

SEVERN WASTE SERVICES LIMITED

Annual Report and financial statements

For the year ended 31 December 2015

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SEVERN WASTE SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS For the year ended 31 December 2015

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SEVERN WASTE SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

FCC Environment Services (UK) Limited
Urbaser Limited
J Peiro
A Serrano

REGISTERED OFFICE

The Marina
Kings Road
Evesham
Worcestershire
England
WR11 3XZ

BANKERS

HSBC Bank plc
PO Box 4
6 Broad Street
Worcester
WR1 2EJ

SOLICITORS

Harrison Clark Rickerbys LLP
Ellenborough House
Wellington Street
Cheltenham
Gloucestershire
GL50 1YD

Wragge Lawrence Graham and Co LLP
2 Snowhill
Birmingham
B4 6WR

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester
United Kingdom

SEVERN WASTE SERVICES LIMITED

STRATEGIC REPORT

The directors present their strategic report on the affairs of the company, together with the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The company operates all of the waste management facilities of Mercia Waste Management Limited ("Mercia"), a fellow company under common control, 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.

On 21 May 2014, the company signed a Construction Management Agreement with Mercia, acting as the construction manager. Under the terms of this agreement, the company co-ordinates the design and construction of new facilities as required for the Councils of Herefordshire and Worcestershire ("the Councils").

REVIEW OF THE BUSINESS

As shown in the company's Profit and loss account on page 7, the company's sales have increased by 4% from the prior year (2014 - 5%). The increase in 2015 is mainly due to the impact of increased costs in the recycle processing market and landfill tax. 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 decrease in net assets is attributed to the post-tax profit for the year of £6,225 (2014 - £6,736) offset by the actuarial loss of £25,600 (2014 - £34,400) recognised in respect of the defined benefit pension scheme.

The company's cash balances decreased to £2,188,975 in 2015 from £2,450,558 in 2014. The decrease is due to the timing of deposit payments relating to the contract held with Mercia.

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

Management expects trade for 2016 to continue at similar levels to those achieved in 2015.

RESULTS AND DIVIDENDS

The profit for the year is set out on page 7. The directors do not recommend payment of a dividend (2014 - £nil) and the profit of £6,225 (2014 - £6,736) has been transferred 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.

Movements arising on the defined benefit pension scheme within the company are 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.

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



Javier Peiro
Director
26 February 2016

SEVERN WASTE SERVICES LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 December 2015. The company's principal activities, review of the business, results and dividends, and principal risks and uncertainties are presented in the Strategic report.

DIRECTORS

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

FCC Environment Services (UK) Limited
Urbaser Limited
A Serrano
J Peiro

DONATIONS

The company made no political or charitable donations in the year (2014 - £nil).

Contributions of £678,971 (2014 - £1,083,445) were made by the company via the Landfill Communities Fund. The net cost to the company of these payments was £67,897 (2014 - £108,344).

DISABLED EMPLOYEES

The company recognises its responsibilities towards disabled persons and therefore, where applicable, applications for employment are considered bearing in mind the respective aptitudes and abilities of the candidate. Where an applicant is judged, for reasons related to their disability, to have failed to meet the requirements of a job description, consideration will be given to whether an adjustment can be made to the role, to counteract any disability related disadvantage. In the event of existing employees becoming disabled, every effort is made to ensure that their employment can continue. It is the policy of the company that the training and development of a disabled employee should as far as possible be the same as that of an able bodied person.

EMPLOYEE CONSULTATION

The company continues its policy of involving employees in its affairs where possible and creating the opportunity for management to communicate to employees matters which affect the company's performance. This is achieved through meetings, memoranda and briefings.

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.

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

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



Javier Peiro

Director

26 February 2016

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 2015, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 19. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVERN WASTE SERVICES LIMITED

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 FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
9 March 2016

SEVERN WASTE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2015

	Note	2015 £	2014 £
TURNOVER	3	36,566,351	35,053,177
Cost of sales		(34,259,435)	(32,901,423)
GROSS PROFIT		2,306,916	2,151,754
Administrative expenses		(2,306,916)	(2,143,754)
OPERATING PROFIT	5	-	8,000
Finance income (net)	6	6,080	3,110
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,080	11,110
Tax credit/(charge) on profit on ordinary activities	7	145	(4,374)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		6,225	6,736

All results arose from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2015

	Note	2015 £	2014 £
Profit for the financial year		6,225	6,736
Actuarial losses relating to the pension scheme	16	(32,000)	(43,000)
UK deferred tax attributable to actuarial gains and losses relating to the pension scheme	11	6,400	8,600
		(25,600)	(34,400)
Total comprehensive loss attributable to equity shareholders of the company		(19,375)	(27,664)

SEVERN WASTE SERVICES LIMITED

BALANCE SHEET

As at 31 December 2015

	Note	2015 £	2014 £
CURRENT ASSETS			
Stock	8	112,177	107,705
Debtors	9	3,534,943	3,792,552
Cash at bank and in hand		2,188,975	2,450,558
		<u>5,836,095</u>	<u>6,350,815</u>
CREDITORS: amounts falling due within one year	10	<u>(5,539,287)</u>	<u>(6,034,632)</u>
NET CURRENT ASSETS, BEING NET ASSETS		<u>296,808</u>	<u>316,183</u>
CAPITAL AND RESERVES			
Called-up share capital	12	250,000	250,000
Profit and loss account		46,808	66,183
TOTAL SHAREHOLDERS' FUNDS		<u>296,808</u>	<u>316,183</u>

These financial statements of Severn Waste Services Limited, registered number 03618688, were approved by the Board of Directors and authorised for issue on 26 February 2016.

Signed on behalf of the Board of Directors



Javier Peiro
Director

SEVERN WASTE SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY As at 31 December 2015

	Called up share capital £	Profit and loss account £	Total £
At 31 December 2013	250,000	93,847	343,847
Changes on transition to FRS 102 (see note 19)	-	-	-
At 1 January 2014	250,000	93,847	343,847
Profit for the financial year	-	6,736	6,736
Net actuarial losses relating to pension scheme	-	(34,400)	(34,400)
Total comprehensive loss	-	(27,664)	(27,664)
At 31 December 2014	250,000	66,183	316,183
Profit for the financial year	-	6,225	6,225
Net actuarial losses relating to pension scheme	-	(25,600)	(25,600)
Total comprehensive loss	-	(19,375)	(19,375)
At 31 December 2015	<u>250,000</u>	<u>46,808</u>	<u>296,808</u>

SEVERN WASTE SERVICES LIMITED**CASH FLOW STATEMENT****For the year ended 31 December 2015**

	Note	2015 £	2014 £
Net cash (outflow)/inflow from operating activities	14	(273,918)	1,374,873
Cash flows from investing activities			
Interest received		12,335	11,110
Net cash flows from investing activities		12,335	11,110
Net (decrease)/increase in cash and cash equivalents		(261,583)	1,385,983
Cash and cash equivalents at beginning of year		2,450,558	1,064,575
Cash and cash equivalents at end of year		2,188,975	2,450,558

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. ACCOUNTING POLICIES

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

a) General information and basis of accounting

Severn Waste Services Limited is a company incorporated under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic Report on page 2.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

On adoption of FRS 102, the prior year financial statements were reviewed for transition adjustments that would require restatement. In the opinion of the directors there were no required adjustments to the comparative information presented for the prior year. For more information please see note 19.

The functional currency of Severn Waste Services Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

b) Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 2. The Strategic Report also describes the financial position of the company; the company's objectives, policies and processes for managing its capital; and the company's policies to mitigate its principal risks and uncertainties. The company has sufficient financial resources to meet its day to day working capital 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.

c) Taxation

Current tax, including UK corporation tax and foreign 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.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, 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 using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

1. ACCOUNTING POLICIES (continued)

c) Taxation (continued)

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

d) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

e) Stocks

Stock consists wholly of finished goods and is stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

f) 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.

g) Employee benefits

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Remeasurements, comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in other comprehensive income.

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 credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits 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.

h) Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs).

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

1. ACCOUNTING POLICIES (continued)

h) Financial instruments (continued)

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following relates to the critical judgement and estimations that the directors have made in the process of applying the company's accounting policies and that has the most significant effect on the amounts recognised in the financial statements:

Leachate accrual

The company operates, via a permit with the Environment Agency, the landfill operations owned by Mercia Waste Management Limited and pays for the processing of leachate (a liquid emanating from the site which requires treatment). The company monitors the height of leachate in the landfill cells via regular readings taken at various points from within the site. An estimate is then made from these values of the total leachate held within the site for which the company needs to provide. Key to this calculation is the level of saturation (the amount of liquid within a cubic metre of waste). The estimate used is based on industry standards and is reviewed periodically.

3. TURNOVER

All turnover was derived within the UK from sales to the company's fellow associated undertaking, Mercia Waste Management Limited (see note 15).

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors remuneration

Directors A Serrano and J Peiro received no remuneration during the year (2014 – same).

Directors FCC Environment Services (UK) Limited and Urbaser Limited 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 15.

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2015 No.	2014 No.
Average number of persons employed		
Technical and administrative	19	17
Operational	245	239
	<u>264</u>	<u>256</u>
	2015	2014
	£	£
Staff costs during the year		
Wages and salaries	5,145,398	4,863,164
Social security costs	419,424	399,788
Pension costs	82,440	81,357
	<u>5,647,262</u>	<u>5,344,309</u>

5. OPERATING PROFIT

	2015 £	2014 £
Operating profit is stated after charging:		
Rentals under operating leases		
Hire of plant and machinery	137,853	208,689
Other operating leases	113,942	145,156
	<u>251,795</u>	<u>353,845</u>

The analysis of auditor's remuneration is as follows:

	2015 £	2014 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	22,375	21,175
Total audit fees	<u>22,375</u>	<u>21,175</u>
Taxation services – compliance	4,000	4,558
Total non-audit fees	<u>4,000</u>	<u>4,558</u>

6. FINANCE INCOME (NET)

	2015 £	2014 £
Net interest on defined benefit scheme (see note 16)	(6,255)	(8,000)
Bank interest received	12,335	11,110
	<u>6,080</u>	<u>3,110</u>

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax (credit)/charge comprises:

	2015 £	2014 £
United Kingdom corporation tax at 20% (2014 – 20%) based on the profit for the year	-	-
Deferred tax timing differences	(145)	4,374
Total tax (credit)/charge	(145)	4,374

The standard rate of tax applied to profit on ordinary activities is 20% (2014 – 20%). Finance Act 2015 (No.2), which was substantively enacted in October 2015, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 18% from 1 April 2020. Accordingly, deferred tax balances have been revalued to the lower rate of 18% in these accounts which has resulted in a credit to the profit and loss account of £145.

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

	2015 £	2014 £
Profit on ordinary activities before tax	6,080	11,110
Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2014 – 20%)	1,216	2,222
Effects of:		
Expenses not deductible for tax purposes	1,527	108
Group relief surrendered	2,857	-
(Utilisation of losses)/losses carried forward	(5,745)	2,044
Total tax (credit)/charge	(145)	4,374

8. STOCK

	2015 £	2014 £
Consumables	112,177	107,705

There is no material difference between the balance sheet value of stocks and their replacement cost.

9. DEBTORS

	2015 £	2014 £
Amounts owed by related parties (note 15)	3,017,041	3,294,733
Other debtors	237,600	199,789
Prepayments and accrued income	280,302	293,030
Pension asset (note 16)	-	5,000
	3,534,943	3,792,552

All amounts are due within one year.

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £	2014 £
Trade creditors	647,719	888,922
Amounts owed to joint venture shareholders (note 15)	725,515	760,586
Amounts owed to related parties (note 15)	-	15,822
Landfill tax payable	2,078,663	2,108,632
Other taxes and social security	488,446	529,685
Other creditors	489,821	363,097
Accruals and deferred income	1,109,123	1,367,743
Deferred tax (note 11)	-	145
	<u>5,539,287</u>	<u>6,034,632</u>

11. DEFERRED TAX

	Deferred tax asset £	Pension related liability £	Total (note 10) £
At 1 January 2015	855	(1,000)	(145)
(Charged)/credited to the profit and loss account	15,165	(21,420)	(6,255)
Credited to statement of comprehensive income	-	6,400	6,400
	<u>16,020</u>	<u>(16,020)</u>	<u>-</u>
At 31 December 2015	16,020	(16,020)	-

The deferred tax asset is provided as follows:

	2015 £	2014 £
Deferred tax assets		
Recoverable after one year	<u>16,020</u>	<u>855</u>
Deferred tax liabilities		
Payable after one year	<u>(16,020)</u>	<u>(1,000)</u>

12. CALLED-UP SHARE CAPITAL

	2015 £	2014 £
Called-up, allotted and fully paid		
250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

13. FINANCIAL COMMITMENTS

Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2015 Land and Buildings £	2014 Land and buildings £
Amounts falling due		
- within one year	112,736	121,320
- between two and five years	447,694	464,801
- after five years	514,144	609,773
	<u>1,074,574</u>	<u>1,195,894</u>

14. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2015 £	2014 £
Operating profit	-	8,000
Current pension service cost	6,255	8,000
Decrease in debtors	252,609	302,743
(Increase)/decrease in stocks	(4,472)	22,898
(Decrease)/increase in creditors	(495,200)	1,072,232
Adjustment for pension funding	(33,110)	(39,000)
Net cash (outflow)/inflow from operating activities	<u>(273,918)</u>	<u>1,374,873</u>

15. RELATED PARTY TRANSACTIONS

Mercia Waste Management Limited

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 £36,138,313 for this in the year (2014 - £35,053,177). The trading balance due from Mercia at 31 December 2015 was £3,017,041 (2014 - £3,294,733).

On 21 May 2014, Mercia, as contractor, signed a Construction Management Agreement with the company acting as the construction manager. Fees charged during the year were £428,038 (2014 - £258,662). The trading balance owed to Mercia at 31 December 2015 was £nil (2014 - £15,822).

Joint venture shareholder entities

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 £1,153,458 (2014 - £1,071,877). The amount owed by the company to FCC Environment Services (UK) Limited at 31 December 2015 was £362,758 (2014 - £380,293).

The company was charged management and advisory fees by Urbaser Limited of £1,153,458 (2014 - £1,071,877). The amount owed by the company to Urbaser Limited at 31 December 2015 was £362,757 (2014 - £380,293).

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

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

15. RELATED PARTY TRANSACTION (continued)

Other related party transactions

The total remuneration for key management personnel for the year totalled £164,549 (2014 - £178,960).

16. EMPLOYEE BENEFITS

The company provides the following pension arrangements:

Defined contribution schemes

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 £22,083 (2014 - £25,039).

In April 2014, a defined contribution scheme with Legal & General plc was set-up in compliance with the new regulatory requirements of the Pensions Act 2008. The cost of the scheme was £25,555 (2014 - £18,189).

Defined benefit scheme

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 2012 and this has been updated to 31 December 2015 by qualified actuaries.

The contributions made by the employer into the defined benefit scheme over the financial year have been £33,110 (2014 - £39,000).

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

	2015	2014	2013
Rate of increase in salaries	3.60%	3.50%	3.90%
Rate of increase in pensions in payment	3.00%	2.90%	3.30%
Discount rate	3.80%	3.90%	4.55%
Inflation assumption (RPI)	3.10%	3.00%	3.40%
Inflation assumption (CPI)	2.10%	2.00%	2.40%
Rate of revaluation for deferred pensioners	2.10%	2.00%	2.40%

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

16. EMPLOYEE BENEFITS (continued)

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.

	Market value at 31 December 2015 £'000	Market value at 31 December 2014 £'000	Market value at 31 December 2013 £'000
Equities	145	-	93
Insurance policies	2	109	108
Government bonds	131	-	-
Corporate bonds	4	-	-
Property	7	-	-
Diversified growth	36	-	-
Cash	15	301	262
	<u>340</u>	<u>410</u>	<u>463</u>

The actual return on scheme assets for the year was a profit of £8,000 (2014 - £23,000).

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	
	2015 years	2014 years
Retiring today:		
Males	21.5	21.5
Females	23.8	23.7
Retiring in 20 years:		
Males	23.3	23.2
Females	25.7	25.6

Reconciliation of pension scheme assets and liabilities

	2015 £'000	2014 £'000	2013 £'000
Fair value of scheme assets	340	410	463
Present value of scheme liabilities	(251)	(349)	(438)
	<u>89</u>	<u>61</u>	<u>25</u>
Surplus in the scheme	89	61	25
Unrecognised surplus	(89)	(56)	-
	<u>-</u>	<u>5</u>	<u>25</u>
Asset to be recognised	-	5	25

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

16. EMPLOYEE BENEFITS (continued)

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

	2015 £'000	2014 £'000
At 1 January	349	438
Service cost	6	8
Interest cost	12	18
Contributions by scheme participants	1	2
Actuarial gains	(5)	-
Benefits paid	(112)	(117)
	<u>251</u>	<u>349</u>
At 31 December	<u>251</u>	<u>349</u>

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

	2015 £'000	2014 £'000
At 1 January	410	463
Interest income	14	10
Actuarial (losses)/gains	(6)	13
Contributions from the sponsoring companies	33	39
Contributions from scheme members	1	2
Benefits paid	(112)	(117)
	<u>340</u>	<u>410</u>
At 31 December	<u>340</u>	<u>410</u>

Analysis of the amounts charged to operating profit

	2015 £'000	2014 £'000
Current service cost	<u>(6)</u>	<u>(8)</u>

Analysis of the amount included as other finance income/(charges)

	2015 £'000	2014 £'000
Interest income	14	10
Interest cost	<u>(12)</u>	<u>(18)</u>
Net finance income/(charge)	<u>2</u>	<u>(8)</u>

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

16. EMPLOYEE BENEFITS (continued)

Analysis of the actuarial gain in the statement of comprehensive income

	2015 £'000	2014 £'000
Actual return less expected return on pension scheme assets	(6)	13
Experience gains arising on the scheme liabilities	10	10
Changes in assumptions underlying the present value of the scheme liabilities	(5)	(10)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – (loss)/gain	(1)	13
Effect of limit on amount of surplus recognised due to some of the surplus not being recognisable – (loss)	(31)	(56)
Total actuarial gains and losses recognised – (loss)	(32)	(43)

The estimated amounts of contributions expected to be paid to the scheme during the 2016 financial year is £23,700 (2015 - £34,000).

17. FINANCIAL INSTRUMENTS

The carrying values of the company's financial assets and liabilities are summarised by category below:

	2015 £	2014 £
Financial assets		
Measured at undiscounted amount receivable		
• Other debtors (see note 9)	237,600	199,789
• Amounts due from related parties (see note 9)	3,017,041	3,294,733
	<u>3,254,641</u>	<u>3,494,522</u>
Financial liabilities		
Measured at undiscounted amount payable		
• Trade and other creditors (see note 10)	1,625,986	1,781,704
• Amounts owed to related parties (see note 10)	-	15,822
• Amounts owed to joint venture shareholders (see note 10)	725,515	760,586
	<u>2,351,501</u>	<u>2,558,112</u>

18. CONTROLLING PARTY

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

SEVERN WASTE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

19. EXPLANATION OF TRANSITION TO FRS 102

This is the first year that the company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the period ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, there has not been any changes to accounting policies which would affect the financial statements of the company, therefore no adjustments were made to the comparative results.