

**SEVERN WASTE SERVICES LIMITED**

**Report and financial statements**

**For the year ended 31 December 2007**



# **SEVERN WASTE SERVICES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2007**

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# **SEVERN WASTE SERVICES LIMITED**

## **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  
United Kingdom

# **SEVERN WASTE SERVICES LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and audited financial statements for the year ended 31 December 2007

### **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**

As shown in the Company's profit and loss account on page 6, the company's sales have increased by 16.8% from the prior year (2006: 6.3%). Sales performance for the company is in line with expectations.

The balance sheet on page 8 of the financial statements shows the company's financial position at the year end. The reduction in net assets (2006 – same) is attributed to the actuarial losses of £28,000 (2006 – £46,200) recognised in respect of the defined benefit pension scheme as offset by the profit for the year of £24,536 (2006 – £20,815).

The company's cash levels have decreased by £971,148 from £2,400,536 at the end of 2006 to £1,429,388 at the end of the current financial year. This movement in cash is largely driven by the timing of debtor receipts at the year end as compared to 2006. This is reflected in the increase of debtor days from 56.9 in 2006 to 75.1 in 2007.

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

Management expects trade for 2008 to continue at similar levels to those achieved in 2007.

### **RESULTS AND DIVIDENDS**

The results for the year are set out on page 6. The directors do not recommend payment of a dividend (2006 – £nil) and the retained profit of £24,536 (2006 – £20,815) 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 advisers 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

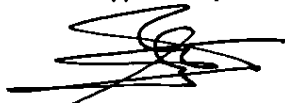
In the case of each of the persons who are directors of the company at the date when this report is approved

- so far as each of the directors is aware, there is no relevant audit 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 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 s234ZA 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



Javier Peiro

On behalf of Urbaser Limited

Director

23/04/2008

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 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 United Kingdom 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 2007 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 17. 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 2007 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, United Kingdom

29.04. 2008

# SEVERN WASTE SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 December 2007

	Note	2007 £	2006 £
<b>TURNOVER</b>	2	17,390,251	14,888,745
Cost of sales		(14,264,986)	(11,893,430)
<b>GROSS PROFIT</b>		3,125,265	2,995,315
Administrative expenses		(3,117,340)	(2,987,315)
<b>OPERATING PROFIT</b>	4	7,925	8,000
Interest receivable and similar income	5	43,712	32,726
Other finance charges	17	(8,000)	(8,000)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		43,637	32,726
Tax on profit on ordinary activities	6	(19,101)	(11,911)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>	10	24,536	20,815

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 December 2007

	Note	2007 £	2006 £
Profit for the financial year	10	24,536	20,815
Actuarial losses relating to the pension scheme	17	(35,000)	(57,000)
UK deferred tax attributable to actuarial gains and losses relating to the pension scheme		7,000	10,800
<b>Total recognised losses related to the year</b>		(3,464)	(25,385)



## SEVERN WASTE SERVICES LIMITED

### RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS 31 December 2007

	2007 £	2006 £
Profit for the financial year	24,536	20,815
Net recognised losses for the year	(28,000)	(46,200)
	<u>(3,464)</u>	<u>(25,385)</u>
Opening shareholders' funds	278,442	303,827
	<u>274,978</u>	<u>278,442</u>
Closing shareholders' funds		

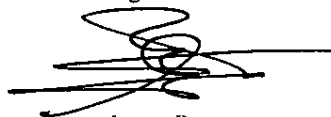
# SEVERN WASTE SERVICES LIMITED

## BALANCE SHEET 31 December 2007

	Note	2007 £	2006 £
<b>CURRENT ASSETS</b>			
Debtors	7	3,579,619	2,322,090
Cash at bank and in hand		1,429,388	2,400,536
		<u>5,009,007</u>	<u>4,722,626</u>
<b>CREDITORS amounts falling due within one year</b>	8	(4,609,029)	(4,312,684)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>399,978</u>	<u>409,942</u>
<b>PENSION LIABILITY</b>	17	(125,000)	(131,500)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>274,978</u>	<u>278,442</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	250,000	250,000
Profit and loss account	10	24,978	28,442
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>274,978</u>	<u>278,442</u>

These financial statements were approved by the Board of Directors on 23/04/2008

Signed on behalf of the Board of Directors



Javier Peiro

For and on behalf of Urbaser Limited

Director

# SEVERN WASTE SERVICES LIMITED

## CASH FLOW STATEMENT Year ended 31 December 2007

	Note	2007 £	2006 £
Net cash (outflow)/inflow from operating activities	13	<u>(1,014,538)</u>	<u>838,183</u>
Returns on investments and servicing of finance	14	43,712	32,726
Taxation			
Corporation tax paid		<u>(322)</u>	<u>(22,594)</u>
Net cash (outflow)/inflow before financing	15	<u>(971,148)</u>	<u>848,315</u>
(Decrease)/increase in cash	15	<u><u>(971,148)</u></u>	<u><u>848,315</u></u>

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

### 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 2007

### 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 16).

### 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 16.

	2007 No.	2006 No.
Average number of persons employed		
Technical and administrative	20	20
Operational	196	191
	<u>216</u>	<u>211</u>
	2007	2006
	£	£
Staff costs during the year		
Wages and salaries	3,932,019	3,721,173
Social security costs	355,959	338,899
Pension costs	61,644	61,505
	<u>4,349,622</u>	<u>4,121,577</u>

### 4. OPERATING PROFIT

	2007 £	2006 £
Operating profit is stated after charging:		
Rentals under operating leases		
Hire of plant and machinery	61,277	32,718
Other operating leases	61,596	42,039
Auditors' remuneration for audit services	10,000	9,450

### 5. INTEREST RECEIVABLE

	2007 £	2006 £
Bank interest	<u>43,712</u>	<u>32,726</u>

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2007

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises

	2007 £	2006 £
United Kingdom corporation tax at 20% (2006 – 30%) based on the profit for the year	11,594	3,746
Adjustment in respect of prior periods	(1,108)	-
	<u>10,486</u>	<u>3,746</u>
Deferred tax timing differences	663	7,965
Other deferred tax adjustments	(55)	-
Deferred tax adjustment in respect of prior years	607	(2,100)
Movement in FRS 17 deferred tax	<u>7,400</u>	<u>2,300</u>
	<u>19,101</u>	<u>11,911</u>

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

	2007 £	2006 £
<b>Profit on ordinary activities before tax</b>	<u>43,637</u>	<u>32,726</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2006 – 30%)	8,727	9,818
Effects of		
Expenses not deductible for tax purposes	3,169	4,062
Capital allowances in excess of depreciation	(30)	(59)
Marginal relief	-	(2,169)
Movement in short term timing differences	(134)	(7,906)
Adjustment in respect of prior periods	(1,108)	-
Effects of other tax rate/credits	<u>(138)</u>	<u>-</u>
	<u>10,486</u>	<u>3,746</u>

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2007

### 7 DEBTORS

	2007 £	2006 £
Amounts owed by fellow associated company (note 16)	3,327,069	2,160,144
Other debtors	807	5,647
Prepayments and accrued income	251,303	154,644
Deferred tax	440	1,655
	<u>3,579,619</u>	<u>2,322,090</u>

### 8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 £
Trade creditors	483,191	853,163
Amounts owed to joint venture shareholders (note 16)	2,383,926	2,286,933
Other taxes and social security	100,694	95,346
UK corporation tax	14,237	4,073
VAT payable	138,341	5,675
Other creditors	317,929	277,358
Accruals and deferred income	1,170,711	790,136
	<u>4,609,029</u>	<u>4,312,684</u>

### 9. CALLED UP SHARE CAPITAL

	2007 £	2006 £
<b>Authorised</b>		
250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
<b>Called up, allotted and fully paid</b>		
250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

### 10. RESERVES

	Profit and loss account £
As at 1 January 2007	28,442
Profit for the financial year	24,536
Actuarial losses relating to the pension scheme	(28,000)
As at 31 December 2007	<u>24,978</u>

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2007

### 11 FINANCIAL COMMITMENTS

#### Operating lease commitments

	2007 Land and buildings £	2006 Land and buildings £
Leases which expire		
Within one year	24,012	27,767
Within two to five years	-	-
After five years	18,889	7,850
	<u>42,901</u>	<u>35,617</u>

### 12. CONTROLLING PARTY

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

### 13. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2007 £	2006 £
Operating profit	7,925	8,000
Current pension service cost	38,000	37,000
(Increase)/decrease in debtors	(1,258,744)	655,166
Increase in creditors	286,281	195,017
Movement in pension commitment	(88,000)	(57,000)
Net cash (outflow)/inflow from operating activities	<u>(1,014,538)</u>	<u>838,183</u>

### 14. ANALYSIS OF CASH FLOWS

#### Returns on investments and servicing of finance

	2007 £	2006 £
Net cash inflow from interest received	<u>43,712</u>	<u>32,726</u>



# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2007

### 15. ANALYSIS AND RECONCILIATION OF NET FUNDS

	2006 £	Cash flow £	2007 £
Cash at bank and in hand	2,400,536	(971,148)	1,429,388
Net funds	<u>2,400,536</u>	<u>(971,148)</u>	<u>1,429,388</u>
		2007 £	2006 £
(Decrease)/increase in cash in the year		(971,148)	848,315
Movement in net funds in the year		(971,148)	848,315
Net funds at beginning of the year		2,400,536	1,552,221
Net funds at end of the year		<u>1,429,388</u>	<u>2,400,536</u>

### 16 RELATED PARTY 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 £17,390,251 for this in the year (2006 - £14,888,745).

The trading balance due from Mercia at 31 December 2007 was £3,327,069 (2006 - £2,160,144).

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 £1,588,670 (2006 - £1,493,657). The amount owed by the company to FOCSA Services (UK) Limited at 31 December 2007 was £1,191,963 (2006 - £1,143,467).

The company was charged management and advisory fees by Urbaser Limited of £1,588,670 (2006 - £1,493,657). The amounts owed by the company to Urbaser Limited at 31 December 2007 was £1,191,963 (2006 - £1,143,467).

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.

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

### 17. 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 £23,644 (2006 - £24,505)

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 2007.

The latest FRS 17 actuarial valuation of the Severn Waste Services Limited scheme, as at 31 December 2007, shows a deficit of £156,000 (2006 - £163,000)

The contributions made by the employer into the defined benefit scheme over the financial period have been £88,000 (2006 - £57,000) equivalent to 28.3% of Pensionable Salaries to 31 December 2007 (2006 - 25.9%). 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

	2007	2006	2005
Rate of increase in salaries	4.2%	4.0%	3.0%
Rate of increase in pensions in payment	3.4%	3.2%	3.0%
Discount rate	5.8%	5.0%	5.1%
Inflation assumption	3.4%	3.2%	3.0%
Rate of revaluation for deferred pensioners	3.4%	3.2%	3.0%

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

	Expected rate of return at 31 December 2007	Market value at 31 December 2007 £'000	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
Equities	7.0%	58	6.5%	51	6.5%	48
Bonds	4.0%	58	4.0%	139	4.0%	243
Cash	4.75%	16	4.0%	98	4.0%	37
		<u>132</u>		<u>288</u>		<u>328</u>

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2007

### 17. PENSION COSTS (continued)

#### Reconciliation of pension scheme assets and liabilities

	2007 £'000	2006 £'000	2005 £'000
Market value of scheme assets	132	288	328
Present value of scheme liabilities	(288)	(451)	(446)
Deficit in the scheme	(156)	(163)	(118)
Related deferred tax	31	31	23
Net pension deficit	(125)	(132)	(95)

#### Analysis of the amounts charged to operating profit

	2007 £'000	2006 £'000
Current service cost	(38)	(37)
Total included within operating profit	(38)	(37)

#### Analysis of the amount included as other finance charges

	2007 £'000	2006 £'000
Expected return on pension scheme assets	10	14
Interest on pension scheme liabilities	(18)	(22)
Net finance charge	(8)	(8)

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

	2007 £'000	2006 £'000
Actual return less expected return on pension scheme assets	(43)	(3)
Experience gains and losses arising on the scheme liabilities	(2)	(39)
Changes in assumptions underlying the present value of the scheme liabilities	10	(15)
Total actuarial gains and losses recognised in the STRGL	(35)	(57)

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

### 17. PENSION COSTS (continued)

#### History of experience gains and losses

	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
<b>Difference between the expected and actual return on scheme assets</b>	(43)	(3)	-	(10)	2
As a percentage of scheme assets	(32.6%)	(1.0%)	0%	(4%)	1%
<b>Experience gains and losses arising on scheme liabilities</b>	(2)	(39)	32	(4)	(11)
As a percentage of the present value of the scheme liabilities	(0.7%)	(8.6%)	7%	(1%)	(3%)
<b>Effects of changes in demographic and financial assumptions underlying the present value of scheme liabilities</b>	10	(15)	(26)	-	(33)
	3.5%	(3.3%)	(6%)	0%	(10%)
<b>Total actuarial gain in the statement of total recognised gains and losses</b>	(35)	(57)	6	(14)	(42)
As a percentage of the present value of scheme liabilities	(12.2%)	(12.6%)	(1%)	(4%)	(13%)

#### Movement in scheme deficit during the year

	2007 £'000	2006 £'000
Deficit at 1 January	(163)	(118)
Current service cost	(38)	(37)
Net finance charge	(8)	(8)
Contributions	88	57
Actuarial loss	(35)	(57)
<b>Deficit at 31 December</b>	<b>(156)</b>	<b>(163)</b>