

**SEVERN WASTE SERVICES LIMITED**

**Report and financial statements**

**For the year ended 31 December 2009**

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COMPANIES HOUSE

# **SEVERN WASTE SERVICES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2009**

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# **SEVERN WASTE SERVICES LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

FOCSA Services (UK) Limited  
Urbaser Limited

### **SECRETARY**

TMF Corporate Administration Services Limited	(appointed 16 October 2009)
Clifford Chance Secretaries Limited	(resigned 16 October 2009)

### **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

### **AUDITORS**

Deloitte LLP  
Chartered Accountants and Statutory 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 2009

### **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 a 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 4.3% from the prior year (2008 - 4.7%). 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 (2008 - increase) is attributed to the actuarial losses of £20,500 (2008 - gain £700) recognised in respect of the defined benefit pension scheme in addition to (2008 - in addition to) the loss for the year of £10,893 (2008 - the profit for the year of £40,574).

The company's cash levels have remained fairly stable at £1,074,958 in 2009 having been £1,402,236 in 2008. Minimal fluctuation on cash balances would be expected given the stable nature of the business.

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

Management expect trade for 2010 to continue at similar levels to those achieved in 2009.

### **GOING CONCERN**

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

### **RESULTS AND DIVIDENDS**

The results for the year are set out on page 6. The directors do not recommend payment of a dividend (2008 - £nil) and the retained loss of £10,893 (2008 - profit £40,574) has been transferred from/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.

### **DIRECTORS**

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

FOCSA Services (UK) Ltd  
Urbaser Limited

# SEVERN WASTE SERVICES LIMITED

## DIRECTORS' REPORT (continued)

### 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
- 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 auditors are 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 auditors 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



Javier Peiro

For and on behalf of Urbaser Limited  
Director

29/03/ 2010

## **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 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 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, 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 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**

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 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 (APB'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 2009 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.

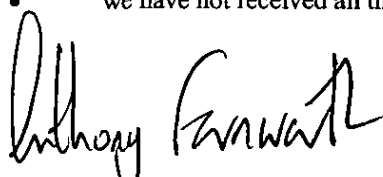
### **Opinion on other matter prescribed by the Companies Act 2006**

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.



Anthony Farnworth (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Manchester, United Kingdom

12/04/2010

# SEVERN WASTE SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 December 2009

	Note	2009 £	2008 £
<b>TURNOVER</b>	2	18,989,054	18,211,941
Cost of sales		(15,708,986)	(14,971,990)
<b>GROSS PROFIT</b>		3,280,068	3,239,951
Administrative expenses		(3,270,068)	(3,231,951)
<b>OPERATING PROFIT</b>	4	10,000	8,000
Interest receivable and similar income	5	1,283	38,128
Other finance charges	18	(10,000)	(8,000)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,283	38,128
Tax (charge)/credit on profit on ordinary activities	6	(12,176)	2,446
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>	11	(10,893)	40,574

All results arose from continuing operations

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2009

	Note	2009 £	2008 £
(Loss)/profit for the financial year	11	(10,893)	40,574
Actuarial (losses)/gains relating to the pension scheme	18	(26,000)	1,000
UK deferred tax attributable to actuarial gains and losses relating to the pension scheme	9	5,500	(300)
<b>Total recognised gains and losses related to the year</b>		(31,393)	41,274



## SEVERN WASTE SERVICES LIMITED

### RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 December 2009

	2009 £	2008 £
(Loss)/profit for the financial year	(10,893)	40,574
Net recognised (losses)/gains for the year	(20,500)	700
	<hr/>	<hr/>
Opening shareholders' funds	(31,393) 316,252	41,274 274,978
	<hr/>	<hr/>
Closing shareholders' funds	284,859	316,252
	<hr/>	<hr/>

# SEVERN WASTE SERVICES LIMITED

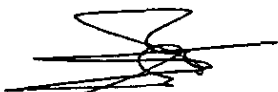
## BALANCE SHEET

31 December 2009

	Note	2009 £	2008 £
<b>CURRENT ASSETS</b>			
Stock		67,728	64,935
Debtors	7	3,933,019	3,667,121
Cash at bank and in hand		1,074,958	1,402,236
		<u>5,075,705</u>	<u>5,134,292</u>
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(4,700,409)</u>	<u>(4,730,140)</u>
<b>NET CURRENT ASSETS</b>		375,296	404,152
<b>PROVISIONS FOR LIABILITIES</b>	9	<u>(15,537)</u>	-
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		359,759	404,152
<b>PENSION LIABILITY</b>	18	<u>(74,900)</u>	<u>(87,900)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>284,859</u>	<u>316,252</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	250,000	250,000
Profit and loss account	11	34,859	66,252
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>284,859</u>	<u>316,252</u>

These financial statements of Severn Waste Services Limited registered number 3618688 were approved by the Board of Directors and authorised for issue on 29/03/2010

Signed on behalf of the Board of Directors



Javier Petro

For and on behalf of Urbaser Limited  
Director

# SEVERN WASTE SERVICES LIMITED

## CASH FLOW STATEMENT Year ended 31 December 2009

	Note	2009 £	2008 £
Net cash outflow from operating activities	14	(319,389)	(49,963)
Returns on investments and servicing of finance	15	1,283	38,128
Taxation			
Corporation tax paid		(9,172)	(15,317)
Net cash outflow before financing being decrease in cash	16	<u>(327,278)</u>	<u>(27,152)</u>

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

### 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.

#### **Basis of accounting**

The financial statements are prepared under the historical cost convention.

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 despite the current economic outlook.

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 in preparing the annual report and accounts.

#### **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 2009

### 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.

	2009 No.	2008 No.
<b>Average number of persons employed</b>		
Technical and administrative	20	20
Operational	186	196
	<u>206</u>	<u>216</u>
	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
<b>Staff costs during the year</b>		
Wages and salaries	3,970,198	4,054,782
Social security costs	356,673	366,355
Pension costs	76,368	63,446
	<u>4,403,239</u>	<u>4,484,583</u>

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

### 4. OPERATING PROFIT

	2009 £	2008 £
<b>Operating profit is stated after charging:</b>		
Rentals under operating leases		
Hire of plant and machinery	44,698	29,823
Other operating leases	82,822	104,366
Auditors' remuneration for audit services	18,000	18,000
Auditors' remuneration for non audit services	5,430	5,430
	<u>          </u>	<u>          </u>

### 5. INTEREST RECEIVABLE

	2009 £	2008 £
Bank interest	<u>1,283</u>	<u>38,128</u>

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge/(credit) comprises

	2009 £	2008 £
United Kingdom corporation tax at 21% (2008 – 21%) based on the profit for the year	3,231	10,159
Adjustment in respect of prior periods	(14,834)	(3)
	<u>(11,603)</u>	<u>10,156</u>
Deferred tax timing differences	8,088	8,919
Other deferred tax adjustments	-	11,290
Deferred tax adjustment in respect of prior years	<u>15,691</u>	<u>(32,811)</u>
Total tax charge/(credit)	<u>12,176</u>	<u>(2,446)</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

	2009 £	2008 £
<b>Profit on ordinary activities before tax</b>	<u>1,283</u>	<u>38,128</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 21% (2008 – 21%)	269	8,007
Effects of		
Expenses not deductible for tax purposes	3,134	484
Capital allowances in excess of depreciation	(15)	(20)
Group relief surrendered	7,917	-
Movement in short term timing differences	(8,074)	1,811
Adjustment in respect of prior periods	(14,834)	(3)
Effects of other tax rate/credits	-	(123)
	<u>(11,603)</u>	<u>10,156</u>

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

### 7 DEBTORS

	2009 £	2008 £
Amounts owed by fellow associated company (note 17)	3,702,522	3,339,855
Other debtors	9,037	27,132
Prepayments and accrued income	198,860	286,392
Deferred tax	-	13,742
Corporation tax	22,600	-
	<u>3,933,019</u>	<u>3,667,121</u>

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

	2009 £	2008 £
Trade creditors	975,566	572,193
Amounts owed to joint venture shareholders (note 17)	1,901,586	2,413,258
VAT payable	135,828	71,805
Other taxes and social security	97,120	96,219
UK corporation tax	-	9,176
Other creditors	315,029	299,149
Accruals and deferred income	1,275,280	1,268,340
	<u>4,700,409</u>	<u>4,730,140</u>

### 9. PROVISIONS FOR LIABILITIES

	Total £
At 1 January 2009	(13,742)
Charged to profit and loss account	23,779
Charged to statement of total recognised gains and losses	5,500
At 31 December 2009	<u>15,537</u>

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

	2009 £	2008 £
Short term timing differences	(22,623)	(24,742)
Other timing differences	38,160	11,000
	<u>15,537</u>	<u>(13,742)</u>

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

### 10 CALLED UP SHARE CAPITAL

	2009 £	2008 £
<b>Called up, allotted and fully paid</b>		
250,000 ordinary shares of £1 each	250,000	250,000

### 11. RESERVES

	Profit and loss account £
As at 1 January 2009	66,252
Loss for the financial year	(10,893)
Net actuarial losses relating to the pension scheme	(20,500)
As at 31 December 2009	34,859

### 12. FINANCIAL COMMITMENTS

#### Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	2009 Land and Buildings £	2008 Land and buildings £
Expiry date		
- within one year	-	-
- between two and five years	67,067	-
- after five years	16,389	83,456
	83,456	83,456

### 13. CONTROLLING PARTY

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



# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

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

	2009 £	2008 £
Operating profit	10,000	8,000
Current pension service cost	42,000	38,000
Increase in debtors	(257,040)	(74,200)
Increase in stocks	(2,793)	(64,935)
(Decrease)/increase in creditors	(20,556)	126,172
Adjustment for pension funding	(91,000)	(83,000)
<b>Net cash outflow from operating activities</b>	<b>(319,389)</b>	<b>(49,963)</b>

### 15. ANALYSIS OF CASH FLOWS

Returns on investments and servicing of finance

	2009 £	2008 £
Net cash inflow from interest received	1,283	38,128

### 16. ANALYSIS AND RECONCILIATION OF NET FUNDS

	1 January 2009 £	Cash flow £	31 December 2009 £
Cash at bank and in hand	1,402,236	(327,278)	1,074,958
Net funds	1,402,236	(327,278)	1,074,958

	2009 £	2008 £
Decrease in cash in the year	(327,278)	(27,152)
Movement in net funds in the year	(327,278)	(27,152)
Net funds at beginning of the year	1,402,236	1,429,388
Net funds at end of the year	1,074,958	1,402,236

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

### 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 £18,989,054 for this in the year (2008 - £18,211,941)

The trading balance due from Mercia at 31 December 2009 was £3,702,522 (2008 - £3,339,855)

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 £1,635,034 (2008 - £1,615,976). The amount owed by the company to FOCSA Services (UK) Limited at 31 December 2009 was £950,793 (2008 - £1,206,629)

The company was charged management and advisory fees by Urbaser Limited of £1,635,034 (2008 - £1,615,976). The amounts owed by the company to Urbaser Limited at 31 December 2009 was £950,793 (2008 - £1,206,629)

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 £29,402 (2008 - £27,786)

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 2009

The latest FRS 17 actuarial valuation of the Severn Waste Services Limited scheme, as at 31 December 2009, shows a deficit of £105,000 (2008 - £118,000)

The contributions made by the employer into the defined benefit scheme over the financial period have been £91,000 (2008 - £83,000) equivalent to 28.3% of Pensionable Salaries to 31 December 2009 (2008 - 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

	2009	2008	2007
Rate of increase in salaries	4.2%	3.8%	4.2%
Rate of increase in pensions in payment	3.4%	3.0%	3.4%
Discount rate	5.5%	6.8%	5.8%
Inflation assumption	3.4%	3.0%	3.4%
Rate of revaluation for deferred pensioners	3.4%	3.0%	3.4%

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

### 18. PENSION COSTS (continued)

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

	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	Expected rate of return at 31 December 2007	Market value at 31 December 2007 £'000
Equities	7.0%	72	7.0%	42	7.0%	58
Bonds	4.0%	138	4.0%	-	4.0%	58
Cash	4.75%	100	4.75%	151	4.75%	16
		<u>310</u>		<u>193</u>		<u>132</u>

#### Reconciliation of pension scheme assets and liabilities

	2009 £'000	2008 £'000	2007 £'000
Market value of scheme assets	310	193	132
Present value of scheme liabilities	<u>(415)</u>	<u>(311)</u>	<u>(288)</u>
Deficit in the scheme	(105)	(118)	(156)
Related deferred tax	<u>30</u>	<u>30</u>	<u>31</u>
Net pension deficit	<u>(75)</u>	<u>(88)</u>	<u>(125)</u>

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

	2009 £'000	2008 £'000
Current service cost	<u>(42)</u>	<u>(38)</u>
Total included within operating profit	<u>(42)</u>	<u>(38)</u>

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

	2009 £'000	2008 £'000
Expected return on pension scheme assets	10	10
Interest on pension scheme liabilities	<u>(20)</u>	<u>(18)</u>
Net finance charge	<u>(10)</u>	<u>(8)</u>

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

	2009 £'000	2008 £'000
Actual return less expected return on pension scheme assets	77	(33)
Experience gains and losses arising on the scheme liabilities	(9)	(5)
Changes in assumptions underlying the present value of the scheme liabilities	<u>(94)</u>	<u>39</u>
Total actuarial gains and losses recognised	<u>(26)</u>	<u>1</u>

# SEVERN WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

### 18. PENSION COSTS (continued)

#### History of experience gains and losses

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
<b>Difference between the expected and actual return on scheme assets</b>	77	(33)	(43)	(3)	-
As a percentage of scheme assets	24.8%	(17.1%)	(32.6%)	(1.0%)	0%
<b>Experience gains and losses arising on scheme liabilities</b>	(9)	(5)	(2)	(39)	32
As a percentage of the present value of the scheme liabilities	2.2%	(1.6%)	(0.7%)	(8.6%)	7%
<b>Effects of changes in demographic and financial assumptions underlying the present value of scheme liabilities</b>	(94)	39	10	(15)	(26)
As a percentage of the present value of the scheme liabilities	22.7%	(12.5%)	3.5%	(3.3%)	(6%)
<b>Total actuarial (loss)/gain in the statement of total recognised gains and losses</b>	(26)	1	(35)	(57)	6
As a percentage of the present value of scheme liabilities	6.3%	(0.3%)	(12.2%)	(12.6%)	(1%)

#### Movement in scheme deficit during the year

	2009 £'000	2008 £'000
Deficit at 1 January	(118)	(156)
Current service cost	(42)	(38)
Net finance charge	(10)	(8)
Contributions	91	83
Actuarial (loss)/gain	(26)	1
<b>Deficit at 31 December</b>	<b>(105)</b>	<b>(118)</b>