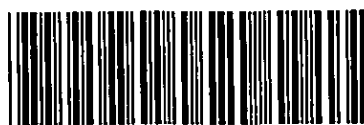


SEVERN WASTE SERVICES LIMITED

Annual Report and financial statements

For the year ended 31 December 2012

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SEVERN WASTE SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

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SEVERN WASTE SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

FCC Environment Services (UK) Limited (formerly FOCSA Services (UK) Limited)

Urbaser Limited

Mr J Peiro

Mr A Serrano

SECRETARY

TMF Corporate Administration Services Limited

REGISTERED OFFICE

The Marina

Kings Road

Evesham

Worcestershire

WR11 3XZ

BANKERS

HSBC Bank plc

PO Box 4

6 Broad Street

Worcester

WR1 2EJ

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 on the affairs of the company together with the audited financial statements for the year ended 31 December 2012

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 ("OMA"). 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 8.6% from the prior year (2011 - 7.9%). The larger increase in 2012 is mainly due to the impact of increased costs in the recycle processing market. These costs are invoiced to Mercia.

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 is attributed to the loss for the year of £24,230 (2011 - £3,692 profit) in addition to the actuarial gains of £2,400 (2011 - £8,000) recognised in respect of the defined benefit pension scheme.

The company's cash balances increased to £1,916,915 in 2012 having been £981,830 in 2011. The rise is due to the timing of the payment of management charges to joint shareholder Urbaser Limited.

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

Management expects trade for 2013 to continue at similar levels to those achieved in 2012.

RESULTS AND DIVIDENDS

The results for the year are set out on page 6. The directors do not recommend payment of a dividend (2011 - £nil) and the loss of £24,230 (2011 - profit of £3,692) has been transferred from (2011 - to) reserves.

PRINCIPAL RISKS AND UNCERTAINTIES

Management consider 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 consider 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.

GOING CONCERN

The company has sufficient financial resources to meet its day to day requirements, 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.

DIRECTORS

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

FCC Environment Services (UK) Limited

Urbaser Limited

Mr A Serrano

Mr J Peiro

SEVERN WASTE SERVICES LIMITED

DIRECTORS' REPORT (continued)

DONATIONS

The company made no political or charitable donations in the year (2011 - same)

Contributions of £619,892 (2011 - £535,840) were made by the company via the Landfill Communities Fund. The net cost to the company of these payments was £61,989 (2011 - £53,584)

AUDITOR

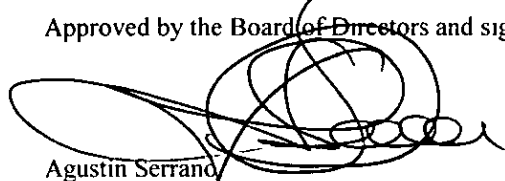
In the case of each of the persons who is a director of the company at the date when this report is approved

- so far as the director is aware, there is no relevant audit of which the company's auditor is unaware, and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

This 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

1 May 2013

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 judgements 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 2012, 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. 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 and of its loss 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

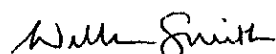
Opinion on other matter prescribed by the Companies Act 2006

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



William Smith MA ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
2 May 2013

SEVERN WASTE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2012

	Note	2012 £	2011 £
TURNOVER	2	30,895,457	28,445,914
Cost of sales		(27,159,487)	(24,836,435)
GROSS PROFIT		3,735,970	3,609,479
Administrative expenses		(3,723,970)	(3,598,479)
OPERATING PROFIT	4	12,000	11,000
Interest receivable	5	9,182	7,823
Other finance charges	17	(12,000)	(11,000)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		9,182	7,826
Tax charge on profit on ordinary activities	6	(33,412)	(4,134)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR	11	(24,230)	3,692

All results arose from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2012

	Note	2012 £	2011 £
(Loss)/profit for the financial year	11	(24,230)	3,692
Actuarial gains relating to the pension scheme	17	3,000	10,000
UK deferred tax attributable to actuarial gains and losses relating to the pension scheme	17	(600)	(2,000)
Total recognised gains and losses related to the year		(21,830)	11,692

SEVERN WASTE SERVICES LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 December 2012

	2012 £	2011 £
(Loss)/profit for the financial year	(24,230)	3,692
Net recognised actuarial gains for the year	2,400	8,000
Total recognised gains and losses related to the year	(21,830)	11,692
Opening shareholders' funds	328,887	317,195
Closing shareholders' funds	307,057	328,887

SEVERN WASTE SERVICES LIMITED

BALANCE SHEET

As at 31 December 2012

	Note	2012 £	2011 £
CURRENT ASSETS			
Stock		121,944	97,549
Debtors	7	3,899,906	2,762,904
Cash at bank and in hand		1,916,915	981,830
		<u>5,938,765</u>	<u>3,842,283</u>
CREDITORS: amounts falling due within one year	8	<u>(5,603,708)</u>	<u>(3,504,496)</u>
NET CURRENT ASSETS		<u>335,057</u>	<u>337,787</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>335,057</u>	<u>337,787</u>
PENSION LIABILITY	17	<u>(28,000)</u>	<u>(8,900)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>307,057</u>	<u>328,887</u>
CAPITAL AND RESERVES			
Called-up share capital	10	250,000	250,000
Profit and loss account	11	57,057	78,887
TOTAL SHAREHOLDERS' FUNDS		<u>307,057</u>	<u>328,887</u>

These financial statements of Severn Waste Services Limited, registered number 3618688, were approved by the Board of Directors and authorised for issue on 1 May 2013

Signed on behalf of the Board of Directors

Agustín Serrano

Director

SEVERN WASTE SERVICES LIMITED

CASH FLOW STATEMENT

Year ended 31 December 2012

	Note	2012 £	2011 £
Net cash inflow from operating activities	13	925,903	313,527
Returns on investments and servicing of finance	14	9,182	7,826
Net cash inflow	15	<u>935,085</u>	<u>321,353</u>

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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 law and 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 sufficient 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 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, and is recognised at the point at which the services are performed.

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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 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 and preceding year. Full disclosure is detailed in note 16.

	2012 No	2011 No.
Average number of persons employed		
Technical and administrative	19	20
Operational	232	216
	<u>251</u>	<u>236</u>
	2012	2011
	£	£
Staff costs during the year		
Wages and salaries	4,773,464	4,552,990
Social security costs	409,315	406,151
Pension costs	57,424	89,577
	<u>5,240,203</u>	<u>5,048,718</u>

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4. OPERATING PROFIT

	2012 £	2011 £
Operating profit is stated after charging:		
Rentals under operating leases		
Hire of plant and machinery	76,047	61,881
Other operating leases	136,138	132,573

The analysis of auditor's remuneration is as follows:

	2012 £	2011 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	19,675	18,400
Total audit fees	19,675	18,400
Taxation services	1,500	3,000
Total non-audit fees	1,500	3,000

5. INTEREST RECEIVABLE

	2012 £	2011 £
Bank interest	9,182	7,826

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises

	2012 £	2011 £
United Kingdom corporation tax at 20% (2011 – 20 25%) based on the profit for the year	1,707	-
Adjustment in respect of prior periods	23,100	-
	24,807	-
Deferred tax timing differences	205	3,447
Deferred tax adjustment in respect of prior years	8,400	687
Total tax charge	33,412	4,134

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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

	2012 £	2011 £
Profit on ordinary activities before tax	9,182	7,826
Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2011 – 20 25%)	1,836	1,585
Effects of		
Expenses not deductible for tax purposes	75	70
Movement in short term timing differences	(204)	(5,447)
Adjustment in respect of prior periods	23,100	-
Losses carried forward	-	3,792
	24,807	-

The tax charge in future years will be affected by the announcement on 5 December 2012 that the corporation tax main rate would be reduced by 1% to 23% from 1 April 2013 and a further 1% until 1 April 2014 when the rate will be 22%. It is not expected that the reduction will have a significant impact on the company's deferred tax

7. DEBTORS

	2012 £	2011 £
Amounts owed by fellow associated company (note 16)	3,610,400	2,425,875
Other debtors	26,615	44,761
Prepayments and accrued income	261,776	281,948
Deferred tax (note 9)	1,115	10,320
	3,899,906	2,762,904

All amounts are due within one year

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Trade creditors	627,923	329,358
Amounts owed to joint venture shareholders (note 16)	1,464,450	-
Landfill tax payable	1,752,537	1,419,030
Corporation tax	1,707	-
Other taxes and social security	340,677	442,648
Other creditors	387,095	354,366
Accruals and deferred income	1,029,319	959,094
	5,603,708	3,504,496

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

9. DEFERRED TAX

	2012 £
At 1 January 2012	10,320
Charged to profit and loss account	(8,605)
Charged to statement of total recognised gains and losses	(600)
	<u>1,115</u>
At 31 December 2012	<u>1,115</u>

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

The deferred tax asset is provided as follows

	2012 £	2011 £
Short-term timing differences	<u>(1,115)</u>	<u>(10,320)</u>

10. CALLED-UP SHARE CAPITAL

	2012 £	2011 £
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 2012	78,887
Loss for the financial year	(24,230)
Net actuarial gains relating to the pension scheme	2,400
	<u>57,057</u>
As at 31 December 2012	<u>57,057</u>

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

12. FINANCIAL COMMITMENTS

Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	2012 Land and buildings £	2011 Land and buildings £
Expiry date		
- within one year	14,400	-
- between two and five years	81,815	96,215
- after five years	51,885	51,885
	<u>148,100</u>	<u>148,100</u>

13. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2012 £	2011 £
Operating profit	12,000	11,000
Current pension service cost	20,000	25,000
(Increase)/decrease in debtors	(1,146,207)	418,838
Increase in stocks	(24,395)	(17,022)
Increase/(decrease) in creditors	2,097,505	(61,290)
Adjustment for pension funding	(33,000)	(63,000)
Net cash inflow from operating activities	<u>925,903</u>	<u>313,527</u>

14. ANALYSIS OF CASH FLOWS

Returns on investments and servicing of finance

	2012 £	2011 £
Net cash inflow from interest received	<u>9,182</u>	<u>7,826</u>

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

15. ANALYSIS AND RECONCILIATION OF NET FUNDS

	1 January 2012 £	Cash flow £	31 December 2012 £
Cash at bank and in hand	981,830	935,085	1,916,915
Net funds	<u>981,830</u>	<u>935,085</u>	<u>1,916,915</u>
		2012 £	2011 £
Increase in cash in the year		935,085	321,353
Movement in net funds in the year		935,085	321,353
Net funds at beginning of the year		981,830	660,477
Net funds at end of the year		<u>1,916,915</u>	<u>981,830</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 £30,895,457 for this in the year (2011 - £28,445,914).

The trading balance due from Mercia at 31 December 2012 was £3,610,400 (2011 - £2,425,875).

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

The company was charged management and advisory fees by FCC Environment Services (UK) Limited of £1,859,920 (2011 - £1,799,240). The amount owed by the company to FCC Environment Services (UK) Limited at 31 December 2012 was £nil (2011 - £nil).

The company was charged management and advisory fees by Urbaser Limited of £1,859,920 (2011 - £1,799,240). The amounts owed by the company to Urbaser Limited at 31 December 2012 was £1,464,450 (2011 - £nil).

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.

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 £25,664 (2011 - £26,008).

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 31 December 2011 and this has been updated to 31 December 2012 by qualified actuaries.

The latest FRS 17 actuarial valuation of the Severn Waste Services Limited scheme, as at 31 December 2012, shows a deficit of £35,000 (2011 - £39,000) before adjusting for deferred tax.

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

17. PENSION COSTS (continued)

The contributions made by the employer into the defined benefit scheme over the financial period have been £33,000 (2011 - £63,000) equivalent to 33.2% of Pensionable Salaries to 31 December 2012 (2011 - 28.3%). The contribution rate for 2012 is set at £33,000.

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

	2012	2011	2010
Rate of increase in salaries	3.35%	3.35%	3.9%
Rate of increase in pensions in payment	2.85%	2.85%	3.4%
Discount rate	4.60%	5.00%	5.2%
Inflation assumption (RPI)	2.85%	2.85%	3.4%
Inflation assumption (CPI)	2.15%	2.15%	n/a
Rate of revaluation for deferred pensioners	2.15%	2.85%	3.4%

Fair Value of Assets

The long-term expected rate of return on cash is determined by reference to bank base rates at the balance sheet dates. The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance.

	Expected rate of return at 31 December 2012	Market value at 31 December 2012	Expected rate of return at 31 December 2011	Market value at 31 December 2011	Expected rate of return at 31 December 2010	Market value at 31 December 2010
		£'000		£'000		£'000
Equities	7.0%	72	7.1%	76	7.0%	83
Insurance policies	3.5%	123	4.1%	33	4.0%	32
Cash	0.5%	205	0.5%	239	0.5%	170
		<u>400</u>		<u>348</u>		<u>285</u>

The actual return on scheme assets for the year was a profit of £16,000.

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

17 PENSION COSTS (CONTINUED)

Mortality assumptions

Investigations have been carried out within the past three years into the mortality experience of the Company's defined benefit scheme. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are

	Valuation at	
	2012 years	2011 years
Retiring today		
Males	21.6	22.5
Females	23.6	25.0
Retiring in 20 years		
Males	23.4	24.4
Females	25.6	26.8

Sensitivities

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 7.7%
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 7.7%
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by 0.1%
Rate of mortality	Increase by 1 year	Increase by 2.3%

Reconciliation of pension scheme assets and liabilities

	2011 £'000	2011 £'000	2010 £'000
Fair value of scheme assets	400	348	285
Present value of scheme liabilities	(435)	(387)	(361)
Deficit in the scheme	(35)	(39)	(76)
Related deferred tax	7	30	30
Net pension deficit	(28)	(9)	(46)

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

17. PENSION COSTS (CONTINUED)

Movements in the present value of defined benefit liabilities were as follows

	2012 £'000	2011 £'000
At 1 January	387	361
Service cost	20	25
Interest cost	20	20
Contributions by scheme participants	3	5
Actuarial gains	5	(24)
Benefits paid	-	-
	<u>435</u>	<u>387</u>
At 31 December		

Movements in the fair value of defined benefit assets were as follows

	2012 £'000	2011 £'000
At 1 January	348	285
Expected return on scheme assets	8	9
Actuarial losses	8	(14)
Contributions from the sponsoring companies	33	63
Contributions from scheme members	3	5
Benefits paid	-	-
	<u>400</u>	<u>348</u>
At 31 December		

Analysis of the amounts charged to operating profit

	2012 £'000	2011 £'000
Current service cost	<u>(20)</u>	<u>(25)</u>

Analysis of the amount included as other finance charges

	2012 £'000	2011 £'000
Expected return on scheme assets	8	9
Interest cost	<u>(20)</u>	<u>(20)</u>
Net finance charge	<u>(12)</u>	<u>(11)</u>

SEVERN WASTE SERVICES LIMITED

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Year ended 31 December 2012

17 PENSION COSTS (CONTINUED)

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

	2012 £'000	2011 £'000
Actual return less expected return on pension scheme assets	8	(14)
Experience gains and losses arising on the scheme liabilities	4	8
Changes in assumptions underlying the present value of the scheme liabilities	(9)	16
Total actuarial gains and losses recognised	3	10

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since adoption of FRS 17 is a loss of £95,000 (2011 £98,000)

History of experience gains and losses

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Difference between the expected and actual return on scheme assets	8	(14)	(1)	77	(33)
As a percentage of scheme assets	2.0%	(4.0%)	(0.4%)	24.8%	(17.1%)
Experience gains and losses arising on scheme liabilities	4	8	11	(9)	(5)
As a percentage of the present value of the scheme liabilities	0.9%	2.1%	3.0%	(2.2%)	(1.6%)
Effects of changes in demographic and financial assumptions underlying the present value of scheme liabilities	(9)	16	(7)	(94)	39
As a percentage of the present value of the scheme liabilities	(2.1%)	4.1%	(1.9%)	(22.7%)	12.5%
Total actuarial gain/(loss) in the statement of total recognised gains and losses	3	10	3	(26)	1
As a percentage of the present value of scheme liabilities	0.7%	2.6%	0.8%	(6.3%)	0.3%

Movement in scheme deficit during the year

	2012 £'000	2011 £'000
Deficit at 1 January	(39)	(76)
Current service cost	(20)	(25)
Net finance charge	(12)	(11)
Contributions	33	63
Actuarial gain	3	10
Deficit at 31 December	(35)	(39)

18. CONTROLLING PARTY

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

