tax:		
Origination and reversal of timing differences	227	182
Adjustments in respect of previous years	(47)	113
Effect of tax rate change on opening balance	579	-
Total deferred tax	<u>759</u>	<u>295</u>
Total tax	<u>277</u>	<u>416</u>

Reconciliation of effective rate

The total tax charge for the period is higher (2021: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2022 £000	2021 £000
Profit for the year	(2,483)	1,340
Total tax expense	277	416
Profit on ordinary activities before tax	<u>(2,206)</u>	<u>1,756</u>
Standard rate of corporation tax in the UK 19% (2019: 19%)	19%	19%
Profit on ordinary activities multiplied by the standard rate of corporation tax	(419)	334
<i>Effects of:</i>		
Expenses not deductible for tax purposes	37	14
Fixed asset differences	40	152
Adjustment to deferred tax brought forward values	633	-
Adjustments to tax charge in respect of previous periods	(14)	(84)
Total tax expenses included in profit and loss	<u>277</u>	<u>416</u>

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly, and the deferred tax asset as at 30 April 2022 has been calculated at the new rate of 25% (2021: 19%).

Notes (continued)

8 Tangible fixed assets

	Motor vehicles £000	Land and buildings £000	Other assets £000	Plant and machinery £000	Total £000
Cost					
At 1 May 2021	3,217	35,598	881	34,296	73,992
Additions	632	2,630	56	533	3,851
Disposals	(31)	-	-	(418)	(449)
At 30 April 2022	3,818	38,228	937	34,411	77,394
Depreciation					
At 1 May 2021	2,883	18,305	879	20,178	42,245
Charge for the year	197	3,014	5	2,096	5,312
On disposals	(31)	-	-	(398)	(429)
At 30 April 2022	3,049	21,319	884	21,876	47,128
Net book value					
At 30 April 2022	769	16,909	53	12,535	30,266
At 30 April 2021	334	17,293	2	14,118	31,747

Impairment loss and subsequent reversal

There has been no impairment loss in the current year (2021: £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. The amount outstanding on the related loan is £nil (2021: £nil).

	Cost 2022 £000	Net book value 2022 £000	Cost 2021 £000	Net book value 2021 £000
Land and buildings				
Freehold land and buildings	29,362	16,040	29,029	16,710
Short leasehold land and buildings	2,837	61	2,792	80
	32,199	16,101	31,821	16,790

Leased plant and machinery

	2022 £000	2021 £000
Net book value of fixed assets held under finance leases and hire purchase contracts	4,380	450

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 £1,130,000 (2021: £248,000).

Included within land and buildings is a cost of £6,029,000 (2021: £3,777,000) and associated accumulated depreciation of £5,227,000 (2021: £3,274,000) 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.

Notes (continued)

9 Stocks

	2022 £000	2021 £000
Consumables	430	415
	<u>430</u>	<u>415</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 £748,000 and £1,060,000 respectively (2021: £641,000 cost of sales and £964,000 distribution).

10 Debtors

	2022 £000	2021 £000
Trade debtors	6,921	7,082
Other debtors	6,257	5,221
Corporation tax	160	-
Amounts owed by group undertakings	3,870	3,073
Prepayments and accrued income	4,551	5,522
	<u>21,759</u>	<u>20,898</u>

Included in Other debtors is £6,257,000 (2021: £5,221,000) due after more than one year.

Included in Prepayments and accrued income is £nil (2021: £721,000) due after more than one year.

11 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Bank loans and overdrafts	1,186	5,919
Obligations under finance leases and hire purchase contracts (see note 13)	1,362	234
Trade creditors	3,650	2,266
Amounts owed to group undertakings	1,323	3,386
Corporation tax	-	319
Other taxes and social security costs	3,681	4,750
Accruals and deferred income	2,486	4,193
	<u>13,688</u>	<u>21,067</u>

12 Creditors: amounts falling due after one year

	2022 £000	2021 £000
Obligations under finance lease and hire purchase contracts (see note 13)	4,276	389
	<u>4,276</u>	<u>389</u>

Notes (continued)

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.

	2022 £000	2021 £000
Creditors falling due after more than one year		
Finance lease and hire purchase liabilities	4,276	389
	<u>4,276</u>	<u>389</u>
Creditors falling due within less than one year		
Secured bank loans	1,187	1,588
Other bank loan	-	4,107
Bank overdraft facility	-	224
Finance lease and hire purchase liabilities	1,362	234
	<u>2,549</u>	<u>6,153</u>

The secured bank loans comprise £1,187,000 (2021: £1,588,000) of variable funding secured on trade debtors. The variable debtor finance is secured by an all assets debenture and is governed by a facility agreement which was effective for a minimum period which expired on 23rd June 2019 and since this date is cancellable on 6 months' notice. Interest is charged at a margin of 1.4% above UK base rates. The other bank loan was an interim unsecured loan and during the year this was converted into a finance lease agreement for £5,500,000 secured against new recycling plant and equipment. This finance lease is repayable over five years until 21st July 2026 and interest is charged at a fixed rate of 2.55%.

14 Other interest-bearing loans and borrowings

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

	2022 £000	2021 £000
Amounts payable:		
With one year	1,362	234
Within one to two years	1,335	203
In the second to fifth years	2,942	186
	<u>5,639</u>	<u>623</u>

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Accelerated capital allowances	-	-	2,638	1,908	2,638	1,908
Tax losses carried forward	-	(29)	-	-	-	(29)
Tax (assets) / liabilities	<u>-</u>	<u>(29)</u>	<u>2,638</u>	<u>1,908</u>	<u>2,638</u>	<u>1,879</u>

The deferred tax liability as at 30 April 2022 has been calculated based on a rate of 25% (2021: 19%).

The provision for deferred taxation has not been discounted.

Notes (continued)

16 Provisions for liabilities

Site restoration and aftercare

	2022 £000	2021 £000
At 1 May 2021	6,388	5,632
Provided in the year	880	707
Amounts utilised in the year	(224)	(209)
Discount unwind for the year (see note 6)	191	258
Changes in the discount rate (see note 6)	3,997	-
At 30 April 2022	11,232	6,388

Site restoration and aftercare

The site restoration and aftercare provision is an estimation of the likely restoration and aftercare costs in today's terms for the cost of restoring Landfill sites and then managing them through the 60 year aftercare period.

The major cost items and areas of uncertainty are discussed in note 21, Accounting estimates and judgements.

The restoration and aftercare provision required is sensitive to the long-term discount rate and long term inflation rate assumption used. These provisions are discounted from the date on which the expenditure is expected to occur.

A discount rate of 4.2% and an inflation rate of 2.0% have been used to discount the future costs to their present value to produce an effective net discount rate of 2.2% (2021: 4.0%).

17 Share capital

	2022 £000	2021 £000
<i>Allotted, called up and fully paid</i>		
20,000 (2021: 20,000) ordinary shares of 50p each	10	10

18 Dividends

	2022 £000	2021 £000
Dividends for which the company became liable during the year:		
Dividends paid	-	750

19 Capital commitments

	2022 £000	2021 £000
Amounts contracted for but not provided in the accounts	828	555

Notes (continued)

20 Other financial commitments

	2022 £000	2021 £000
Operating leases which expire:		
Within one year	659	97
In the second to fifth years	312	1,501
	<u>971</u>	<u>1,598</u>

During the year £1,047,000 was recognised as an expense in the profit and loss account in respect of operating leases (2021: £1,141,000).

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

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 basis of the provision is the estimation of the likely restoration and aftercare costs for proscribed aftercare periods which are then discounted from the periods when the obligation are forecast to arise back to today's terms. Landfill sites tend to have the higher provision requirements due to costs expected to be spent over typically 60 year aftercare periods, which is the assumption used in the calculation of the provision.

Major cost elements within the provision are cell capping costs, installation of monitoring wells and subsequent treatment of leachate, landfill gas management and routine testing of leachate composition, surface water and gas arising. Leachate arisings are calculated by reference to capped landfill surface area and estimated water infiltration through cell caps. Estimates of water infiltration are to a large extent based upon experience of capped cells. Leachate treatment costs include operation of leachate treatment plants, costs of disposal by local Water Companies, replacement of infrastructure and in some cases haulage.

Current unit costs of leachate disposal to sewer are estimated based upon current levels of contamination and modelled throughout the aftercare period. There is however expectation that the levels of contamination should progressively decrease over the aftercare periods and lead to a unit cost reduction in leachate disposal charges which is not reflected in our provision. Gas management costs include installation and maintenance of gas flaring equipment and re-drilling of gas abstraction wells. Gas flaring is estimated to be necessary for part of the aftercare scheme based upon the period between the end of commercial utilisation of the gas to create energy and the latter stages of aftercare when gas arisings are low and passive venting is appropriate.

Future revenues from the generation of electricity from landfill gas during the aftercare period, where contracts are in place for its sale, are not deducted from the provision balances.

Where applicable, cost of acquiring performance bonds to secure permit requirements is also a significant cost. These costs are estimated based upon agreements in place with the Environment Agency.

The restoration and aftercare provision required is sensitive to the long-term discount rate and long term inflation rate assumption used. These provisions are discounted from the date on which the expenditure is expected to occur.

A discount rate of 4.2% and an inflation rate of 2.0% have been used to discount the future costs to their present value to produce an effective net discount rate of 2.2% (2021: 4.0%). An increase in the discount rate of 0.3% (to 2.5%) would reduce the required provision by £779,000 from the current figure of £11,232,000 to £10,453,000. Conversely a reduction in the discount rate by 0.3% (to 1.9%) would increase the provision required by £868,000 to £12,100,000.

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 £535,000 (2021: £548,000). An accrual of £nil has been made for these charges as at 30 April 2022 (2021: £ nil).

Defined benefit pension scheme

Other employees and three directors are members of the parent company (Hills UK Limited's) defined benefit pension scheme (2021: three 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. Two directors (2021: two directors) accrued benefits in the defined benefit scheme until this date.

The most recent valuation of the scheme at 1 July 2020 has been updated by the actuary on an FRS102 basis on 30 April 2022 and on 30 April 2021.

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 dormant or disposed subsidiaries as well as the actively trading subsidiaries.

The profit and loss charge for the defined benefit scheme is £412,000 (2021: £412,000).

The total profit and loss charge for both the above schemes is £947,000 (2021: £960,000).

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
SN1 2NR