

**SEVERN WASTE SERVICES LIMITED**

**Report and financial statements**

**For the year ended 31 December 2010**

TUESDAY



A04 13/09/2011 200  
COMPANIES HOUSE

# **SEVERN WASTE SERVICES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2010**

### **CONTENTS**

### **Page**

<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Directors' responsibilities statement</b>	<b>4</b>
<b>Independent auditor's report</b>	<b>5</b>
<b>Profit and loss account</b>	<b>6</b>
<b>Statement of total recognised gains and losses</b>	<b>6</b>
<b>Reconciliation of movements in shareholders' funds</b>	<b>7</b>
<b>Balance sheet</b>	<b>8</b>
<b>Cash flow statement</b>	<b>9</b>
<b>Notes to the financial statements</b>	<b>10</b>

# **SEVERN WASTE SERVICES LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

FOCSA Services (UK) Limited

Urbaser Limited

Mr J Peiro (appointed 30 September 2010)

Mr A Serrano (appointed 30 September 2010)

### **SECRETARY**

TMF Corporate Administration Services Limited

### **REGISTERED OFFICE**

The Marina

Kings Road

Evesham

Worcestershire

WR11 3XZ

### **BANKERS**

HSBC Bank plc

32 Bridge Street

Evesham

Worcestershire

WR11 4RV

### **SOLICITORS**

Rickerbys LLP

Ellenborough House

Wellington Street

Cheltenham

Gloucestershire

GL50 1YD

Wragge and Co LLP

55 Colmore Row

Birmingham

B3 2AS

### **AUDITOR**

Deloitte LLP

Chartered Accountants and Statutory Auditor

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 2010.

### **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.

Under the terms of a Construction Management Agreement with Mercia, 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 39% from the prior year (2009: 4.3%). The increase is mainly the result of the impact of the company becoming responsible for the payment of Landfill Tax to HMRC for the Landfill site which it operates but is owned by Mercia. The sum incurred is recharged to Mercia along with the other operating costs.

The balance sheet on page 8 of the financial statements shows the company's financial position at the year end. The increase in net assets (2009: reduction) is attributed to the actuarial gains of £2,400 (2009: loss £20,500) recognised in respect of the defined benefit pension scheme in addition to (2009: in addition to) the profit for the year of £29,936 (2009: the loss for the year of £10,893).

The company's cash balances fell to £660,477 in 2010 having been £1,074,958 in 2009. The fall is due to the timing of payments.

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

Management expects trade for 2011 to continue at similar levels to those achieved in 2010.

### **RESULTS AND DIVIDENDS**

The results for the year are set out on page 6. The directors do not recommend payment of a dividend (2009: £nil) and the retained profit of £29,936 (2009: £10,893 loss) has been transferred to (2009: from) 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**

The directors who served during the year and thereafter were as follows:

FOCSA Services (UK) Ltd  
Urbaser Limited

Agustin Serrano (appointed 30 September 2010)

Javier Peiro (appointed 30 September 2010)

### **DONATIONS**

The Company made no political or charitable donations in the year.

Contributions of £379,094 (2009: £nil) were made by the Company via the Landfill Communities Fund. The net cost to the company of these payments was £37,909 (2009: £nil). The Company commenced these payments during the year following the transfer of registration from Mercia to Severn as noted above.

## SEVERN WASTE SERVICES LIMITED

### DIRECTORS' REPORT (continued)

#### AUDITOR

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 auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue as the company's auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

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

Agustin Serrano  
Director

22 February 2011

## **SEVERN WASTE SERVICES LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Annual 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 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). 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 judgments and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S 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 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

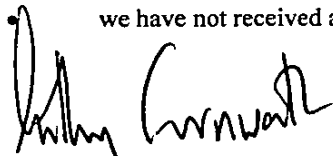
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

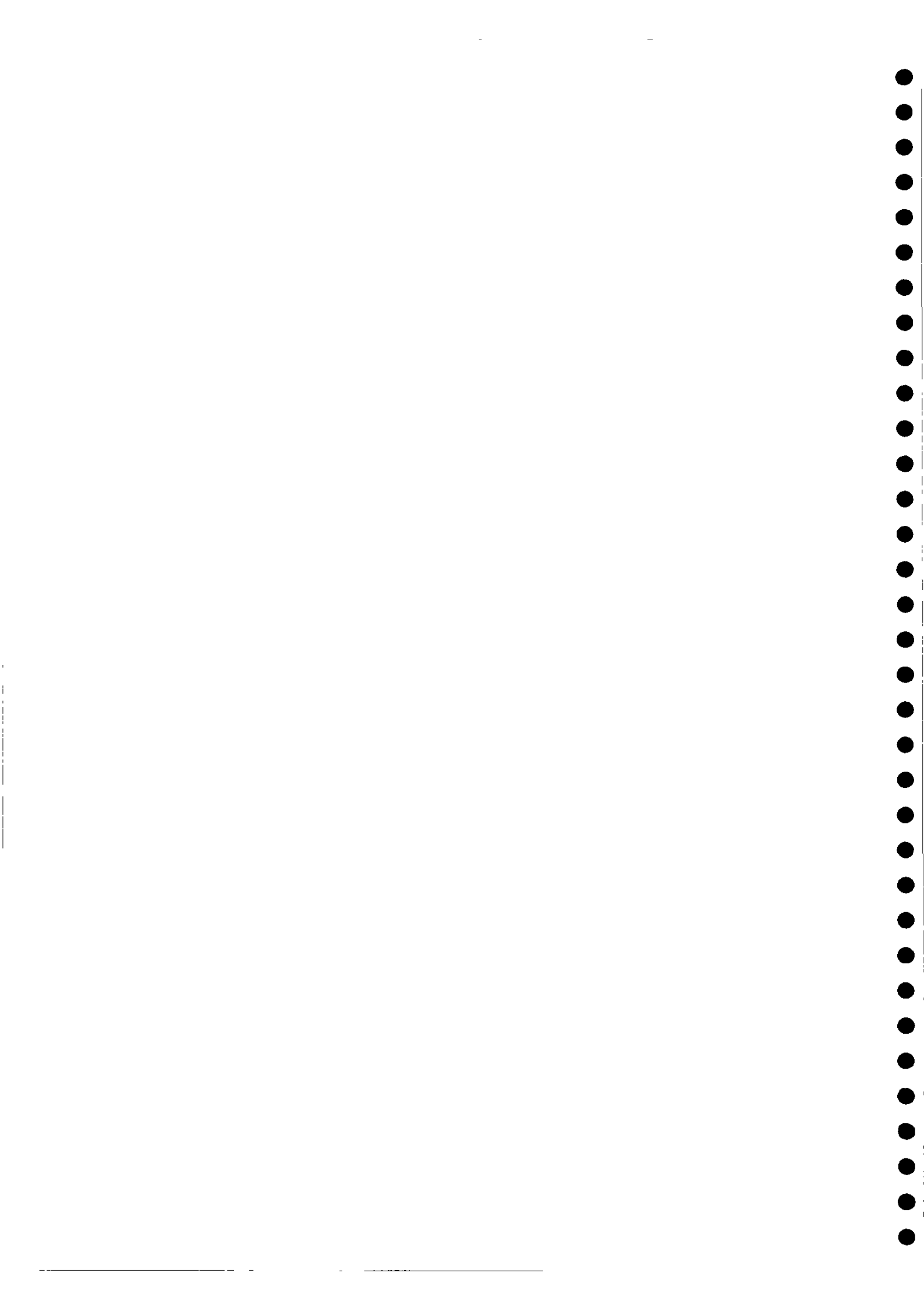
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Anthony Pamworth BA ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Manchester, United Kingdom

28/02/2011





# SEVERN WASTE SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 December 2010

	Note	2010 £	2009 £
<b>TURNOVER</b>	2	26,373,515	18,989,054
Cost of sales		(22,942,006)	(15,708,986)
<b>GROSS PROFIT</b>		3,431,509	3,280,068
Administrative expenses		(3,421,115)	(3,270,068)
<b>OPERATING PROFIT</b>	4	10,394	10,000
Interest receivable and similar income	5	1,033	1,283
Other finance charges	18	(9,000)	(10,000)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,427	1,283
Tax credit/(charge) on profit on ordinary activities	6	27,509	(12,176)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>	11	29,936	(10,893)

All results arose from continuing operations

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2010

	Note	2010 £	2009 £
Profit/(loss) for the financial year	11	29,936	(10,893)
Actuarial gains/(losses) relating to the pension scheme	18	3,000	(26,000)
UK deferred tax attributable to actuarial gains and losses relating to the pension scheme	9	(600)	5,500
<b>Total recognised gains and losses related to the year</b>		32,336	(31,393)

## SEVERN WASTE SERVICES LIMITED

### RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 December 2010

	2010 £	2009 £
Profit/(loss) for the financial year	29,936	(10,893)
Net recognised gains/(losses) for the year	<u>2,400</u>	<u>(20,500)</u>
	32,336	(31,393)
Opening shareholders' funds	<u>284,859</u>	<u>316,252</u>
Closing shareholders' funds	<u><u>317,195</u></u>	<u><u>284,859</u></u>

# SEVERN WASTE SERVICES LIMITED

## BALANCE SHEET

As at 31 December 2010

	Note	2010 £	2009 £
<b>CURRENT ASSETS</b>			
Stock		80,527	67,728
Debtors	7	3,187,877	3,933,019
Cash at bank and in hand		660,477	1,074,958
		<u>3,928,881</u>	<u>5,075,705</u>
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(3,565,786)</u>	<u>(4,700,409)</u>
<b>NET CURRENT ASSETS</b>		363,095	375,296
<b>PROVISIONS FOR LIABILITIES</b>	9	-	(15,537)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		363,095	359,759
<b>PENSION LIABILITY</b>	18	<u>(45,900)</u>	<u>(74,900)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>317,195</u>	<u>284,859</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	250,000	250,000
Profit and loss account	11	67,195	34,859
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>317,195</u>	<u>284,859</u>

These financial statements of Severn Waste Services Limited registered number 3618688 were approved by the Board of Directors and authorised for issue on 22 February 2011

Signed on behalf of the Board of Directors

Agustin Serrano  
Director

## SEVERN WASTE SERVICES LIMITED

### CASH FLOW STATEMENT Year ended 31 December 2010

	Note	2010 £	2009 £
Net cash outflow from operating activities	14	(433,032)	(319,389)
Returns on investments and servicing of finance	15	1,033	1,283
Taxation			
Corporation tax received/(paid)		<u>17,518</u>	<u>(9,172)</u>
Net cash outflow before financing being decrease in cash	16	<u>(414,481)</u>	<u>(327,278)</u>

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

### 1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### **Basis of accounting**

The financial statements are prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 2. The company has considerable financial resources and as a consequence the directors believe that the company is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **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.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

#### **Turnover**

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts and VAT. Turnover from the supply of services represents the value of services provided under contracts to the extent there is a right to consideration and is recorded at the value of the consideration due.

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

### 1. ACCOUNTING POLICIES (continued)

#### 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.

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.

	2010 No.	2009 No.
<b>Average number of persons employed</b>		
Technical and administrative	21	20
Operational	196	186
	<u>217</u>	<u>206</u>
	2010	2009
	£	£
<b>Staff costs during the year</b>		
Wages and salaries	4,196,800	3,970,198
Social security costs	377,777	356,673
Pension costs	50,360	76,368
	<u>4,624,937</u>	<u>4,403,239</u>

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

### 4. OPERATING PROFIT

	2010 £	2009 £
<b>Operating profit is stated after charging:</b>		
Rentals under operating leases		
Hire of plant and machinery	71,134	44,698
Other operating leases	140,707	82,822
	<u>          </u>	<u>          </u>

The analysis of auditor's remuneration is as follows:

	2010 £	2009 £
<b>Fees payable to the company's auditor for the audit of the company's annual accounts</b>	<u>18,000</u>	<u>18,000</u>
Total audit fees	<u>18,000</u>	<u>18,000</u>
Taxation services	<u>2,440</u>	<u>5,430</u>
Total non-audit fees	<u>2,440</u>	<u>5,430</u>

### 5. INTEREST RECEIVABLE

	2010 £	2009 £
Bank interest	<u>1,033</u>	<u>1,283</u>

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax (credit)/charge comprises

	2010 £	2009 £
United Kingdom corporation tax at 21% (2009 – 21%) based on the profit for the year	-	3,231
Adjustment in respect of prior periods	5,082	(14,834)
	<u>5,082</u>	<u>(11,603)</u>
Deferred tax timing differences	5,524	8,088
Deferred tax adjustment in respect of prior years	(38,115)	15,691
	<u>(27,509)</u>	<u>12,176</u>

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

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

	2010 £	2009 £
Profit on ordinary activities before tax	2,427	1,283
Tax on profit on ordinary activities at standard UK corporation tax rate of 21% (2009 – 21%)	510	269
Effects of		
Expenses not deductible for tax purposes	147	3,134
Capital allowances in excess of depreciation	-	(15)
Group relief surrendered	4,867	7,917
Movement in short term timing differences	(5,524)	(8,074)
Adjustment in respect of prior periods	5,082	(14,834)
	5,082	(11,603)

### 7. DEBTORS

	2010 £	2009 £
Amounts owed by fellow associated company (note 17)	2,859,038	3,702,522
Other debtors	20,570	9,037
Prepayments and accrued income	291,815	198,860
Deferred tax (note 9)	16,454	-
Corporation tax	-	22,600
	3,187,877	3,933,019

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

	2010 £	2009 £
Trade creditors	774,009	975,566
Landfill tax payable	1,155,909	-
Amounts owed to joint venture shareholders (note 17)	-	1,901,586
VAT payable	271,624	135,828
Other taxes and social security	103,650	97,120
Other creditors	326,248	315,029
Accruals and deferred income	934,346	1,275,280
	3,565,786	4,700,409



# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

### 9. DEFERRED TAX

	Total £
At 1 January 2010	15,537
Credited to profit and loss account	(32,591)
Charged to statement of total recognised gains and losses	600
	<u>(16,454)</u>
At 31 December 2010	<u>(16,454)</u>

Deferred tax is an asset in the current year and included in note 7

The deferred tax liability/(asset) is provided as follows

	2010 £	2009 £
Short term timing differences	(16,454)	(22,623)
Other timing differences	-	38,160
	<u>(16,454)</u>	<u>15,537</u>

### 10. CALLED UP SHARE CAPITAL

	2010 £	2009 £
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 2010	34,859
Profit for the financial year	29,936
Net actuarial gains relating to the pension scheme	2,400
	<u>67,195</u>
As at 31 December 2010	<u>67,195</u>

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

### 12. FINANCIAL COMMITMENTS

#### Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2010 Land and buildings £	2009 Land and Buildings £
Expiry date		
- within one year	-	-
- between two and five years	91,400	67,067
- after five years	51,885	16,389
	<u>143,285</u>	<u>83,456</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

	2010 £	2009 £
Operating profit	10,394	10,000
Current pension service cost	32,000	42,000
Decrease/(increase) in debtors	738,996	(257,040)
Increase in stocks	(12,799)	(2,793)
Decrease in creditors	(1,134,623)	(20,556)
Adjustment for pension funding	(67,000)	(91,000)
Net cash outflow from operating activities	<u>(433,032)</u>	<u>(319,389)</u>

### 15. ANALYSIS OF CASH FLOWS

Returns on investments and servicing of finance

	2010 £	2009 £
Net cash inflow from interest received	<u>1,033</u>	<u>1,283</u>

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

### 16. ANALYSIS AND RECONCILIATION OF NET FUNDS

	1 January 2010 £	Cash flow £	31 December 2010 £
Cash at bank and in hand	1,074,958	(414,481)	660,477
Net funds	<u>1,074,958</u>	<u>(414,481)</u>	<u>660,477</u>
		2010 £	2009 £
Decrease in cash in the year		(414,481)	(327,278)
Movement in net funds in the year		(414,481)	(327,278)
Net funds at beginning of the year		<u>1,074,958</u>	<u>1,402,236</u>
Net funds at end of the year		<u>660,477</u>	<u>1,074,958</u>

### 17. 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 £26,373,515 for this in the year (2009 - £18,989,054)

The trading balance due from Mercia at 31 December 2010 was £2,859,038 (2009 - £3,702,522)

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 £1,710,557 (2009 - £1,635,034). The amount owed by the company to FOCSA Services (UK) Limited at 31 December 2010 was £nil (2009 - £950,793)

The company was charged management and advisory fees by Urbaser Limited of £1,710,557 (2009 - £1,635,034). The amounts owed by the company to Urbaser Limited at 31 December 2010 was £nil (2009 - £950,793)

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

### 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 £28,163 (2009 - £29,402)

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 2009 and this has been updated to 31 December 2010

The latest FRS 17 actuarial valuation of the Severn Waste Services Limited scheme, as at 31 December 2010, shows a deficit of £76,000 (2009 - £105,000)

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

### 18. PENSION COSTS (continued)

The contributions made by the employer into the defined benefit scheme over the financial period have been £67,000 (2009 - £91,000) equivalent to 28.3% of Pensionable Salaries to 31 December 2010 (2009 - 28.3%). The contribution rate is to continue until reviewed following the triennial valuation of the scheme.

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

	2010	2009	2008
Rate of increase in salaries	3.9%	4.2%	3.8%
Rate of increase in pensions in payment	3.4%	3.4%	3.0%
Discount rate	5.2%	5.5%	6.8%
Inflation assumption	3.4%	3.4%	3.0%
Rate of revaluation for deferred pensioners	3.4%	3.4%	3.0%

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

	Expected rate of return at 31 December 2010	Market value at 31 December 2010 £'000	Expected rate of return at 31 December 2009	Market value at 31 December 2009 £'000	Expected rate of return at 31 December 2008	Market value at 31 December 2008 £'000
Equities	7.0%	83	7.0%	72	7.0%	42
Bonds	4.0%	32	4.0%	138	4.0%	-
Cash	0.5%	170	4.75%	100	4.75%	151
		<u>285</u>		<u>310</u>		<u>193</u>

#### Reconciliation of pension scheme assets and liabilities

	2010 £'000	2009 £'000	2008 £'000
Market value of scheme assets	285	310	193
Present value of scheme liabilities	<u>(361)</u>	<u>(415)</u>	<u>(311)</u>
Deficit in the scheme	(76)	(105)	(118)
Related deferred tax	<u>30</u>	<u>30</u>	<u>30</u>
Net pension deficit	<u>(46)</u>	<u>(75)</u>	<u>(88)</u>

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

	2010 £'000	2009 £'000
Current service cost	<u>(32)</u>	<u>(42)</u>

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

### 18. PENSION COSTS (continued)

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

	2010 £'000	2009 £'000
Expected return on pension scheme assets	9	10
Interest on pension scheme liabilities	(18)	(20)
Net finance charge	(9)	(10)

#### Analysis of the actuarial gain/(loss) in the statement of total recognised gains and losses

	2010 £'000	2009 £'000
Actual return less expected return on pension scheme assets	(1)	77
Experience gains and losses arising on the scheme liabilities	11	(9)
Changes in assumptions underlying the present value of the scheme liabilities	(7)	(94)
Total actuarial gains and losses recognised	3	(26)

#### History of experience gains and losses

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Difference between the expected and actual return on scheme assets	(1)	77	(33)	(43)	(3)
As a percentage of scheme assets	(0.4%)	24.8%	(17.1%)	(32.6%)	(1.0%)
Experience gains and losses arising on scheme liabilities	11	(9)	(5)	(2)	(39)
As a percentage of the present value of the scheme liabilities	3.0%	(2.2%)	(1.6%)	(0.7%)	(8.6%)
Effects of changes in demographic and financial assumptions underlying the present value of scheme liabilities	(7)	(94)	39	10	(15)
As a percentage of the present value of the scheme liabilities	(1.9%)	(22.7%)	12.5%	3.5%	(3.3%)
Total actuarial (loss)/gain in the statement of total recognised gains and losses	3	(26)	1	(35)	(57)
As a percentage of the present value of scheme liabilities	0.8%	(6.3%)	0.3%	(12.2%)	(12.6%)

#### Movement in scheme deficit during the year

	2010 £'000	2009 £'000
Deficit at 1 January	(105)	(118)
Current service cost	(32)	(42)
Net finance charge	(9)	(10)
Contributions	67	91
Actuarial gain/(loss)	3	(26)
Deficit at 31 December	(76)	(105)