

SEVERN WASTE SERVICES LIMITED

Report and financial statements

For the year ended 31 December 2006

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SEVERN WASTE SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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SEVERN WASTE SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

FOCSA Services (UK) Limited
Urbaser Limited

SECRETARY

Clifford Chance Secretaries Limited

REGISTERED OFFICE

106 High Street
Evesham
Worcestershire
WR11 4EL

BANKERS

HSBC Bank plc
32 Bridge Street
Evesham
Worcestershire
WR11 4RV

SOLICITORS

Rickerbys
Ellenborough House
Wellington Street
Cheltenham
Gloucestershire
GL50 1YD

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and
Registered Auditors
Manchester

SEVERN WASTE SERVICES LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 December 2006

PRINCIPAL ACTIVITIES

The Company operates all of the waste management facilities of Mercia Waste Management Limited ("Mercia"), a fellow associated undertaking of the Company, under the terms of an Operating and Maintenance Agreement. The Company is responsible for performing the obligations of Mercia for a management fee. In addition, reimbursable operating costs are received from Mercia.

In addition, via Construction Management Agreement, the Company co-ordinates the design and construction of new facilities as required for the Councils of Herefordshire and Worcestershire ("the Councils").

BUSINESS REVIEW, DEVELOPMENTS AND PROSPECTS

Further improvements were secured during the year in respect of the recycling and composting of household waste.

The Company is working with the County Councils to continue to improve the management of waste in the two Counties. However, management expects trade for 2007 to continue at similar levels to those achieved in 2006.

As shown in the group's profit and loss account on page 6, the company's sales have increased by 6.3% from the prior year (2005 - 5.6%). Sales performance for the company is in line with expectations.

The balance sheet on page 8 of the financial statements shows that the company's financial position at the year end. The reduction in net assets (2005 - increase) is attributed to the actuarial losses of £46,200 (2005 - £6,000) recognised in respect of the defined benefit pension scheme as offset by the profit for the year of £20,815 (2005 - £102,624).

The company's cash levels have increased by £848,315 from £1,552,221 at the end of 2005 to £2,400,536 at the end of the current financial year. This increase in cash is largely driven by the timing of debtor receipts at the year end as compared to 2005. This is reflected in the reduction of debtor days from 77.8 in 2005 to 56.9 in 2006.

The directors confirm that there are no significant events arising since the balance sheet date.

RESULTS AND DIVIDENDS

The results for the year are set out on Page 6. The directors do not recommend payment of a dividend (2005 - nil) and the retained profit of £20,815 (2005 - £102,624) has been transferred to reserves.

PRINCIPAL RISKS AND UNCERTAINTIES

Management considers that operational risks faced by the Company are mitigated by the long-term contract held with Mercia.

The deficit arising on the defined benefit scheme within the Company is a further financial risk for the company. Management considers that this risk is controlled through planning and consultation with actuarial advisors to ensure that contributions are sufficient to mitigate the movements in the deficit during the year.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

FOCSA Services (UK) Ltd

Urbaser Limited

There are no interests to be disclosed under Schedule 7 of the Companies Act 1985.

SEVERN WASTE SERVICES LIMITED

DIRECTORS' REPORT

AUDITORS

In the case of each of the persons who are directors of the company at the date when this report is approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information

The confirmation is given and should be interpreted in accordance with the provisions of s234 ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue as the company's auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting in accordance with section 384 of the Companies Act 1985

Approved by the Board of Directors and signed on behalf of the Board

V Orts

On behalf of Focsa Services (UK) Limited

Director

19/4/07



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with UK GAAP of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those 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 accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEVERN WASTE SERVICES LIMITED

We have audited the financial statements of Severn Waste Services Limited for the year ended 31 December 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the balance sheet, the cash flow statement and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP
Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester

26/4/07

SEVERN WASTE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2006

	Note	2006 £	2005 £
TURNOVER	2	14,888,745	14,001,494
Cost of sales		(11,893,430)	(11,439,098)
GROSS PROFIT		2,995,315	2,562,396
Administrative expenses		(2,987,315)	(2,458,397)
OPERATING PROFIT	4	8,000	103,999
Interest receivable and similar income	5	32,726	31,672
Interest payable and similar charges	6	-	(306)
Other finance charges	18	(8,000)	(9,000)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		32,726	126,365
Tax on profit on ordinary activities	7	(11,911)	(23,741)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		20,815	102,624

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2006

	Note	2006 £	2005 £
Profit for the financial year		20,815	102,624
Actuarial gains and losses relating to the pension scheme	18	(57,000)	6,000
UK deferred tax attributable to actuarial gains and losses relating to the pension scheme		10,800	-
Total recognised gains and losses related to the year		(25,385)	108,624

SEVERN WASTE SERVICES LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS 31 December 2006

	2006 £	2005 £
Profit for the financial year	20,815	102,624
Net recognised gains and losses for the year	(46,200)	6,000
	(25,385)	108,624
Opening shareholders' funds	303,827	195,203
Closing shareholders' funds	278,442	303,827

SEVERN WASTE SERVICES LIMITED

BALANCE SHEET 31 December 2006

	Note	2006 £	2005 £
CURRENT ASSETS			
Debtors	8	2,322,090	2,983,121
Cash at bank and in hand		2,400,536	1,552,221
		<u>4,722,626</u>	<u>4,535,342</u>
CREDITORS: amounts falling due within one year	9	<u>(4,312,684)</u>	<u>(4,136,515)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		409,942	398,827
PENSION LIABILITY	18	<u>(131,500)</u>	<u>(95,000)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>278,442</u>	<u>303,827</u>
CAPITAL AND RESERVES			
Called up share capital	10	250,000	250,000
Profit and loss account	11	28,442	53,827
TOTAL SHAREHOLDERS' FUNDS		<u>278,442</u>	<u>303,827</u>

These financial statements were approved by the Board of Directors on 19/4/07
Signed on behalf of the Board of Directors

V Orts

For and on behalf of Focsa Services (UK) Limited

Director

SEVERN WASTE SERVICES LIMITED

CASH FLOW STATEMENT Year ended 31 December 2006

	Note	2006 £	2005 £
Net cash inflow from operating activities	14	<u>838,183</u>	<u>190,598</u>
Returns on investments and servicing of finance	15	<u>32,726</u>	<u>29,088</u>
Taxation			
Corporation tax paid		<u>(22,594)</u>	<u>(14,220)</u>
Tax paid		<u>(22,594)</u>	<u>(14,220)</u>
Net cash inflow before financing	16	<u>848,315</u>	<u>205,466</u>
Increase in cash	16	<u><u>848,315</u></u>	<u><u>205,466</u></u>

STATEMENT OF ACCOUNTING POLICIES

Year ended 31 December 2006

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. They have all been applied consistently throughout the current and preceding year.

Accounting convention

The financial statements are prepared under the historical cost convention.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Pension costs

The company accounts for pension costs in accordance with FRS 17 "Retirement Benefits".

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other financial costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit scheme is funded, with the assets held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2006

1. ACCOUNTING POLICIES

Pension costs (continued)

In addition, the company contributes towards the personal pension plans of certain categories of employees for which the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2. TURNOVER

All turnover was derived within the UK from sales to the company's fellow associated undertaking, Mercia Waste Management Limited (see note 17).

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received remuneration by way of management fees from the company for their services during the current or preceding year. Full disclosure is detailed in note 17.

	2006 No.	2005 No.
Average number of persons employed		
Technical and administrative	20	20
Operational	191	164
	<u>211</u>	<u>184</u>
	2006 £	2005 £
Staff costs during the year		
Wages and salaries	3,721,173	3,166,506
Social security costs	338,899	288,844
Pension costs	61,505	80,487
	<u>4,121,577</u>	<u>3,535,837</u>

4. OPERATING PROFIT

	2006 £	2005 £
Operating profit is after charging		
Rentals under operating leases		
Hire of plant and machinery	32,718	81,236
Other operating leases	42,039	41,785
Auditors' remuneration for audit services	9,450	9,000
	<u>84,207</u>	<u>132,021</u>

5. INTEREST RECEIVABLE

	2006 £	2005 £
Bank interest	<u>32,726</u>	<u>31,672</u>

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2006

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £	2005 £
Bank overdrafts	-	306

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises

	2006 £	2005 £
United Kingdom corporation tax at 30% (2005 – 30%) based on the profit for the year	3,746	22,921
Adjustment in respect of prior periods	-	7,340
	3,746	30,261
Deferred tax timing differences	7,965	6,616
Other deferred tax adjustments	-	(6,797)
Deferred tax adjustment in respect of prior years	(2,100)	(7,339)
Movement in FRS 17 deferred tax	2,300	1,000
	11,911	23,741

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2006 £	2005 £
Profit on ordinary activities before tax	32,726	126,365
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2005 – 30%)	9,818	37,910
Effects of		
Expenses not deductible for tax purposes	4,062	497
Capital allowances in excess of depreciation	(59)	(80)
Marginal relief	(2,169)	(10,371)
Movement in short term timing differences	(7,906)	(5,035)
Adjustment in respect of prior periods	-	7,340
	3,746	30,261

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2006

8. DEBTORS

	2006 £	2005 £
Amounts owed by fellow associated company (note 17)	2,160,144	2,766,854
Other debtors	5,647	5,693
Prepayments and accrued income	154,644	203,054
Deferred tax (note 7)	1,655	7,520
	<u>2,322,090</u>	<u>2,983,121</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Trade creditors	853,163	363,720
Amounts owed to joint venture shareholders (note 17)	2,286,933	1,708,428
Other taxes and social security	95,346	90,017
UK corporation tax	4,073	22,921
VAT payable	5,675	177,706
Other creditors	277,358	260,265
Accruals and deferred income	790,136	1,513,458
	<u>4,312,684</u>	<u>4,136,515</u>

10. CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised 250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
Called up, allotted and fully paid 250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

11. RESERVES

	Profit and loss account £
As at 1 January 2006	53,827
Profit for the financial year	20,815
Actuarial gains and losses relating to the pension scheme	(46,200)
As at 31 December 2006	<u>28,442</u>

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2006

12. FINANCIAL COMMITMENTS

Operating lease commitments

	2006 Land and buildings £	2005 Land and buildings £
Leases which expire		
Within one year	27,767	28,647
Within two to five years	-	-
After five years	7,850	7,850
	<u>35,617</u>	<u>36,497</u>

13. CONTROLLING PARTY

There is no ultimate controlling party as the company is jointly owned by FOCSA Services (UK) Limited and Urbaser Limited

14. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2006 £	2005 £
Operating profit	8,000	103,999
Current pension service cost	37,000	54,000
Decrease in stock	-	5,052
Decrease/(increase) in debtors	655,166	(154,745)
Increase in creditors	195,017	246,292
Movement in pension commitment	(57,000)	(64,000)
Net cash inflow from operating activities	<u>838,183</u>	<u>190,598</u>

15. ANALYSIS OF CASH FLOWS

Returns on investments and servicing of finance

	2006 £	2005 £
Interest received	32,726	29,394
Interest paid	-	(306)
Net cash inflow	<u>32,726</u>	<u>29,088</u>

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2006

16. ANALYSIS AND RECONCILIATION OF NET FUNDS

	2005 £	Cash flow £	2006 £
Cash in hand, at bank	1,552,221	848,315	2,400,536
Net funds	<u>1,552,221</u>	<u>848,315</u>	<u>2,400,536</u>
		2006 £	2005 £
Increase in cash in the year		848,315	205,466
Movement in net funds in the year		848,315	205,466
Net funds at beginning of the year		1,552,221	1,346,755
Net funds at end of the year		<u>2,400,536</u>	<u>1,552,221</u>

17. RELATED PARTY TRANSACTIONS

Trading transactions

In 1999, Mercia Waste Management Limited ("Mercia"), a fellow associated undertaking of the company, appointed the company to operate all of Mercia's planned and existing waste management installations under the terms of an Operating and Maintenance Agreement. The company is responsible for performing the obligations of Mercia within the operating budget agreed by Mercia and received a fee of £14,881,745 for this in the year (2005 - £14,001,494).

The company also recharged other operating expenses totalling £nil (2005 - £nil) to Mercia.

The trading balance due from Mercia at 31 December 2006 was £2,160,144 (2005 - £2,766,854).

FOCSA (UK) Limited and Urbaser Limited are the joint venture shareholders of Severn Waste Services Limited.

The company was charged management and advisory fees by FOCSA Services (UK) Limited of £1,493,657 (2005 - £1,241,368). The amount owed by the company to FOCSA Services (UK) Limited at 31 December 2006 was £1,143,467 (2005 - £862,639).

The company was charged management and advisory fees by Urbaser Limited of £1,493,657 (2005 - £1,227,028). The amounts owed by the company to Urbaser Limited at 31 December 2006 was £1,143,467 (2005 - £845,790).

Both of the above management fees were recharged to Mercia as part of the Operating and Maintenance Agreement and are included in the fee received in the current and prior year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2006

18. PENSION COSTS

The company provides the following pension arrangements

A grouped personal pension scheme arrangement where the company makes contributions to certain employees' personal pension plans held with Prudential Assurance. The cost of the scheme was £24,505 (2005 - £26,487)

The pension cost of the defined benefit scheme is assessed in accordance with the advice of a qualified independent actuary using the projected unit method. The latest full actuarial assessment of the scheme was at 1 January 2006 and this has been updated to 31 December 2006.

The latest FRS 17 actuarial valuation of the Severn Waste Services Limited scheme, as at 31 December 2006, shows a deficit of £163,000 (2005 - £118,000)

The contributions made by the employer into the defined benefit scheme over the financial period have been £57,000 (2005 - £64,000) equivalent to 25.9% of Pensionable Salaries to 31 December 2006 (2005 - same). The contribution rate is to continue until reviewed following the triennial valuation of the scheme due as at 1 January 2009. As the scheme is closed to new entrants, the current service cost as a percentage of pensionable payroll is likely to increase as the membership ages, although it will be applied to a decreasing pensionable payroll.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Actuarial assumptions

	2006	2005	2004
Rate of increase in salaries	4.0%	3.0%	3.0%
Rate of increase in pensions in payment	3.2%	3.0%	3.0%
Discount rate	5.0%	5.1%	5.1%
Inflation assumption	3.2%	3.0%	3.0%
Rate of revaluation for deferred pensioners	3.2%	3.0%	3.0%

Fair Value of Assets and Present Value of Liabilities and Expected Rates of Return

	Expected rate of return at 31 December 2006	Market value at 31 December 2006 £'000	Expected rate of return at 31 December 2005	Market value at 31 December 2005 £'000	Expected rate of return at 31 December 2004	Market value at 31 December 2004 £'000
Equities	6.5%	51	6.5%	48	6.5%	40
Bonds	4.0%	139	4%	243	4%	219
Cash	4.0%	98	4%	37	4%	1
		<u>288</u>		<u>328</u>		<u>260</u>

The contribution rate for 2006 was 25.9% of pensionable earnings (2005 - 25.9%)

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2006

18. PENSION COSTS (continued)

Reconciliation of pension scheme assets and liabilities

	2006 £'000	2005 £'000	2004 £'000
Market value of scheme assets	288	328	260
Present value of scheme liabilities	(451)	(446)	(385)
Deficit in the scheme	(163)	(118)	(125)
Related deferred tax	31	23	24
Net pension deficit	(132)	(95)	(101)

Analysis of the amounts charged to operating profit

	2006 £'000	2005 £'000
Current service cost	(37)	(54)
Total included within operating profit	(37)	(54)

Analysis of the amount included as other finance charges

	2006 £'000	2005 £'000
Expected return on pension scheme assets	14	13
Interest on pension scheme liabilities	(22)	(22)
Net finance charge	(8)	(9)

Analysis of the actuarial gain in the statement of total recognised gains and losses

	2006 £'000	2005 £'000
Actual return less expected return on pension scheme assets	(3)	-
Experience gains and losses arising on the scheme liabilities	(39)	32
Changes in assumptions underlying the present value of the scheme liabilities	(15)	(26)
Total actuarial gains and losses recognised in the STRGL	(57)	6

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2006

18. PENSION COSTS (continued)

History of experience gains and losses

	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Difference between the expected and actual return on scheme assets	(3)	-	(10)	2
As a percentage of scheme assets	(1.0%)	0%	(4%)	1%
Experience gains and losses arising on scheme liabilities	(39)	32	(4)	(11)
As a percentage of the present value of the scheme liabilities	(8.6%)	7%	(1%)	(3%)
Effects of changes in demographic and financial assumptions underlying the present value of scheme liabilities	(15) (3.3%)	(26) (6%)	- 0%	(33) (10%)
Total actuarial gain in the statement of total recognised gains and losses	(57)	6	(14)	(42)
As a percentage of the present value of scheme liabilities	(12.6%)	(1%)	(4%)	(13%)

Movement in scheme deficit during the period

	2006 £'000	2005 £'000
Deficit at 1 January	(118)	(125)
Current service cost	(37)	(54)
Net finance charge	(8)	(9)
Contributions	57	64
Actuarial (loss)/gain	(57)	6
Deficit at 31 December	<u>(163)</u>	<u>(118)</u>