

**REGISTERED NUMBER: 03618688 (England and Wales)**

**Severn Waste Services Limited**  
**Annual Report and Financial Statements**  
**for the Year Ended 31 December 2020**

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**Severn Waste Services Limited**

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for the Year Ended 31 December 2020**

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**Severn Waste Services Limited**

**Officers and Professional Advisers  
for the Year Ended 31 December 2020**

**DIRECTORS:**

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

**REGISTERED OFFICE:**

The Marina  
Kings Road  
Evesham  
Worcestershire  
WR11 3XZ

**REGISTERED NUMBER:**

03618688 (England and Wales)

**AUDITOR:**

Deloitte LLP  
Statutory Auditor  
Birmingham  
United Kingdom

**BANKERS:**

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

**SOLICITORS:**

Harrison Clark Rickerbys LLP  
5 Deansway  
Worcester  
WR1 2JG

## **Severn Waste Services Limited**

### **Strategic Report for the Year Ended 31 December 2020**

The Directors present their Strategic Report on the affairs of Severn Waste Services Limited (the "Company"), together with the audited financial statements for the year ended 31 December 2020.

#### **PRINCIPAL ACTIVITIES**

The Company operates all of the waste management facilities of Mercia Waste Management Limited ("Mercia"), a fellow company under common control of the two joint controlling parties, under the terms of an Operation and Maintenance Services Agreement ("OMA"). The Company is responsible for performing the obligations of the agreement for a management fee. In addition, reimbursable operating costs are received from Mercia.

Mercia's contract with the councils of Herefordshire and Worcestershire runs for 25 years from 1999 and will terminate in January 2024. The contract signed in 1998 can be extended by mutual agreement.

#### **REVIEW OF THE BUSINESS AND KEY PERFORMANCE INDICATORS**

As shown in the Company's Profit and Loss Account on page 10, the Company's sales have decreased by 4.8% (£1.7 million) from the prior year (2019: increased by 8.9%, £2.9 million). The decrease in 2020 reflects the volume and cost of work chargeable to Mercia.

The Balance Sheet on page 11 of the financial statements shows the Company's financial position at the year end. The increase in net assets is attributed to the post-tax profit for the year of £1,185 (2019: £11,419).

The Company's cash balances increased to £2,286,173 in 2020 from £1,407,473 in 2019. The increase is due to timing differences on payments.

The Company has important relationships with external regulatory and licensing bodies such as the Environment Agency. A robust system of internal review and monitoring by external auditors to maintain high levels of performance and compliance with Health, Safety and Environmental targets is in place.

The Company maintained certification with ISO 9001 (Quality Management Systems) and 14001 (Environmental Management Systems), in September 2018 it completed the transition from BS 18001 to ISO 45001 in respect of Occupational Health and Safety Management Systems.

The directors confirm that there are no significant events arising since the Balance Sheet date.

#### **RESULTS AND DIVIDENDS**

The profit for the year is set out on page 10. The directors do not recommend payment of a dividend (2019: £nil) and the profit of £1,185 (2019: £11,419) has been transferred to reserves.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

Management consider that Principal risks faced by the Company are mitigated by the OMA contract held with Mercia. Operational risks are managed via rigorous Quality, Health, Safety and Environmental management. The Company will work with Mercia Waste Management toward securing an Extension to the current Contract which Mercia enjoys with the Councils of Herefordshire and Worcestershire which is due to end in January 2024.

#### **WITHDRAWAL OF THE UNITED KINGDOM FROM THE EUROPEAN UNION "BREXIT"**

The Company has not suffered a major impact as a result of 'Brexit'. Certain procedures have been put in place in response to the changed circumstances and the Directors will continue to remain vigilant in case as yet unforeseen problems arise.

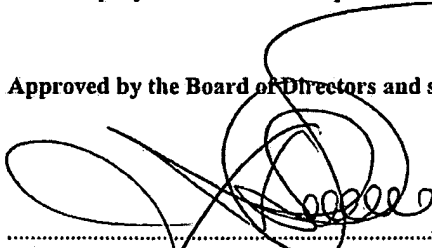
**Severn Waste Services Limited**

**Strategic Report - continued  
for the Year Ended 31 December 2020**

**FUTURE DEVELOPMENTS**

Due to the Agreement (OMA) that the Company enjoys with Mercia, its income and costs are largely determined by the Contractual relationship that Mercia has with the Councils. The directors note that the Councils have indicated their desire to make savings on the Contract with Mercia and the potential consequences of this for the Company. This is not expected to have a material impact on the Company's results. As noted above the Company is working toward an Extension of the current Contract with the Councils. The Company will continue to respond to the challenges presented by Covid-19.

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



.....  
A Serrano Minchan - Director

The Marina  
Kings Road  
Evesham  
Worcestershire  
WR11 3XZ

Date: 28/05/2021

## **Severn Waste Services Limited**

### **Directors' Report for the Year Ended 31 December 2020**

The directors present their Annual Report and audited financial statements for the year ended 31 December 2020. The Company's results, dividends, future developments and events after the Balance Sheet date are presented in the Strategic Report and form part of this report by cross reference. There were no material events after the Balance Sheet date.

#### **DIRECTORS**

The directors who served during the year and thereafter, to the date of this report, were as follows:

FCC Environmental Services (UK) Limited  
Urbaser Limited  
A Serrano Minchan  
J Peiro Balaguer

#### **DONATIONS**

The Company made no political donations in the year (2019: £nil).

Charitable contributions of £289,174 (2019: £301,819) were made by the Company via the Landfill Communities Fund. The net cost to the Company of these payments was £28,917 (2019: £30,182).

Other charitable contributions were made to the following charities:

Acorns Children's Hospice £nil (2019: £1,565)  
Herefordshire Wildlife Trust £nil (2019: £27,600)  
Offenham First School £nil (2019: £50)  
Vale Landscape Heritage Trust £2,400 (2019: £32,400)  
Hartlebury Castle Preservation Trust £5,000 (2019: £nil).

#### **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.

#### **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. The Company has continued to fulfil the O&M agreement on behalf of Mercia Waste Management Limited and has coped with the risks and opportunities presented by Covid-19, working as appropriate with our advisers and the Councils. The directors believe after making enquiries, that Mercia Waste Management will continue to be able to pay the sums invoiced to it for the foreseeable future. As noted in note 4, the Company utilised the UK Government Job Retention Scheme during the financial year.

The directors have reviewed the Company's current cash position, cash flow forecasts and projections, which show that the Company expects to be able to continue to meet its liabilities as they fall due for the next 12 months from the date of the approval of these financial statements. The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence thus they continue to adopt the going concern basis in preparing the financial statements.

#### **COMMUNITY AND ENVIRONMENT**

The Company's activities often are directly involved with and have a bearing on the natural environment. The directors are fully aware of the situation and the Company has quality systems in place to ensure that it complies with all relevant standards and legislation. These systems are regularly audited. The Company has supported a number of Community and Environmental endeavours during the year and continued with its long - term support of the Worcestershire and Herefordshire Wildlife Trusts as well as the Vale Landscape Heritage Trust ("VLHT") an organisation which conserves and enhances land near to the Company's Landfill Site. VLHT undertook to provide grants to other environmental bodies as well as utilising the funding for its own purposes.

**Severn Waste Services Limited**

**Directors' Report - continued  
for the Year Ended 31 December 2020**

**EMPLOYEE ENGAGEMENT**

The directors are fully aware of the Company's need to be able to recruit and retain staff capable of fulfilling the Company's various commitments. Extensive measures were put in place to ensure, as far as possible the well being of employees. This included setting up home working where tasks could be carried out remotely. The Directors are aware of the need for security of employment for staff as they work to secure an Extension of the Waste Management Contract.

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

*Cash flow and credit risk*

The Company's principal financial assets are bank balances and receivables. The only significant receivable at the end of the period is that owed by the related party, Mercia Waste Management via the OMA which gives the Company various contractual rights relating to payment. Mercia's credit rating is good and therefore the risk to Severn Waste Services is viewed as being minimal.

*Liquidity risk*

The Company manages the majority of its liquidity risk via cash. The cash is received via a contractual relationship with Mercia Waste Management a related company which as noted above has a good credit rating.

**AUDITOR**

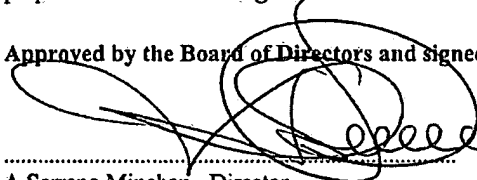
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have 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:**

  
.....  
A Serrano Minchan - Director

The Marina  
Kings Road  
Evesham  
Worcestershire  
WR11 3XZ

Date: 28/05/2021

## **Severn Waste Services Limited**

### **Directors' Responsibilities Statement for the Year Ended 31 December 2020**

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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**

**Report on the audit of the financial statements**

**Opinion**

In our opinion, the financial statements of Severn Waste Services Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Severn Waste Services Limited (the 'Company') which comprise:

- the Profit and Loss Account;
- 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Independent Auditor's Report to the Members of Severn Waste Services Limited**

### **Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included environmental regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

**Independent Auditor's Report to the Members of  
Severn Waste Services Limited - continued**

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

**Use of our report**

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.



Lee Highton FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Birmingham, United Kingdom

Date: 28 May 2021

**Severn Waste Services Limited**

**Profit and Loss Account  
for the Year Ended 31 December 2020**

	Note	2020 £	2019 £
<b>TURNOVER</b>	3	33,785,385	35,505,144
Cost of sales		<u>(31,612,337)</u>	<u>(33,226,362)</u>
<b>GROSS PROFIT</b>		2,173,048	2,278,782
Administrative expenses		<u>(2,231,148)</u>	<u>(2,278,782)</u>
Other operating income		<u>57,545</u>	<u>-</u>
<b>OPERATING LOSS</b>	5	<u>(555)</u>	<u>-</u>
Finance income	6	<u>5,287</u>	<u>13,432</u>
<b>PROFIT BEFORE TAXATION</b>		4,732	13,432
Tax on profit	7	<u>(3,547)</u>	<u>(2,013)</u>
<b>PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY</b>		<u><u>1,185</u></u>	<u><u>11,419</u></u>

There are no recognised gains or losses in either year other than the profit for that financial year shown above. Accordingly, no separate Statement of Other Comprehensive Income has been presented.

All activity arises from continuing operations.

**Severn Waste Services Limited**

**Balance Sheet  
As at 31 December 2020**

	Note	2020 £	2019 £
<b>CURRENT ASSETS</b>			
Stocks	8	1,125,635	776,218
Debtors	9	3,606,618	4,969,678
Cash at bank and in hand		2,286,173	1,407,473
		<u>7,018,426</u>	<u>7,153,369</u>
<b>CREDITORS</b>			
Amounts falling due within one year	10	(5,034,821)	(4,922,939)
<b>NET CURRENT ASSETS</b>		<u>1,983,605</u>	<u>2,230,430</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,983,605	2,230,430
<b>PROVISIONS FOR LIABILITIES</b>	11	(1,628,457)	(1,876,467)
<b>NET ASSETS</b>		<u><u>355,148</u></u>	<u><u>353,963</u></u>
<b>CAPITAL AND RESERVES</b>			
Called- up share capital	12	250,000	250,000
Profit and loss account		105,148	103,963
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u><u>355,148</u></u>	<u><u>353,963</u></u>

These financial statements of Severn Waste Services Limited, registered number 03618688, were approved by the Board of Directors and authorised for issue on .....and were signed on its behalf by:

.....  
A Serrano Minchan - Director

28/05/2021

**Severn Waste Services Limited**

**Statement of Changes in Equity  
for the Year Ended 31 December 2020**

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
<b>Balance at 1 January 2019</b>	250,000	92,544	342,544
<b>Profit and total comprehensive income for the financial year</b>	-	11,419	11,419
<b>Balance at 31 December 2019</b>	250,000	103,963	353,963
<b>Profit and total comprehensive income for the financial year</b>	-	1,185	1,185
<b>Balance at 31 December 2020</b>	250,000	105,148	355,148

**Severn Waste Services Limited**

**Cash Flow Statement  
for the Year Ended 31 December 2020**

	Note	2020 £	2019 £
Net cash inflow / (outflow) from operating activities	14	873,413	(245,184)
Cash flows from investing activities			
Interest received		5,287	13,431
Net cash flows from investing activities		5,287	13,431
Net increase / (decrease) in cash and cash equivalents		878,700	(231,753)
Cash and cash equivalents at beginning of year		1,407,473	1,639,226
Cash and cash equivalents at end of year		2,286,173	1,407,473

## **Severn Waste Services Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020**

#### **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 private company limited by shares and registered in England and Wales and incorporated in the United Kingdom under Companies Act 2006. 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.

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 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.

As explained in the Director's Report the Company relies on Mercia Waste Management Limited being able to fulfill its obligations via the Operating and Maintenance Agreement between the two parties.

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) Interest Income**

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

##### **d) 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.

Landfill Tax is incurred at the Company's Hill and Moor Site. The liability is paid quarterly to HMRC. The monthly cost is invoiced to Mercia Waste Management.

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.



## **Severn Waste Services Limited**

### **Notes to the Financial Statements - continued for the Year Ended 31 December 2020**

#### **1. ACCOUNTING POLICIES - continued**

##### **d) Taxation - continued**

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.

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.

##### **e) 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.

##### **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**

###### *Pensions*

The Company has defined contribution schemes, where amounts charged to the Profit and Loss Account in respect of pension costs and other retirement benefits are the contributions payable in the year. Differences between contributions payable in the year and contribution actually paid are shown as either accruals or prepayments in the Balance Sheet.

##### **h) Stocks**

Stocks consists wholly of consumables and is stated at the lower of cost and net realisable value. Cost is determined using the first in, first out (FIFO) method. Provision is made for obsolete, slow moving or defective items where appropriate.

##### **i) Government grants**

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

##### **j) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The following three policies relate to provisions held within the Company.

###### **Leachate provision**

The Company operates, via a Licence held with the Environment Agency, a Landfill owned by Mercia Waste Management. The Company regularly monitors the levels of various elements (such as trace amounts of metals) that form part of the leachate which occurs within the Site as a normal part of the landfill process.

For further information on the critical judgements in respect of the leachate provision, please refer to note 2.

##### **k) financial instruments**

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

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

**Severn Waste Services Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020**

**1. ACCOUNTING POLICIES - continued**

**k) Financial Instruments - continued**

*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 Balance Sheet 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.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Debt instruments are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

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.

*Equity instruments*

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

**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 and key sources of estimation in applying the Company's accounting policies**

The following relates to the critical judgements 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:

**Critical judgements**

There were no key sources of critical judgement noted in respect of the Company's financial statements for the year ended 31 December 2020.

## Severn Waste Services Limited

### Notes to the Financial Statements - continued for the Year Ended 31 December 2020

#### 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

##### Key sources of estimation uncertainty

The key sources of estimation uncertainty within the calculation of the leachate provision are

- determining the level of saturation (the amount of liquid within a cubic metre of waste) which is based on industry standards and which is reviewed periodically,
- measuring and reviewing the constituent elements of the Leachate via laboratory testing,
- determining the most appropriate treatment of the liquid (either on or off site)
- the on going cost of operation of the on site treatment plant and the likely cost of future third party treatment.

##### Leachate

The Company operates, via a Licence held with the Environment Agency, a Landfill owned by Mercia Waste Management. The Company regularly monitors the levels of various elements (such as trace amounts of metals) that form part of the leachate which occurs within the Site as a normal part of the landfill process.

#### 3. TURNOVER

All turnover was derived within the UK from services to the Company's fellow associated undertaking Mercia Waste Management Limited (see note 16).

#### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

##### Directors' remuneration

Directors A Serrano Minchan and J Peiro Balaguer are not employees of the Company and received no remuneration during the year (2019: £nil).

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 16.

The Company utilised the UK Government Job Retention Scheme during the financial year, receiving a total of £57,545 in the year.

The average monthly number of person employed during the year was as follows:

	2020	2019
	No.	No.
Technical and administrative	26	27
Operational	307	296
	<u>333</u>	<u>323</u>
	2020	2019
	£	£
Wages and salaries	8,498,457	8,145,305
Social security costs	816,094	766,078
Other pension costs	226,449	199,547
	<u>9,541,000</u>	<u>9,110,930</u>

**Severn Waste Services Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020**

**5. OPERATING LOSS**

	2020 £	Restated 2019 £
Operating loss is stated after charging / (crediting)		
Rentals under operating leases		
Hire of plant and machinery	149,820	81,631
Other operating leases	104,825	61,125
Cost of stock recognised as an expense	2,806,209	2,991,894
Government grants	(57,545)	-
	<u>2020</u> £	<u>2019</u> £
The analysis of auditor's remuneration is as follows:		
	2020 £	2019 £
Fees payable to the Company's auditor for the audit of the company's annual financial statements	25,000	22,500
Total audit fees	<u>25,000</u>	<u>22,500</u>

There are no non-audit fees in either the current or prior period.

The comparative amounts for other operating leases and cost of stock recognised as an expense have been restated by (2,930,769) and 47,993 respectively. This is due to an error in inputting these figures from the general ledger into the equivalent note to the accounts in 2019.

**6. FINANCE INCOME**

	2020 £	2019 £
Bank interest received	<u>5,287</u>	<u>13,431</u>

**7. TAXATION**

The tax charge comprises:

	2020 £	2019 £
Current tax		
United Kingdom corporation tax at 19% (2019 - 19%) based on the profit for the year	1,005	-
Adjustments in respect of prior periods	2,543	2,013
Total tax charge	<u>3,548</u>	<u>2,013</u>

Finance Act 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 and accordingly the deferred tax at 31 December 2019 had been calculated at this rate. However, in the March 2020 Budget it was announced that the reduction will not occur and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly the deferred tax balances have been re-calculated to 19% at the year end.

**Severn Waste Services Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020**

**7. TAXATION - continued**

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, as a result deferred tax balances as at 31 December 2020 continue to be measured at 19%. The change of rate will affect the size of the Company's deferred tax assets and liabilities in the future.

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

	2020	2019
	£	£
Profit before tax	<u>4,733</u>	<u>13,432</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	899	2,552
Effects of:		
Expenses not deductible for tax purposes	11	40
Other permanent differences	-	2,273
Adjustments to tax charge in respect of previous periods	2,543	2,013
Deferred tax not recognised	1,060	(4,352)
Effect of tax rate change	(965)	(513)
Total tax charge	<u>3,548</u>	<u>2,013</u>

**8. STOCKS**

	2020	2019
	£	£
Consumables	<u>1,125,635</u>	<u>776,218</u>

There is no material difference between the Balance Sheet value of stocks and their replacement cost.

**9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2020	2019
	£	£
Amounts owed by related parties (note 16)	2,845,668	4,215,994
Other debtors	35,425	49,434
Prepayments and accrued income	725,525	704,250
	<u>3,606,618</u>	<u>4,969,678</u>

Amounts owed by related parties are unsecured, non-interest bearing and repayable on demand.

**Severn Waste Services Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020**

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2020	2019
	£	£
Trade creditors	1,347,408	1,375,005
Amounts owed to joint venture shareholders (note 16)	725,076	707,348
Other taxes and social security	512,975	440,584
Other creditors	677,333	622,365
Landfill tax payable	521,360	309,538
Accruals and deferred income	1,249,664	1,468,099
Corporation tax	1,005	-
	<u>5,034,821</u>	<u>4,922,939</u>

Amounts owed to joint ventures shareholders are unsecured, non-interest bearing and repayable on demand.

**11. PROVISIONS FOR LIABILITIES**

	Leachate Provision £	Total £
At 1 January 2020	1,876,467	1,876,467
Utilised in the year	(248,010)	(248,010)
At 31 December 2020	<u>1,628,457</u>	<u>1,628,457</u>

Please refer to the critical accounting judgements and key sources of estimation uncertainty (note 2) for further information regarding the nature of the Leachate provision.

**12. CALLED -UP SHARE CAPITAL**

**Called up, allotted, and fully paid:**

Number:	Class:	Nominal value: £1 each	2020 £	2019 £
250,000	Ordinary shares	£1 each	<u>250,000</u>	<u>250,000</u>

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

**13. FINANCIAL COMMITMENTS**

**Operating lease commitments**

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

	2020 Land and buildings £	2019 Land and buildings £
Amounts falling due		
- within one year	58,697	91,155
- between two and five years	184,582	232,396
- after five years	264,252	250,101
	<u>507,531</u>	<u>573,652</u>

## Severn Waste Services Limited

### Notes to the Financial Statements - continued for the Year Ended 31 December 2020

#### 14. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2020	2019
	£	£
Operating loss	(554)	-
Increase in stocks	(349,418)	(507,754)
Decrease / (increase) in trade and other debtors	1,363,061	(965,161)
Increase / (decrease) in trade and other creditors	111,882	(128,173)
(Decrease) / increase in provision	(248,010)	1,357,916
Tax paid	(3,548)	(2,013)
Net cash inflow / (outflow) generated from operations	<u>873,413</u>	<u>(245,185)</u>

#### 15. SUBSEQUENT EVENTS

The risks associated with Covid-19 continue to evolve. Management continues to monitor the impact of the virus on the business. Please see the Directors' Report for more information.

#### 16. 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 Operation and Maintenance Services Agreement. The Company is responsible for performing the obligations of Mercia within the operating budget agreed by Mercia and received a fee of £33,782,116 for this in the year (2019: £35,502,287).

The trading balance due from Mercia at 31 December 2020 was £2,845,668 (2019: £4,215,660).

##### 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 £1,115,709 (2019: £1,139,956). The amount owed by the Company to FCC Environment Services (UK) Limited at 31 December 2020 was £362,700 (2019: £385,826).

The Company was charged management and advisory fees by Urbaser Limited of £1,115,439 (2019: £1,140,535). The amount owed by the Company to Urbaser Limited at 31 December 2020 was £362,376 (2019: £321,522).

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.

##### Other related party transactions

The total remuneration for key management personnel for the year was £119,472 (2019: £110,620).

## Severn Waste Services Limited

### Notes to the Financial Statements - continued for the Year Ended 31 December 2020

#### 17. EMPLOYEE BENEFITS

##### Defined contribution schemes

The Company operates two defined contribution pension schemes for its staff.

The cost of the scheme with Prudential Assurance was £112,397 (2019: £90,140) of which £12,262 (2019: £8,106) was due to be paid at the year end.

The cost of the scheme with Legal & General was £114,052 (2019: £109,406) of which £10,235 (2019: £8,780) was due to be paid at the year end.

#### 18. FINANCIAL INSTRUMENTS

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

	2020 £	2019 £
<b>Financial assets</b>		
Measured at amortised cost		
• Other debtors (see note 9)	35,424	49,434
• Amounts due from related parties (see note 9)	2,845,668	4,215,994
	<u>2,881,092</u>	<u>4,265,428</u>
	2020 £	2019 £
<b>Financial liabilities</b>		
Measured at amortised cost		
• Trade and other creditors (see note 10)	2,024,741	1,997,370
• Amounts owed to joint venture shareholders (see note 10)	725,076	707,348
	<u>2,749,817</u>	<u>2,704,718</u>

#### 19. CONTROLLING PARTY

There is no ultimate controlling party as the Company is jointly owned by FCC Environment Services (UK) Limited of Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG and Urbaser Limited of First Floor Westmoreland House, 80 - 86 Bath Road, Cheltenham, GL53 7JT.