

Registered number: 00575069

VIRIDOR WASTE MANAGEMENT LIMITED

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2016**



VIRIDOR WASTE MANAGEMENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2016

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VIRIDOR WASTE MANAGEMENT LIMITED

STRATEGIC REPORT

The Directors submit their Strategic Report for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The Company specialises in delivering a full range of waste management solutions which include the collection and recycling of waste materials, the generation of energy from landfill gas, energy from waste incineration and disposal in landfill of residual waste. It achieves this by investing in an extensive waste collection fleet (focusing primarily on the industrial and commercial market), operating materials recycling facilities ('MRFs'), waste transfer stations, treatment plants, household waste recycling sites and landfill facilities throughout the UK.

Furthermore, it acts as the holding company for a number of subsidiaries and provides central services such as finance, personnel, compliance and development functions to other subsidiaries within the waste management segment of Pennon Group Plc.

BUSINESS REVIEW

Financial results

The Company continues to develop facilities which maximise the value in recovery of waste.

Operating profit before interest, tax, depreciation, amortisation, dividend income and non-underlying charges was £42,883,000 (2015 £56,330,000), a decrease of 23.9% in the year. The operating margin increased to 12% (2015 13.7%). Operating profit before interest, tax, depreciation, amortisation, dividend income after non-underlying charges was £37,883,000 (2015 £49,242,000), a decrease of 23.1% in the year.

Before non-underlying charges operating profit (before dividend income) was £13,153,000, a decrease 50.4% in the year (2015 £26,506,000). The operating margin decreased to 3.6% (2015 6.4%). After non-underlying charges operating profit (before dividend income) was £2,786,000, a decrease 79.5% in the year (2015 £13,588,000).

The depreciation charge, at £29,372,000 (2015 £26,466,000) continued to be influenced by significant capital investment in modern waste technologies designed to provide increased capacity in materials recovery and service long term contracts.

Dividends received in the year totalled £33,700,000 (2015 £6,000,000) comprising dividends from subsidiaries and a £6,000,000 dividend from the Lakeside joint venture as a result of further solid trading.

Net finance costs at £3,544,000 were £1,019,000 below last year (2015 £4,563,000). Interest income from joint venture, fellow subsidiary and subsidiary undertakings rose by £341,000 to £17,064,000 (2015 £16,723,000). Finance income also includes interest receivable of £4,312,000 on financial assets recognised under IFRIC 12 'Service concession arrangements' (2015 £4,345,000). Total borrowing costs at £27,629,000 were £6,893,000 below last year (2015 £34,522,000) reflecting reduced interest on loans from the parent companies and finance costs from reduced discount unwind of provisions.

The Company's taxation position results in a credit for current tax of £13,233,000 (2015 £4,993,000 charge) and a deferred tax charge of £10,265,000 (2015 £1,558,000).

Joint Ventures

All three of the Company's joint ventures continue to perform well.

Viridor Laing Greater Manchester (VLGM), a joint venture between Viridor and John Laing Infrastructure, is delivering the 25-year Greater Manchester Waste PFI. Now in its eighth year, this remains the UK's largest ever combined waste and energy project. The recycling, recovery and waste management facilities serving the contract, which handle in excess of one million tonnes of material per annum, are operated by the Company on a sub-contract basis.

Solid recovered fuel produced from the residual waste from Greater Manchester is used to generate heat and power at Runcorn 1 ERF (TPSCo, a joint venture between the Company, John Laing Infrastructure and Inovyn), which has operated well since it came on line in 2015.

The third joint venture, at Lakeside ERF (a 50/50 joint venture with Grundon Waste Management) is in its sixth year of operation and continues to outperform its original power generation and waste processing targets.

VIRIDOR WASTE MANAGEMENT LIMITED

STRATEGIC REPORT (Continued)

BUSINESS REVIEW (Continued)

Non-underlying net charges

A non-underlying charge of £5,000,000 was made to the restructuring provision reflecting announced reorganisations.

A non-underlying charge of £5,367,000 has been recognised to write-down the carrying value of property, plant and equipment, primarily in landfill activities, to reflect the reducing landfill volumes.

The non-underlying charges net of tax were £7,863,000. The impairment of the Company's assets and recognition of increased provisions resulted in a reduction in the tax charge of £2,504,000.

The impairment charge has no cash impact in the current year.

Investment

Capital expenditure in the year totalled £31,862,000 (2015 £38,285,000). The Company continues to invest in advanced waste management facilities including £4,099,000 in recycling units (2015 £6,862,000) and £1,705,000 in power generation capacity (2015 £3,021,000). The Company also invested £4,735,000 in its historical core business activities such as landfill and fleet (2015 £8,813,000) ensuring a full offering of waste management services.

During the year the contracts and assets of Commercial Recycling Ltd's Waste Collection Division in Dorset and Somerset were acquired for £4,500,000 net of cash.

Financing

There was a net cash outflow from operating activities of £12,970,000 (2015 £4,369,000 inflow). Increased working capital (largely due to utilisation of provisions and net repayment of tax and other social security) consumed £35,393,000. Interest payments were £20,608,000 (2015 £10,916,000) and tax payments were £289,000 (2015 £1,577,000).

The company invested £26,412,000 (net of disposals) in capital projects (2015 £36,086,000) and received dividends of £33,700,000 (2015 £6,000,000).

There was a net reduction of £25,451,000 in borrowings (2015 £152,140,000 addition).

Net debt decreased to £468,360,000 (2015 £468,685,000), with short-term borrowings at the year-end of £182,419,000 (2015 £152,769,000), an increase of £29,650,000.

Significant funding facilities are in place to cover both medium and long-term requirements, including finance leasing and loans from the intermediate parent undertaking and fellow subsidiaries. The Directors confirm that the Company can meet its short-term requirements from existing facilities without breaching covenants or other borrowing restrictions.

Dividends and reserves

Dividends of £45,000,000 were paid in the year (2015 nil). The Directors do not recommend the payment of a final dividend (2015 nil).

The transfer to retained earnings for the year was £35,407,000 which includes £504,000 charged directly to equity (2015 £8,373,000 and £101,000 respectively) with retained earnings and other reserves at £44,322,000 (2015 £53,057,000 accumulated losses and other reserves). In the year, there were no transfers from reserves to the share premium account in respect of shares issued to the ultimate parent undertaking (2015 £9,989,000).

VIRIDOR WASTE MANAGEMENT LIMITED

STRATEGIC REPORT (Continued)

BUSINESS REVIEW (Continued)

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Viridor Group and are not separately managed. Accordingly, the principal risks and uncertainties of Viridor Limited, which include those of the Company, are discussed on pages 19 to 24 and 47 to 50 of Viridor Limited's Annual Report and Accounts which does not form part of this Report.

Financial risk management

The Company's activities expose it to a variety of financial risks; market risk (interest rate risk), liquidity risk and credit risk. Further information on the Company's management of these risks is given in note 3 of these financial statements.

Key performance indicators ('KPIs')

The directors of Viridor Limited manage the Viridor Group's operations on a fully integrated basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Viridor Group's operations, including those of the Company, are discussed on pages 5 to 8 of Viridor Limited's Annual Report and Accounts which does not form part of this Report.

Employment policies and employee involvement

Employee consultation is maintained via a number of means including formalised trade union processes, consultative committees and specific working groups. All these are chaired by senior management of the Viridor Group, with representatives drawn from all functional areas as appropriate. These forums, together with regular meetings, are used to ensure that employees are kept up to date with the Group's business performance and financial and economic factors affecting performance.

A performance appraisal system exists for all non-manual staff and managers. The Company uses a range of incentivisation arrangements as appropriate to each group of workers and job satisfaction is supported by encouraging role changes wherever possible within the Company to help employees gain broad experience of business activities.

All employees are entitled to participate in the Pennon Group Sharesave Scheme, which is an all-employee plan where performance conditions do not apply.

Occupational health and safety remain key elements of the Company's assessment of risk management. Training in skills acquisition and health and safety continues to ensure that employees have the knowledge and expertise to undertake their jobs safely and to the best of their ability.

The Company makes every reasonable effort to ensure that no current or future employee is disadvantaged because of age, gender, religion, colour, ethnic origin, marital status, sexual orientation or disability. In particular, the Company welcomes applications for employment from disabled persons and makes special arrangements and adjustments as necessary to ensure that disabled applicants are treated fairly when attending for interview or for pre-employment aptitude tests. Wherever possible, the opportunity is taken to retrain people who become disabled during their employment in order to maintain their employment with the Company.

VIRIDOR WASTE MANAGEMENT LIMITED

STRATEGIC REPORT (Continued)

BUSINESS REVIEW (Continued)

Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. The Company is subject to significant regulation and must comply with the high standards set by the Environment Agency. Pennon Group Plc, the ultimate parent company, has a long-established environmental policy, as set out in its annual report, which does not form part of this Report.

Future developments

The geographic location of the Company's sites and difficulty in achieving planning consents for competing new sites provides the Company with strong competitive advantage, despite the anticipated long-term decline in future landfill volumes arising from the diversion of municipal waste.

The Company continues to take positive action to enhance the contribution from the recycling business which has suffered recent headwinds. It is well placed to take advantage of the developing market for recycle materials and energy from waste initiatives and it continues to seek investment opportunities in these two important markets.

The Strategic Report was approved by the Board of Directors and authorised for issue on 21 December 2016 and was signed on its behalf by:



E A J REES
Director

VIRIDOR WASTE MANAGEMENT LIMITED

DIRECTORS' REPORT

The Directors present their Directors' Report and audited financial statements for the year ended 31 March 2016.

The Directors' Report is prepared in accordance with the provisions of the Companies Act 2006 and regulations made thereunder. It comprises pages 5 and 6 as well as any matters incorporated by reference.

Information regarding Viridor, including events and its progress during the year, events since the year-end and likely future developments is contained in the strategic report set out on pages 1 to 4.

In addition, and in accordance with s414C of the Companies Act 2006, the strategic report contains a fair, balanced and comprehensive review and analysis of the development and performance of the Company's business during the year and the position of the Company's business at the end of the year.

GOING CONCERN

The financial statements have been prepared on the going concern basis due to the continued financial support of the intermediate parent company, Viridor Limited. The directors of Viridor Limited confirm that it is their intention to support the Company in meeting all its financial obligations as they fall due for a period of at least 12 months from the date of signing the balance sheet.

DONATIONS

No political donations were made or political expenditure incurred and no contributions were made to a non-EU political party.

FINANCIAL RISK MANAGEMENT POLICY

The Company's financial risk management policy is set out at note 3 on pages 21 and 22.

FINANCIAL INSTRUMENTS

Details of the Company's financial instruments are provided in note 2(o) on page 18, and note 18 on page 38.

FUTURE DEVELOPMENTS

The future developments of the Company are discussed in the Strategic Report on pages 1 to 4.

POST BALANCE SHEET EVENT

A shared service review has resulted in the planned centralisation of key corporate services and operational functions. As a result a restructuring provision of £0.4 million has been provided and an asset value of £9.5 million has been de-recognised, relating to an IT system which will no longer be used as the Group standardises its processes and systems.

DIRECTORS

The Directors who served on the Board during the year and up to the date of signing the financial statements were:

M Burrows Smith	(resigned 30 June 2015)
S Catford	(resigned 31 October 2016)
A D Cumming	
A M D Kirkman	(resigned 18 September 2015)
I McAulay	(resigned 31 August 2016)
P C Piddington	(appointed 31 July 2015)
E A J Rees	(appointed 31 July 2015)
P M Ringham	(appointed 16 August 2016)

Directors' insurance and indemnities

The Directors have the benefit of the indemnity provisions contained in the Company's Articles and the Company has maintained throughout the year Directors' and Officers' liability insurance for the benefit of the Company, the Directors and its Officers. The Company has entered into qualifying third party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

VIRIDOR WASTE MANAGEMENT LIMITED

DIRECTORS' REPORT (Continued)

EMPLOYMENT POLICIES AND EMPLOYEE INVOLVEMENT

Information relating to employment policies and employee involvement is provided in the strategic report on page 3.

PARENT COMPANY

The Company is a subsidiary of Viridor Waste Limited. Its ultimate parent undertaking is Pennon Group Plc.

The subsidiaries of the Company are listed in note 17 to the financial statements on page 35 and 36.

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 prepared the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and 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 IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the Group 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

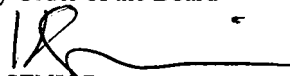
- a) So far as each of the Directors in office at the date of the signing of the report is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- b) Each of the Directors has taken all the steps they ought to have taken individually as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

Independent auditors Ernst & Young LLP are deemed to be reappointed auditors of the Company in accordance with section 487(2) of the Companies Act 2016

Ernst & Young have indicated their willingness to continue as auditors.

By Order of the Board


K SENIOR
Company Secretary

21 December 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRIDOR WASTE MANAGEMENT LIMITED

We have audited the financial statements of Viridor Waste Management Limited for the year ended 31 March 2016 which comprise income statement, the statement of comprehensive income, the balance sheet, the statements of change in equity, the cash flow statement and the related notes 1 to 39. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 set out on page 6, 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 March 2016 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters 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 VIRIDOR WASTE MANAGEMENT LIMITED (Continued)

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.

Ernst & Young LLP

Paul Mapleston (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

22 December 2016

VIRIDOR WASTE MANAGEMENT LIMITED

Income statement for the year ended 31 March 2016

	Notes	Before non- underlying items 2016 £000	Non- underlying items 2016 (note 6) £000	Total 2016 £000	2015 £000
Revenue		359,826	-	359,826	411,512
Operating costs	5				
Manpower costs		(60,428)	(3,400)	(63,828)	(59,033)
Raw materials and consumables used		(69,718)	-	(69,718)	(68,090)
Other operating expenses		(186,797)	(1,600)	(188,397)	(235,147)
Profit before interest, tax, depreciation, amortisation and dividends		42,883	(5,000)	37,883	49,242
Depreciation and impairment	5	(29,372)	(5,367)	(34,739)	(35,296)
Amortisation of intangibles	5	(358)	-	(358)	(358)
Dividends received	10	33,700	-	33,700	6,000
Operating profit		46,853	(10,367)	36,486	19,588
Finance income	8	24,085	-	24,085	29,959
Finance costs	8	(27,629)	-	(27,629)	(34,522)
Net finance costs		(3,544)	-	(3,544)	(4,563)
Profit before tax		43,309	(10,367)	32,942	15,025
Taxation	9	465	2,504	2,969	(6,551)
Profit for the year		43,774	(7,863)	35,911	8,474
Profit attributable to owners of the parent		43,774	(7,863)	35,911	8,474

All operating activities are continuing operations.

The notes on pages 14 to 54 form part of these financial statements.

VIRIDOR WASTE MANAGEMENT LIMITED

Statement of comprehensive income for the year ended 31 March 2016

		Before non- underlying items 2016 £000	Non- underlying items (note 6) 2016 £000	Total 2016 £000	2015 £000
	Notes				
Profit for the year		43,774	(7,863)	35,911	8,474
<i>Items which will not be reclassified to profit or loss</i>					
Actuarial losses on retirement benefit obligations	26	(77)	-	(77)	(126)
Tax on items taken directly to equity	27	15	(442)	(427)	25
Other comprehensive loss for the year		(62)	(442)	(504)	(101)
Total comprehensive income for the year		43,712	(8,305)	35,407	8,373
Attributable to owners of the parent		43,712	(8,305)	35,407	8,373

The notes on pages 14 to 54 form part of these financial statements.

VIRIDOR WASTE MANAGEMENT LIMITED

Balance sheet as at 31 March 2016

	Notes	2016 £000	2015 £000
Assets			
Non-current assets			
Goodwill	14	13,098	9,672
Other intangible assets	14	5,271	4,064
Property, plant and equipment	15	140,122	151,392
Trade and other receivables	16	305,871	293,985
Investment in subsidiary undertakings	17	324,973	324,973
Investment in joint ventures and associates	17	1,206	1,206
Deferred tax asset	27	5,898	16,570
		<u>796,438</u>	<u>801,862</u>
Current assets			
Inventories	19	6,626	4,067
Trade and other receivables	20	212,296	243,228
Current tax recoverable	23	11,250	-
Cash and cash equivalents	21	509	516
		<u>230,681</u>	<u>247,811</u>
Total assets		<u>1,027,120</u>	<u>1,049,673</u>
Equity			
Share capital	29	(130,929)	(130,929)
Share premium account	30	(49,989)	(49,989)
Retained earnings and other reserves	31	(44,322)	(53,057)
Total equity		<u>(225,240)</u>	<u>(233,975)</u>
Non-current liabilities			
Borrowings	24	(286,450)	(316,432)
Trade and other payables	25	(47,039)	(47,039)
Retirement benefit obligations	26	(4,870)	(6,852)
Provisions	28	(104,736)	(95,455)
		<u>(443,095)</u>	<u>(465,778)</u>
Liabilities			
Current liabilities			
Borrowings	24	(182,419)	(152,769)
Trade and other payables	22	(154,509)	(163,958)
Current tax liability	23	-	(1,807)
Provisions	28	(21,857)	(31,386)
		<u>(358,785)</u>	<u>(349,920)</u>
Total liabilities		<u>(801,880)</u>	<u>(815,698)</u>
Total equity and liabilities		<u>(1,027,120)</u>	<u>(1,049,673)</u>

The notes on pages 14 to 54 form part of these financial statements.

The financial statements on pages 9 to 54 were approved by the Board of Directors and authorised for issue on 21 December 2016 and were signed on its behalf by:



E A J REES
Director

Registered Number: 00575069

VIRIDOR WASTE MANAGEMENT LIMITED

Statement of changes in equity for the year ended 31 March 2016

	Share capital £000	Share premium account £000	(Accumulated losses) / retained earnings and other reserves £000	Total equity/ (deficit) £000
As at 1 April 2014	210,927	40,000	(126,306)	124,621
Profit for the year	-	-	8,474	8,474
Other comprehensive loss for the year	-	-	(101)	(101)
Total comprehensive income for the year	-	-	8,373	8,373
Transactions with equity owners				
Dividends paid	-	-	-	-
Shares issued	100,002	9,989	(10,326)	99,665
Share capital reduction	(180,000)	-	180,000	-
Adjustments in respect of share based payments	-	-	1,415	1,415
Tax charge in relation to share based payments	-	-	(99)	(99)
As at 31 March 2015	130,929	49,989	53,057	233,975
Profit for the year	-	-	35,911	35,911
Other comprehensive loss for the year	-	-	(504)	(504)
Total comprehensive profit for the year	-	-	35,407	35,407
Transactions with equity owners				
Dividends paid	-	-	(45,000)	(45,000)
Adjustments in respect of share based payments	-	-	857	857
Tax credit in relation to share based payments	-	-	1	1
As at 31 March 2016	130,929	49,989	44,322	225,240

The notes on pages 14 to 54 form part of these financial statements.

VIRIDOR WASTE MANAGEMENT LIMITED

Cash flow statement for the year ended 31 March 2016

	Notes	2016 £000	2015 £000
Cash flows from operating activities			
Cash generated from operations	32	7,927	16,862
Interest paid		(20,608)	(10,916)
Tax paid		(289)	(1,577)
Net cash (used in)/generated from operating activities		<u>(12,970)</u>	<u>4,369</u>
Cash flows from investing activities			
Interest received		5,803	7,164
Dividends received		33,700	6,000
Acquisitions net of cash		(4,500)	-
Purchase of intangible assets		-	(3,435)
Repayment of loans by joint ventures		27,415	-
Purchase of property, plant and equipment		(31,541)	(38,284)
Proceeds from sale of property, plant and equipment		5,129	2,198
Net cash generated from/(used in) investing activities		<u>36,006</u>	<u>(26,357)</u>
Cash flows from financing activities			
Proceeds from share issue		-	100,002
Purchase of treasury shares		-	(180,000)
Movement in restricted cash		1	(273)
Proceeds from new borrowings		17,109	501,925
Repayment of borrowings		(42,560)	(399,722)
Proceeds from new finance leases		-	49,937
Finance lease principal repayments		(17,409)	(5,408)
Dividends paid		(45,000)	-
Net cash (used in)/generated from financing activities		<u>(87,859)</u>	<u>66,461</u>
Net (decrease)/increase in cash and cash equivalents		(64,823)	44,473
Cash and cash equivalents at beginning of the year		(57,057)	(101,530)
Cash and cash equivalents at end of the year	21	<u>(121,880)</u>	<u>(57,057)</u>

The notes on pages 14 to 54 form part of these financial statements.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Viridor Waste Management Limited is a company registered in the United Kingdom under the Companies Act 2006. The address of the registered office is Peninsula House, Rydon Lane, Exeter, Devon, EX2 7HR. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 4.

2. Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

(a) Basis of preparation

These financial statements have been prepared on the historical cost accounting basis and in accordance with International Financial Reporting Standards ('IFRS'), and International Financial Reporting Interpretations Committee ('IFRIC') interpretations as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. A summary of the principal accounting policies is set out below, together with an explanation where changes have been made to previous policies on the adoption of new accounting standards and interpretations in the year.

The going concern basis has been adopted in preparing these financial statements as stated by the Directors on page 5.

The new standards or interpretations which were mandatory for the first time in the year beginning 1 April 2015 did not have a material impact on the net assets or results of the Company.

Standards and interpretations in issue, but not yet effective, are not expected to have a material effect on the Company's net assets or results, except the following set out below:

- IFRS 15 'Revenue from contracts with customers' relates to revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard will replace IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and is subject to EU endorsement.
- The Company continues to assess the impact of the new standard on the Company's financial statements. The Company will make more detailed assessments of the impact over the next twelve months.
- IFRS 16 'Leases' no longer distinguish between an on the balance sheet finance lease and an off the balance sheet operating lease. Instead, for virtually all lease contracts the lessee recognises a lease liability reflecting future lease payments and a 'right-of-use' asset. The standard is effective for annual periods beginning on or after 1 January 2019 and is subject to EU endorsement.
- The Directors anticipate that the adoption of IFRS 16 on 1 April 2019 will reduce operating costs, increase depreciation charges and increase finance costs. Existing borrowing covenants are not impacted by changes in accounting standards.

The accounting policy for non-underlying items, previously referred to as exceptional items, has been refined to include items which due to their nature in the view of the Directors should be separately disclosed to enable a full understanding of the Group's financial performance.

At the date of approval of these financial statements there are no standards or interpretations in issue, but not yet effective, that are expected to have a material effect on the Company's net assets or results.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best assessment of the amounts, actual events or actions and results may ultimately differ from those estimates.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Principal accounting policies (Continued)

(b) Basis of consolidation

The Company is exempt under the provisions of Section 400 of the Companies Act 2006 from the requirement to produce group financial statements as it is a wholly owned subsidiary of Viridor Limited, which is registered in the European Economic Area and which itself produces consolidated financial statements. Accordingly the financial statements are presented for the Company as an individual undertaking. Group financial statements are included in the Annual Report of Viridor Limited which is available from Peninsula House, Rydon Lane, Exeter, EX2 7HR.

(c) Revenue recognition

Revenue represents the fair value of consideration receivable, including landfill tax, but excluding value added tax and trade discounts, in the ordinary course of business for goods and services provided.

Revenue is recognised once the services or goods have been provided to the customer.

Income from electricity generated from waste management landfill gas production includes an estimation of the amount to be received under renewables obligation certificates

Accrued income from waste management contracts at the balance sheet date is recognised using management's expectation of amounts to be subsequently billed for services rendered to the client in accordance with the terms of the contract.

Income from recycling activities within waste management includes amounts based upon market prices for recycle products and industry schemes for waste electrical ('WEEE' notes) and packaging volumes ('PRNs') processed.

Revenue from long-term service concession arrangements is recognised based on the fair value of work performed. Where an arrangement includes more than one service, such as construction and operation of waste management facilities, revenue and profit are recognised in proportion to a fair value assessment of the total contract value split across the service provided.

Interest income is recognised on a time-apportioned basis using the effective interest method.

(d) Landfill tax

Landfill tax is included within both revenue and operating costs. Landfill tax is determined by the Government and it is a cost to the Company but is chargeable to customers.

(e) Goodwill

Goodwill arising from the acquisition of subsidiary and joint venture undertakings represents the excess of purchase consideration over the fair value of net assets acquired.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Further details are contained in accounting policy (j).

Goodwill arising on acquisitions before 1 April 2005, (the Company's transition date to IFRS), has been retained at the previous UK GAAP amounts, subject to annual testing for impairment.

(f) Other intangible assets

Other intangible assets, principally rights to patents, are initially recorded as an asset at cost (or fair value if acquired as part of a business acquisition). Following initial recognition, finite life intangible assets are amortised on a straight-line basis over their estimated useful economic lives, with the expense taken to the income statement through operating costs.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Principal accounting policies (continued)

(g) Property, plant and equipment

i) Landfill sites

Landfill sites are included within land and buildings at cost less accumulated depreciation. Cost includes acquisition and development expenses. The cost of the landfill is depreciated to its residual value (which is linked to gas production at the site post-closure) over its estimated operational life taking account of the usage of void space.

ii) Landfill restoration

Where the obligation to restore a landfill site is an integral part of its future economic benefits, a non-current asset within property, plant and equipment is recognised. The asset recognised is depreciated based on the usage of void space.

iii) Other assets (including property, plant and equipment)

Other assets are included at cost less accumulated depreciation.

Freehold land is not depreciated. Other assets are depreciated evenly to their residual value over their estimated useful economic lives, and are principally:

Freehold buildings	30 - 50 years
Short-term leasehold land and buildings	Over their estimated useful economic lives or the finance lease period, whichever is the shorter
Fixed and mobile plant, vehicles and computers	3 - 10 years

Assets under construction are not depreciated until commissioned.

The cost of assets includes directly attributable labour and overhead costs which are incremental to the Company. Borrowing costs that are directly attributable to the construction of a qualifying asset (an asset necessarily taking a substantial period of time to be prepared for its intended use) are capitalised as part of the asset.

Asset lives and residual values are reviewed annually.

Gains and losses on disposal are determined by comparing sale proceeds with carrying amounts. These are included in the income statement in other operating expenses.

(h) Grants and contributions

Grants and contributions receivable in respect of property, plant and equipment are deducted from the cost of those assets.

Grants and contributions receivable in respect of expenditure charged against profits in the year have been included in the income statement in other operating expenses.

(i) Leased assets

Assets held under finance leases are included as property, plant and equipment at the lower of their fair value at commencement or the present value of the minimum lease payments and are depreciated over their estimated useful economic lives or the finance lease period, whichever is the shorter. The corresponding liability is recorded as borrowings. The interest element of the rental costs is charged against profits using the actuarial method over the period of the lease.

Rental costs arising under operating leases are charged against profits in the year they are incurred.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Principal accounting policies (continued)

(j) Impairment of non-financial assets

Assets which have an indefinite useful life are not subject to depreciation and are tested annually for impairment, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Assets which are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Value in use represents the present value of projected future cash flows expected to be derived from a cash-generating unit, discounted using a pre-tax discount rate which reflects an assessment of the market cost of capital of the cash-generating unit.

Impairments are charged to the income statement in the year in which they arise.

(k) Investment in subsidiary undertakings

Investments in subsidiary undertakings are initially recorded at cost, being the fair value of the consideration paid. Subsequently, investments are reviewed for impairment on an individual basis annually or if events or changes in circumstances indicate that the carrying value may not be fully recoverable.

An impairment loss is recognised for the amount by which the investment's carrying amount exceeds the lower of the subsidiary's net asset value or its recoverable amount. The recoverable amount is the higher of the investment's fair value, less costs to sell and value in use. Value in use represents the present value of projected future cash flows expected to be derived from the subsidiary undertaking, discounted using a pre-tax discount rate appropriate to the relevant subsidiary.

(l) Investment in joint ventures

Joint ventures are entities over which the Company exercises joint control. Investments in joint ventures are initially recorded at cost, being the fair value of the consideration paid. Subsequently, investments are reviewed for impairment on an individual basis annually or if events or changes in circumstances indicate that the carrying value may not be fully recoverable.

An impairment loss is recognised for the amount by which the investment's carrying amount exceeds the lower of the joint venture's net asset value or its recoverable amount. The recoverable amount is the higher of the investment's fair value, less costs to sell and value in use. Value in use represents the present value of projected future cash flows expected to be derived from the joint venture undertaking, discounted using a pre-tax discount rate appropriate to the relevant subsidiary.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term deposits held at banks. Bank overdrafts are shown within current borrowings.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS.(Continued)

2. Principal accounting policies (continued)

(o) Financial instruments

The Company classifies its financial instruments in the following categories:

i) Loans and receivables

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Following initial recognition interest-bearing loans and borrowings are subsequently stated at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the instruments are derecognised or impaired. Premia, discounts and other costs and fees are recognised in the income statement through the amortisation process.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

ii) Trade receivables

Trade receivables do not carry any interest receivable and are initially recognised at fair value and subsequently at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

iii) Trade payables

Trade payables are not interest bearing and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

iv) Service concession arrangements

Where the provision of waste management services is performed through a contract with a public sector entity which controls a significant residual interest in asset infrastructure at the end of the contract, then consideration is treated as contract receivables, split between profit on construction of assets, operation of the service and provision of finance which is recognised in notional interest within finance income.

(p) Pre-contract costs and development costs

Pre-contract costs and development costs are expensed as incurred except where it is probable that the contract will be awarded or the development completed, in which case they are recognised as an asset which is amortised to the income statement over the life of the contract.

Capitalised pre-contract and development costs include third party expenses directly related to the contract and internal costs, including labour, which can be identified as specific to the contract.

(q) Fair values

The fair values of short-term deposits, loans and overdrafts with a maturity of less than one year are assumed to approximate to their book values. In the case of non-current bank loans and other loans, the fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Principal accounting policies (continued)

(r) Taxation including deferred tax

The tax charge comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in the statement of comprehensive income or directly in equity. In this case the tax is also recognised in the statement of comprehensive income or directly in equity. Current tax is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates tax items subject to interpretation and establishes full provisions on individual tax items where in the judgement of management the position is uncertain.

The Company is part of the Pennon Group for tax purposes and accordingly may use the group tax relief provisions whereby current tax liabilities can be offset by current tax losses arising in other companies within the same tax group. Payment for group relief may be made up to an amount equal to the tax benefit and amounts are included within the current tax disclosures.

Deferred tax is provided in full on temporary differences between the carrying amount of assets and liabilities in the financial statements and the tax base, except if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be realised. Deferred tax is determined using the tax rates enacted or substantively enacted at the balance sheet date, and expected to apply when the deferred tax liability is settled or the deferred tax asset is realised.

(s) Provisions

Provisions are made where there is a present legal or constructive obligation as a result of a past event and it is probable that there will be an outflow of economic benefits to settle this obligation and a reliable estimate of this amount can be made. Where the effect of the time value of money is material, the current amount of a provision is the present value of the expenditure expected to be required to settle obligations. The unwinding of the discount to present value is included as a financial item within finance costs.

The Company's policies on provisions for specific areas are:

i) Landfill restoration costs

Provisions for the cost of restoring landfill sites are made when the obligation arises. Where the obligation recognised as a provision gives access to future economic benefits, an asset in property, plant and equipment is recognised. Provisions are otherwise charged to the income statement based on the consumption of void space.

ii) Environmental control and aftercare costs

Environmental control and aftercare costs are incurred over the operational life of each landfill site and for a considerable period thereafter. Provision for all such costs is made over the operational life of the site and charged to the income statement based on the consumption of void space.

iii) Onerous contracts

Where the unavoidable costs of meeting a contract's obligations exceed the economic benefits derived from that contract, the unavoidable costs, less revenue anticipated under the terms of the contract, are recognised as a provision and charged to the income statement. An impairment loss on any assets dedicated to that contract is also recognised as described in accounting policy (j).

(t) Share capital

Ordinary shares are classified as equity.

(u) Dividend distributions

Dividend distributions are recognised as a liability in the financial statements in the year in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid. The Company does not pay a final dividend.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Principal accounting policies (continued)

(v) Employee benefits

i) Retirement benefit obligations

The Company participates in defined benefit and defined contribution schemes operated by its ultimate parent company.

Defined benefit pension schemes

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the year less the fair value of plan assets. The defined benefit obligation is calculated by independent actuaries who advise on the selection of Directors' best estimate, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds, and that have terms to maturity approximating to the terms of the related pension obligation. The increase in liabilities of the Company's defined benefit pension schemes, expected to arise from employee service in the year is charged against operating profit.

Changes in benefits granted by the employer are recognised immediately as past service cost in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of comprehensive income in the period in which they arise.

Defined contribution scheme

The defined contribution scheme is operated by the ultimate parent, Pennon Group Plc. Costs of the defined contribution pension scheme are charged to the income statement in the year in which they arise.

ii) Share-based payment

The Company participates in a number of equity-settled, share-based payment plans for employees operated by the ultimate parent company.

The fair value of the employee services required in exchange for the grant is recognised as an expense over the vesting period of the grant.

Fair values are calculated using an appropriate pricing model. Non market-based vesting conditions are adjusted for in assumptions as to the number of shares expected to vest.

(w) Non-underlying items

Non-underlying items are those that in the Directors' view are required to be separately disclosed by virtue of their size, nature or incidence to enable a full understanding of the Company's financial performance.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management

(a) Financial risk factors

The Company's activities expose it to a variety of financial risks; market risk (interest rate risk), liquidity risk and credit risk. The Company receives treasury services from the treasury function of its ultimate parent, Pennon Group Plc, which seeks to ensure that sufficient funding is available to meet foreseeable needs, maintains reasonable headroom for contingencies and manages inflation and interest rate risk.

The principal financial risks faced by the Company relate to interest rate and counterparty credit risk.

Treasury operations are managed in accordance with policies established by the Pennon Group Plc board. Major transactions are individually approved by that board and are subject to review by internal audit.

Financial instruments are used to manage interest rate and exchange rate risk. The Company and Pennon Group Plc do not engage in speculative activity.

i) Market risk

The Company is responsible for setting interest rates for the Viridor Group.

The Company has no significant interest-bearing assets upon which the net return fluctuates from market risk. Deposit interest receivable is expected to fluctuate in line with interest payable on floating rate borrowings. Consequently its income and operating cash flows are substantially independent of changes in market interest rates.

For the year ended 31 March 2016, if interest rates on net borrowings had been 0.5% higher/lower with all other variables held constant, post-tax loss for the year would have increased/decreased by £1,862,000 (2015 £1,983,000).

ii) Liquidity risk

Pennon Group Plc actively maintains a mixture of long-term and short-term committed facilities that are designed to ensure that the Company has significant available funds for operations, planned expansions and facilities equivalent to at least one year's forecast requirements at all times.

Refinancing risk is managed under Pennon Group Plc policies with agreement that no more than 20% of the Company's debt, as provided by the ultimate parent undertaking, will mature in any financial year.

Pennon Group Plc manages and determines the criteria for the Company's capital requirement.

Contractual undiscounted cash flows were:

	Due within 1 year £000	Due between 1 and 2 years £000	Due between 2 and 5 years £000	Due after 5 years £000	Total £000
31 March 2016					
<i>Non-derivative financial liabilities</i>					
Bank overdraft	121,892	-	-	-	121,892
Borrowings excluding finance lease liabilities	54,552	48,234	144,701	48,233	295,720
Interest payments on borrowings	8,139	6,512	9,767	-	24,418
Finance lease liabilities including interest	6,944	7,082	14,970	36,708	65,704
31 March 2015					
<i>Non-derivative financial liabilities</i>					
Bank overdraft	57,075	-	-	-	57,075
Borrowings excluding finance lease liabilities	88,395	62,556	187,669	5,215	343,835
Interest payments on borrowings	8,621	6,510	6,862	-	21,993
Finance lease liabilities including interest	7,299	7,150	18,529	35,315	68,293

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management (Continued)

(a) Financial risk factors (continued)

iii) Credit risk

Credit risk arises from cash and cash equivalents with banks and financial institutions, as well as exposure to trade customers, including outstanding receivables. Further information on the credit risk relating to trade receivables is given in note 20.

Counterparty risk arises from the investment of surplus funds which are pooled with certain other Pennon Group companies. Surplus funds of the Company are usually placed in short-term fixed interest deposits or the overnight money markets. All deposits are with counterparties that have a credit rating threshold approved by the board of Pennon Group Plc.

The principal credit risks faced by the Company can be found in the Annual Report and Financial Statements of Viridor Limited, the intermediate holding company.

(b) Capital risk management

The principal capital risks faced by the Company can be found in the Annual Report and Financial Statements of Viridor Limited, the intermediate holding company.

(c) Determination of fair values

The Company's financial instruments are valued using inputs other than quoted prices that are directly observable for the asset class or liability.

4. Critical accounting judgements and estimates

The Company's principal accounting policies are set out in note 2. Management is required to exercise significant judgement and make use of estimates and assumptions in the application of these policies.

(a) Taxation

The company's current tax receivable of £12,456,000 (2015 £1,807,000 payable) relates to management's judgement of the amount of tax due on open tax computations where liabilities remain to be agreed with HMRC. The company evaluates uncertain tax items, where a tax item is subject to interpretation and remains to be agreed. Provisions established for uncertain items are made using a best estimate of the tax expected to be paid, based on a qualitative assessment of all relevant information. In assessing any appropriate provision requirements for uncertain tax items the company considers progress made in discussions with HMRC, expert advice on the likely outcome and any recent developments in case law. Due to the uncertainty associated with such tax items, it is possible that at a future date, on conclusion of the open matters, the final outcome may vary significantly. Any such variations will affect the tax financial results in the year in which such a determination is made.

(b) Environmental and landfill restoration provisions

Environmental control and aftercare costs are incurred during the operational life of each landfill site and for a considerable period thereafter. The period of aftercare post-closure and the level of costs expected are uncertain and can vary significantly from site to site. Key factors are the type of waste, the speed at which it decomposes, the volume of leachate requiring treatment and regulatory requirements specific to the site. The amounts expected to be incurred have been re-assessed, re-estimated and aligned to the revised landfill site operating lives established from the anticipated decline in landfill activity. The provision is based on an estimate of the aftercare period of 60 years after site closure to align with updated technical assessment using independent external advice, as well as incorporating assumptions based on recent historic data and future cost estimates. The provisions are recognised in the financial statements at the net present value of the estimated future expenditure required to settle the Company's obligations. A discount rate is applied to recognise the time value of money and is unwound over the life of the provision. This is included in the income statement as a financial item within finance costs.

As at 31 March 2016 the Company's environmental and landfill restoration provisions were £102,202,000 (2015 £106,750,000).

Where a restoration provision gives access to future economic benefits, an asset is recognised and depreciated in accordance with the Company's depreciation policy. As at 31 March 2016 these assets had a net book value of £1,948,000 (2015 £7,510,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Critical accounting judgements and estimates (Continued)

(c) Retirement benefit obligations

The Company participates in defined benefit schemes plus a defined contribution scheme operated by the ultimate parent company.

The pension cost and liabilities under IAS 19 is assessed in accordance with the Directors' best estimates using the advice of an independent qualified actuary and assumptions in the latest actuarial valuation. The assumptions are based on member data supplied to the actuary and market observations for interest rates and inflation, supplemented by discussions between the actuary and management. The mortality assumption uses a scheme-specific calculation based on CMI 2009 actuarial tables with an allowance for future longevity improvement.

The principal assumptions used to measure schemes' liabilities, sensitivities to changes in those assumptions and future funding obligations are set out in note 26 of the financial statements.

(d) Impairment of non-financial assets and goodwill

In order to determine whether impairments are required the Company estimates the recoverable amount of an individual asset or assets grouped at the lowest level for which there are separately identifiable cash flows (cash generating units). For the purposes of assessing impairment of goodwill, the Company is considered to be a single cash generating unit as it is an integrated business and this is the lowest level to which goodwill is allocated and monitored by management.

Impairment calculations are based on projections of future cash flows for the cash generating unit and the use of a terminal value to incorporate expectations of growth after the period covered by specific plans. The cash flows are discounted by the weighted average cost of capital appropriate to the business stream which is reviewed on an annual basis.

If the cash flow or discount rate assumptions were to change because of market conditions, the level of impairment could be different and could result in the impairment being increased or reversed, in part or in full, at a future date. The principal assumptions used to assess impairment are set out in notes 14 and 15 of the financial statements.

(e) Impairment of trade receivables

At each balance sheet date, the Company evaluates the collectability of trade receivables and records impairment of doubtful debts based on experience including comparisons of the relative age of accounts and consideration of actual write-off history. The actual level of debt collected may differ from the estimated levels of recovery, and could impact operating results positively or negatively. As at 31 March 2016 the Company's current trade receivables were £56,641,000 (2015 £50,350,000) against which £1,044,000 (2015 £1,781,000) was provided for impairment.

(f) Landfill costs

The estimation of landfill reserves is of particular importance in assessing landfill costs, since the cost of a landfill site is depreciated over its estimated operational life taking into account the usage of void space and gas production at the site post-closure. The estimates of landfill reserves are regularly reviewed and updated during the financial year for usage and other events (for example, site extensions). Estimates are also subject to physical review by external advisors.

A number of factors impact on the depreciation of landfill reserves including the available landfill space, future capital expenditure and operating costs. The assumptions are revised as these factors change. The estimate of gas production at landfill sites post-closure reduces the depreciation of landfill reserves. An assessment is undertaken for individual sites of the historic profile of gas production during landfilling activity and the projected generation post-closure according to the type of waste contained in the landfill and expected profile of gas production over time.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Critical accounting judgements and estimates (Continued)

(g) Revenue recognition

Revenue is recognised once the services or goods have been provided to the customer. Management is required to estimate income for certain contractual revenue streams based on tonnages, cost and historical data which are dependent upon agreement with the customer after delivery of the service. Actual results could differ from those estimates which would result in operating revenue being adjusted in the year in which revision of the estimates is determined. Payments received in advance of revenue recognition are recorded as a liability.

(h) Service concession arrangements

Consideration from public sector entities for the operation of waste management service concessions is treated as contract receivables split between profit on the construction of assets, operation of the service and provision of finance recognised as interest receivable. Management's allocation between these three elements is assessed to reflect external market conditions according to the type of service provided.

5. Operating profit

Revenue

All revenue is from the integrated recycling, renewable energy and waste management business and arises in the UK.

Operating costs (before non-underlying items)

	Notes	2016 £000	2015 £000
Manpower costs	11	60,428	60,933
Raw materials and consumables		69,718	68,090
Other operating expenses:			
Profit on disposal of property, plant and equipment		(420)	(632)
Operating lease rentals payable:			
- Land and buildings		5,535	6,289
- Plant and machinery		3,095	2,934
- Other		3,219	3,040
Trade receivables impairment	20	(629)	1,185
Power		3,406	3,204
Rates		5,252	6,254
Hired and contracted services		61,684	69,530
Landfill tax		73,297	106,399
Other external charges		32,358	27,956
		186,797	226,159
Depreciation of property, plant and equipment:			
- Owned assets		22,939	25,423
- Under finance leases		6,433	4,043
	15	29,372	29,466
Amortisation of intangibles	14	358	358

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Non-underlying items

Non-underlying items are those that in the Directors' view are required to be separately disclosed by virtue of their size, nature or incidence to enable a full understanding of the Company's financial performance.

	2016 £000	2015 £000
Operating costs		
Restructuring (a)	(5,000)	-
Impairment of property, plant and equipment (b)	(5,367)	(5,830)
Environmental and landfill restoration provisions (c)	-	(3,169)
Onerous contracts and other (d)	-	(5,819)
Pension credit for past costs (e)	-	1,900
Operating loss	(10,367)	(12,918)
Loss before tax	(10,367)	(12,918)
Tax credit arising on non-underlying items (f)	2,504	2,542
Loss for the year	(7,863)	(10,376)

- During the year a one-off charge of £5,000,000 was made to the restructuring provision reflecting announced reorganisations.
- This impairment charge relates to write-downs of the carrying values of non-current assets in landfill and recycling activities reflecting reduced landfill volumes and recycle prices.
- Environmental and aftercare costs are incurred during the operational life of each landfill site and for a considerable period thereafter. The period of aftercare post-closure and the level of costs expected are uncertain and can vary significantly from site to site. Key factors are the type of waste, the speed at which it decomposes, the volume of leachate requiring treatment and regulatory requirements specific to the site. The amounts expected to be incurred have been re-assessed, re-estimated and aligned to the landfill site operating lives established from the anticipated decline in landfill activity described above.
- Onerous contracts principally arise from long term contractual obligations to purchase materials for recycling at input prices which lead to an expected loss after reflecting directly attributable and unavoidable costs of processing.
- Last year a non-underlying credit was recognised relating to changes made to the Company's defined benefit scheme. Changes implemented during the year capped pensionable pay for active members, reducing past service cost.
- The total tax (excluding the effect of the rate change) arising on the non-underlying items is below the current rate of corporation tax (20%) (2015: 21%) due to tax relief not being available on ineligible expenditure on which no deferred tax has previously been accounted for (principally land and buildings), in addition the credit in 2016 includes a credit of £592,000 arising on the change of rate of corporation tax (see note 27).

7. Audit Fees

Fees payable to the Company's auditors in the year were:

	2016 £000	2015 £000
<i>Audit services</i>		
- Fees payable to the Company's auditors for the statutory audit of the Company's financial statements	201	183

A description of the work of the Audit Committee of the Company's ultimate parent company, Pennon Group Plc is set out in its report on pages 66 to 69 of the Pennon Group Annual Report and Accounts which includes an explanation of how auditor objectivity and independence are safeguarded when non-audit services are provided by the auditors.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Net finance costs

	Notes	Finance income £000	2016 Finance cost £000	Total £000	Finance income £000	2015 Finance cost £000	Total £000
Cost of servicing debt							
Bank interest		-	(72)	(72)	13	(683)	(670)
Loan from ultimate parent undertaking	33,38	-	(4,210)	(4,210)	-	(4,681)	(4,681)
Loan to/(from) intermediate parent undertaking	16,33, 38	-	(13,390)	(13,390)	736	(16,479)	(15,743)
Loan from immediate parent undertaking	33,38	-	(28)	(28)	-	(57)	(57)
Loans to/(from) fellow subsidiaries	16,33, 38	879	(377)	502	892	(529)	363
Loans to/(from) subsidiaries	16,33, 38	5,457	(1,973)	3,484	4,452	(1,080)	3,372
Loans to joint ventures and associates	16,38	10,728	-	10,728	11,379	-	11,379
Other finance income/(costs)		640	(267)	373	5,312	(478)	4,834
Interest element of finance lease rentals		-	(992)	(992)	-	(1,151)	(1,151)
			17,704	(21,309)	(3,605)	22,784	(25,138)
							(2,354)
Less: amounts capitalised on qualifying assets		-	1,505	1,505	-	884	884
			17,704	(19,804)	(2,100)	22,784	(24,254)
							(1,470)
Notional interest							
Retirement benefit obligations	26	2,069	(2,710)	(641)	2,830	(3,190)	(360)
Interest receivable on service concession arrangements		4,312	-	4,312	4,345	-	4,345
Unwinding of discounts in provisions	28	-	(5,115)	(5,115)	-	(7,078)	(7,078)
		6,381	(7,825)	(1,444)	7,175	(10,268)	(3,093)
Net finance costs		24,085	(27,629)	(3,544)	29,959	(34,522)	(4,563)

9. Taxation

Analysis of (credit)/charge in year	Note	2016 Before non- underlying items £000	2016 Non- underlying items £000	2016 Total £000	2015 £000
Current tax		(12,465)	(769)	(13,234)	6,823
Deferred tax	27	12,000	(1,143)	10,857	1,558
Deferred tax arising on change in rate of corporation tax		-	(592)	(592)	(1,830)
		(465)	(2,504)	(2,969)	6,551

UK corporation tax is calculated at 20% (2015 21%) of the estimated assessable profit for the year.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Taxation (Continued)

The tax for the year differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK (20%) (2015 21%) from:

	2016	2015
	£000	£000
Profit on ordinary activities before tax	32,942	15,025
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK (20%) (2015 21%)	6,588	3,155
Effects of:		
Expenses not deductible for tax purposes	965	771
Dividend income	(6,740)	(1,260)
Change in rate	(593)	-
Adjustments to tax charge in respect of prior years	(3,127)	3,866
Other adjustments	(62)	19
Tax (credit)/charge for year	(2,969)	6,551

The average effective tax rate for the year before non-underlying items was minus 1% (2015 33%). The average applicable tax rates for the year after non-underlying items was minus 9% (2015 44%).

In addition to the amount credited to the income statement, a deferred tax credit relating to share based payments of £1,000 (2015 £99,000 charge) has been credited directly to equity (2015 charged). A deferred tax debit relating to actuarial losses on defined benefit pension schemes of £427,000 (2015 credit £25,000) has been recognised in the statement of comprehensive income.

10. Dividends received

		2016	2015
		£000	£000
<i>Amounts recognised as distributions by subsidiary undertakings in the year:</i>			
Viridor (Lancashire) Limited	First interim dividend	4,500	-
	Second interim dividend	700	-
Viridor Waste (Thames) Limited	First interim dividend	2,500	-
	Second interim dividend	800	-
Viridor Waste (Landfill Restoration) Limited	First interim dividend	200	-
	Second interim dividend	-	-
Viridor Oxfordshire Limited	First interim dividend	4,000	-
	Second interim dividend	-	-
Viridor Resource Management Limited	First interim dividend	12,000	-
	Second interim dividend	3,000	-
		27,700	-
<i>Amounts recognised as distributions by joint ventures in the year:</i>			
Lakeside Energy from Waste Holdings Limited	First interim dividend	6,000	6,000
	Second interim dividend	-	-
		6,000	6,000
Total dividends received		33,700	6,000

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Employment costs (before non-underlying items)

	2016 £000	2015 £000
Wages and salaries	55,533	54,234
Social security costs	6,340	5,461
Other pension costs	4,852	4,432
Share-based payments	1,030	1,414
Total employment costs	<u>67,755</u>	<u>65,541</u>

Charged as follows:

Manpower costs	62,388	60,933
Assets under construction	5,367	4,608
	<u>67,755</u>	<u>65,541</u>

The average monthly number of employees, including directors was:

Administrative and technical	376	333
Operational	1,313	1,343
	<u>1,689</u>	<u>1,676</u>

Details of Directors' emoluments are set out in note 12. There are no personnel other than Directors, who as key management exercise authority and responsibility for planning, directing and controlling the activities of the Company.

12. Directors' emoluments

	2016 £000	2015 £000
Executive Directors:		
Salary	773	597
Performance related bonus payable	140	70
Termination payments	13	116
Share-based payments	6	22
Other emoluments	96	66
Total emoluments	<u>1,028</u>	<u>871</u>

The Directors, whilst contracted to Viridor Waste Management Limited, provide services to fellow subsidiaries, for which those subsidiaries are charged a proportion of emoluments. The amounts disclosed are the aggregate of the charge to the Company.

The performance related payment represents the cash element of the bonus. In addition Directors receive a conditional award of shares for a matching amount which, since 2014/15, is subject to malus and clawback.

The cost of share-based payments represents the amount charged to the income statement, as described in note 29. The aggregate gains on vesting of Directors' share-based awards amounted to £8,000 (2015 £22,000).

During the year, two Directors exercised options under the Pennon Group Plc executive reward schemes (2015 three).

Other emoluments include car, relocation and health benefits

One Director received compensation for loss of office during the year.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Directors' emoluments (Continued)

The emoluments of the highest paid Director were:

	2016 £000	2015 £000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	478	229

The highest paid Director did not exercise share options in the year (2015 none).

There were no gains on vesting of the highest paid Director's share-based awards (2015 none).

13. Dividends

	2016 £000	2015 £000
Amounts recognised as distributions to equity shareholders in the year:		
First interim dividend of 11.46p (2015 none) per £1 'A' ordinary share	15,000	-
Second interim dividend of 22.92p (2015 none) per £1 'A' ordinary share	30,000	-
	45,000	-

14. Goodwill and other intangible assets

	Goodwill £000	Other intangible assets £000	Total £000
Cost:			
At 1 April 2014	9,714	1,900	11,614
Additions	-	3,435	3,435
At 31 March 2015	9,714	5,335	15,049
Additions	3,426	1,565	4,991
At 31 March 2016	13,140	6,900	20,040
Accumulated amortisation and impairment:			
At 1 April 2014	42	913	955
Charge for the year	-	358	358
At 31 March 2015	42	1,271	1,313
Charge for the year	-	358	358
At 31 March 2016	42	1,629	1,671
Net book value:			
At 1 April 2014	9,672	987	10,659
At 31 March 2015	9,672	4,064	13,736
At 31 March 2016	13,098	5,271	18,369

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Goodwill and other intangible assets (Continued)

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating unit ('CGU') expected to benefit from that business combination. The Viridor Group is considered to be a single CGU as it is a fully integrated business, therefore there is no further allocation of goodwill acquired and goodwill is not monitored at a lower level.

Goodwill is reviewed annually or when events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The recoverable amount is determined based on value-in-use calculations which, under IAS 36 'Impairment of Assets', require the use of base cash flow projections that reflect reasonable and supportable assumptions with specific restrictions on the estimates to be used. These include limitations on reflecting cash flows to take account of future cost restructuring, or improvement or enhancement of asset performance. Uncommitted projects are excluded. Discount rates are required to be derived independently of the Group's capital structure and reflect management's prudent estimate of a rate that investors would require if they were to choose a similar investment.

Patents are amortised over their estimated useful economic lives which at acquisition was 13 years. The remaining life is two years.

New customer contracts which arise on acquisition are amortised over the useful economic life of each contract which at acquisition ranged between two and 12 years. The average remaining life is three years.

The carrying values of other intangible assets are reviewed when events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Property, plant and equipment

	Freehold land and buildings £000	Short-term leasehold land and buildings £000	Landfill restoration £000	Fixed and mobile plant, vehicles and computers £000	Assets under construction £000	Total £000
Cost:						
At 1 April 2014	121,081	55,731	33,104	162,312	22,367	394,595
Additions	4,406	2,123	248	-	31,508	38,285
Other	-	-	(1,358)	-	-	(1,358)
Transfers/reclassifications	233	89	-	46,964	(47,286)	-
Disposals	(92)	(358)	-	(5,443)	-	(5,893)
At 31 March 2015	125,628	57,585	31,994	203,833	6,589	425,629
Additions	3,513	1,442	-	-	26,907	31,862
Other (note 28)	-	-	(84)	-	-	(84)
Transfers/reclassifications	-	-	-	(7,243)	6,544	(699)
Disposals	(243)	-	-	(17,898)	-	(18,141)
At 31 March 2016	128,898	59,027	31,910	178,692	40,040	438,567
Accumulated depreciation and impairment:						
At 1 April 2014	79,103	35,654	24,562	106,886	-	246,205
Charge for the year	8,675	2,472	4,348	13,971	-	29,466
Impairment charge (note 6)	11,232	(997)	(4,426)	21	-	5,830
Disposals	(2,697)	(889)	-	(3,678)	-	(7,264)
At 31 March 2015	96,313	36,240	24,484	117,200	-	274,237
Charge for the year	5,816	4,309	5,133	14,114	-	29,372
Impairment charge (note 6)	11,289	11,964	-	(17,886)	-	5,367
Disposals	-	-	-	(10,531)	-	(10,531)
At 31 March 2016	113,418	52,513	29,617	102,897	-	298,445
Net book value:						
At 1 April 2014	41,978	20,077	8,542	55,426	22,367	148,390
At 31 March 2015	29,315	21,345	7,510	86,633	6,589	151,392
At 31 March 2016	15,480	6,514	2,293	75,795	40,040	140,122

Asset lives and residual values are reviewed annually.

The balance on transfers and reclassifications relates to previously capitalised items which have been transferred to inventories.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Property, plant and equipment (Continued)

Impairment testing for property, plant and equipment

Property, plant and equipment is reviewed for impairment when any indicators of impairment are identified. Most of the individual assets do not generate independent cash flows and as a result, for the purposes of impairment reviews, the assets are grouped into cash generating units (CGUs). The CGUs of the Company comprise individual sites which constitute the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets.

The carrying value of these individual sites is compared to the recoverable amount of the CGUs, which is based predominantly on value-in-use. Value-in-use calculations use the same base cash flow projections used for testing the Group's goodwill as described in Viridor Limited's financial statements (note 13) and are derived by adjusting the Group's detailed budget and strategic plan which cover a period of 7 years and are approved by the Board annually.

For certain CGUs the recoverable amount is determined by reference to the fair value less costs to sell of the underlying assets using external and internal valuations of property and equipment and management's estimate of disposal costs.

Impairment charges of £24,763,000 for property, plant and equipment have been identified relating to certain CGUs, principally landfill activities, to reflect reduced revenues and higher ongoing capital costs. For the purposes of disclosing the results of the impairment review the CGUs have been grouped together by business activity as each CGU within a business activity exhibits a similar risk profile. The key assumptions in the Group's detailed budget and strategic plan are the same as those used for testing goodwill (see note 13 of Viridor Limited's financial statements). The assumptions applied to these cash flow projections are:

Assumption	Basis for assumption
Discount rate Pre-tax discount rates used are 9% for landfill.	Discount rates have been determined based on an estimate of the Group's weighted average cost of capital adjusted for the different risk profiles of its various business activities to the extent that the cash flows have not already been adjusted.
Long term growth rate 0.5% applied to overheads beyond the detailed projections. 2.5% applied to periods beyond the strategic plan period up to the end of the life of the assets for recycling. For landfill activities a finite life has been identified based on projected volumes.	Ongoing efficiencies and benefits from economies of scale. Based on forecasts of growth in waste management markets and the UK economy.

Using management cash flow projections a 0.5% increase in the discount rate or a 0.5% decrease in the estimated long-term growth rate, with all other variables held constant, would not have a material impact on the impairment charge.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Property, plant and equipment (Continued)

Assets held under finance leases included in property, plant and equipment:

	Fixed and mobile plant, vehicles and computers £000
Cost:	
At 31 March 2015	61,340
At 31 March 2016	44,097
Accumulated depreciation:	
At 31 March 2015	31,764
At 31 March 2016	36,506
Net book value:	
At 31 March 2015	29,576
At 31 March 2016	7,591

16. Trade and other receivables – non-current

	2016 £000	2015 £000
Amounts due from joint ventures	78,205	98,657
Amounts due from immediate parent undertaking	80	80
Amounts due from fellow subsidiary undertakings	22,488	25,456
Amounts due from subsidiary undertakings	135,192	110,945
Service concession arrangements	55,818	57,239
Other prepayments and accrued income	14,088	1,608
	305,871	293,985

The fair values of trade and other receivables are as follows:

	2016 £000	2015 £000
Amounts due from joint ventures	145,342	170,700
Amounts due from immediate parent undertaking	76	76
Amounts due from fellow subsidiary undertakings	22,488	25,456
Amounts due from subsidiary undertakings	135,192	110,945
Service concession arrangements	55,818	57,239
Other prepayments and accrued income	14,088	1,608
	373,004	366,024

The fair value of amounts due from immediate parent undertaking and joint ventures is based on cash flows using a rate based on the borrowings rate of 2.5% (2015 2.5%). The discount rate is equal to the London Interbank Offered Rate ('LIBOR') plus an allowance to reflect an appropriate credit margin.

Amounts due from subsidiaries and fellow subsidiaries are non-interest bearing, therefore there is no interest mechanism to apply to discounting the cash flows in line with policies in note 2.

Other prepayments and accrued income are stated at fair value as the underlying restoration provision supporting the prepayment has been discounted to present value at the year end.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Investment in subsidiary undertakings, joint ventures and associates

	Subsidiary undertakings £000	Joint ventures and associates £000	Total £000
Cost:			
At 1 April 2014	371,831	1,206	373,037
At 31 March 2015	371,831	1,206	373,037
At 31 March 2016	371,831	1,206	373,037
Provision for impairment:			
At 1 April 2014	46,858	-	46,858
At 31 March 2015	46,858	-	46,858
At 31 March 2016	46,858	-	46,858
Net book value:			
At 31 March 2014	324,973	1,206	326,179
At 31 March 2015	324,973	1,206	326,179
At 31 March 2016	324,973	1,206	326,179

All investments are shares except loans to dormant subsidiary undertakings of £11,086,000 (2015 £11,086,000).

Investments in subsidiaries are reviewed for impairment when any indicators of impairment are identified. Impairments are recognised where the carrying values of the investments are not recoverable by the subsidiary's discounted cash flows.

The carrying value of the investment is compared to the subsidiary's recoverable amount, which is based predominantly on value-in-use. Value-in-use calculations use the same base cash flow projections used for testing the Group's goodwill as described in Viridor Limited's financial statements (note 13) and are derived by adjusting the Group's detailed budget and strategic plan which cover a period of 7 years and are approved by the Board annually.

No impairment charges (2015 none) have been identified. The key assumptions in the Group's detailed budget and strategic plan are the same as those used for testing goodwill (see note 13 of Viridor Limited's financial statements). The assumptions applied to these cash flow projections are:

Assumption	Basis for assumption
Discount rate Pre-tax discount rates used are 9% for landfill.	Discount rates have been determined based on an estimate of the Group's weighted average cost of capital adjusted for the different risk profiles of its various business activities to the extent that the cash flows have not already been adjusted.
Long term growth rate 0.5% applied to overheads beyond the detailed projections. 2.5% applied to periods beyond the strategic plan period up to the end of the life of the assets for recycling. For landfill activities a finite life has been identified based on projected volumes.	Ongoing efficiencies and benefits from economies of scale. Based on forecasts of growth in waste management markets and the UK economy.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Investment in subsidiary undertakings, joint ventures and associates (Continued)

Using management cash flow projections a 0.5% increase in the discount rate or a 0.5% decrease in the estimated long-term growth rate, with all other variables held constant, would not have a material impact on the impairment charge.

Details of subsidiary investments held by the Company at 31 March 2016:

<i>Name of company</i>	<i>Trading/ Dormant</i>	<i>Principal activity</i>	<i>Country of incorporation</i>
Viridor Enviroscoot Limited	Trading	Waste management	Scotland
A.A. Best & Sons Limited	Dormant		Scotland
Viridor Waste Kent Limited	Trading	Waste management	England
Viridor Waste (Landfill Restoration) Limited	Trading	Restoration of landfill sites	England
Viridor Waste (Thames) Limited	Trading	Waste management	England
Thames Incineration and Recycling Limited	Dormant		England
Thames Incineration Services Limited	Dormant		England
Thames Tankering Services Limited	Dormant		England
Thames Waste Limited	Dormant		England
Viridor Waste (Greater Manchester) Limited	Trading	Provision of waste management services under contract	England
Raikes Lane Limited	Trading	Energy from waste	England
Greater Manchester Sites Limited	Dormant		England
Waste Treatment Limited	Dormant		England
Viridor Waste (Somerset) Limited	Trading	Waste management	England
Viridor Polymer Recycling Limited	Trading	Recycling of waste plastic materials	England
Viridor EfW (Runcorn) Limited	Trading	Energy from waste	England
Viridor Oxfordshire Limited	Trading	Energy from waste	England
Viridor Resource Management Limited	Trading	Marketing and export of recycled materials	England
Viridor Resource (Peterborough) Limited	Dormant		England
Viridor Resource Transport Limited	Dormant		England
Viridor (Community Recycling MKH) Limited	Dormant		England
Viridor (Community Recycling MK) Limited	Dormant		England
Viridor Peterborough Limited	Trading	Operate energy from waste facility under contract	England
Viridor South London Limited	Trading	Energy from waste	England
Viridor Trident Park Limited	Trading	Energy from waste	England
Viridor (Glasgow) Limited	Trading	Energy from waste	Scotland
Viridor (Lancashire) Limited	Trading	Waste management	England
Viridor Clyde Valley Limited	Trading	Waste management	England
Basecall Limited	Dormant		England
Viridor Waste (East Anglia) Limited	Dormant		England
Handside Limited	Dormant		England
Hodgejoy Recycling Limited	Dormant		England
Lavelle & sons Limited	Dormant		England
MacGlass Recycling Limited	Dormant		Scotland
Parkwood Group Limited	Dormant		England
Industrial Waste Disposals (Sheffield) Limited	Dormant		England
Parkwood Environmental Limited	Dormant		England
Parkwood Recycling Limited	Dormant		England
Sheffield Waste Disposal Company Limited	Dormant		England
Viridor Waste (Sheffield) Limited	Dormant		England

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Investment in subsidiary undertakings, joint ventures and associates (Continued)

Pearsons Group Holdings Limited	Dormant	England
Viridor Waste (Thetford) Limited	Dormant	England
Roseland Plant Co. Limited	Dormant	England
Viridor (Cheshire) Limited	Dormant	England
Viridor (Martock) Limited	Dormant	England
Viridor Waste (Somerset) Pension Scheme & Life Assurance Limited	Trading	Trustee company for the Viridor Waste (Somerset) pension scheme England
Viridor Electrical Recycling (Holdings) Limited	Dormant	Scotland
Viridor Electrical Recycling Limited	Dormant	Scotland
Shore Recycling (Ozone) Limited	Dormant	England
Viridor Glass Recycling Limited	Dormant	England
Viridor London Recycling Limited	Dormant	England
Viridor New England (EfW) Limited	Dormant	England
Viridor South Lanarkshire Limited	Dormant	Scotland
Viridor Waste (Adapt) Limited	Dormant	England
Viridor Waste (Bristol Holdings) Limited	Dormant	England
Viridor Waste (Bristol) Limited	Dormant	England
City Reclamation Services Limited	Dormant	England
Viridor Waste (Corby) Limited	Dormant	England
Corby Skip Hire Limited	Dormant	England
Oakley Recycling Limited	Dormant	England
Oakley Skip Hire Limited	Dormant	England
Viridor Waste (Earls Barton) Limited	Dormant	England
Viridor Waste (Bury) Limited	Dormant	England
Viridor Waste (Medway) Holdings Limited	Dormant	England
Viridor Waste (Allwaste Disposal) Limited	Dormant	England
Viridor Waste (Medway) Limited	Dormant	England
Viridor Waste (Wastenot Recycling) Limited	Dormant	England
Viridor (Erith) Limited	Dormant	England
Viridor (Winsford) Limited	Dormant	England
Viridor Waste (Atherton) Holdings Limited	Dormant	England
Viridor Waste (Atherton) Limited	Dormant	England

All subsidiaries are wholly owned.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Investment in subsidiary undertakings, joint ventures and associates (Continued)

Details of joint venture investments held by the Company at 31 March 2016:

<i>Joint ventures and associates</i>	<i>Place of business/ country of incorporation</i>	<i>Share capital in issue</i>	<i>Percentage held</i>	<i>Nature of business</i>
Lakeside Energy from Waste Holdings Limited	England	1,000,000 'A' ordinary shares 1,000,000 'B' ordinary shares	- 100%	Waste management
Lakeside Energy from Waste Limited *	England			Waste management
Viridor Laing (Greater Manchester) Holdings Limited	England	12,000 ordinary shares	50%	Waste management
Viridor Laing (Greater Manchester) Limited*	England			Waste management
INEOS Runcorn (TPS) Holdings Limited**	England	1,000 'A' ordinary shares 186,750 'B1' ordinary shares 62,250 'B2' ordinary shares	20% 50% -	Waste management
INEOS Runcorn (TPS) Limited *	England			Waste management
Shelford Composting Limited ***	England	50 'A' ordinary shares of £1 50 'B' ordinary shares of £1	- 100%	Waste management

All joint ventured are measured using the equity method.

* Investments in these companies are wholly owned by the company listed above the entry for that company concerned and indirectly by the Company.

** The rights associated with the investment in INEOS Runcorn (TPS) Holdings Limited give the Company an effective 37.5% beneficial ownership in the joint venture

*** Shares in Shelford Composting Limited are owned by Viridor Waste Kent Limited, a wholly-owned subsidiary of the Company.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Financial instruments by category

			Amortised cost	
		Loans and	Trade	
		receivables	receivables	
		£000	and trade	Total
	Notes		payables	£000
			£000	
31 March 2016				
Financial assets				
Trade and other receivables	16,17,20	318,979	109,188	428,167
Cash and cash equivalents	21	509	-	509
Total		319,488	109,188	428,676
Financial liabilities				
Borrowings	24	(468,869)	-	(468,869)
Trade and other payables	22,25	-	(121,834)	(121,834)
Total		(468,869)	(121,834)	(590,703)
31 March 2015				
Financial assets				
Trade and other receivables	16,17,20	345,009	169,547	514,556
Cash and cash equivalents	21	516	-	516
Total		345,525	169,547	515,072
Financial liabilities				
Borrowings	24	(469,201)	-	(469,201)
Trade and other payables	22,25	-	(113,159)	(113,159)
Total		(469,201)	(113,159)	(582,360)

19. Inventories

	2016	2015
	£000	£000
Raw materials and consumables	6,626	4,067

20. Trade and other receivables – current

	2016	2015
	£000	£000
Trade receivables	56,641	50,350
Less: provision for impairment of receivables	(1,044)	(1,781)
Net trade receivables	55,597	48,569
Amounts due from ultimate parent undertaking	-	255
Amounts due from intermediate parent undertaking	2,633	-
Amounts due from immediate parent undertaking	-	42,713
Amounts due from joint ventures	6,914	2,736
Amounts due from fellow subsidiary undertakings	8,700	6,183
Amounts due from subsidiary undertakings	107,242	100,637
Other receivables	3,042	1,536
Prepayments and accrued income	28,168	40,599
	212,296	243,228

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Trade and other receivables – current (Continued)

As at 31 March 2016 trade receivables of £39,441,000 (2015 £37,236,000) were fully performing.

Trade receivables which are less than four months past due are not considered impaired. As at 31 March 2016 trade receivables of £15,906,000 (2015 £11,882,000) were past due but not impaired (2015 £549,000 were impaired). The ageing analysis of these trade receivables is as follows:

	2016 £000	2015 £000
Past due by up to one month	14,826	9,938
Past due by more than one but less than four months	1,080	1,944
	<u>15,906</u>	<u>11,882</u>

As at 31 March 2016 trade receivables of £1,294,000 (2015 £1,232,000) were more than four months overdue, of which £1,044,000 (2015 £1,232,000) were provided for. The provision relates to those debts in industry sectors known to be particularly vulnerable to movements in the economic cycle or to customers who have ceased trading at the balance sheet date.

Movements in the provision for impairment of trade receivables are as follows:

	Note	2016 £000	2015 £000
At start of year		1,781	626
(Release of)/increase in provision for receivables impairment	5	(629)	1,185
Receivables written off during the year		(108)	(30)
At end of year		<u>1,044</u>	<u>1,781</u>

21. Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	12	18
Other deposits	497	498
	<u>509</u>	<u>516</u>

Other deposits comprise sums due to the Company pending completion of obligations arising from its operations under lease and other agreements.

Cash and cash equivalents comprise the following for the purposes of the cash flow statement:

	Note	2016 £000	2015 £000
Cash and cash equivalents as above		509	516
Bank overdrafts	24	(121,892)	(57,075)
		<u>(121,383)</u>	<u>(56,559)</u>
Less: deposits with a maturity of three months or more		(497)	(498)
		<u>(121,880)</u>	<u>(57,057)</u>

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. Trade and other payables – current

	2016 £000	2015 £000
Trade payables	16,645	13,174
Amounts due to ultimate parent undertaking	6,115	7,261
Amounts due to intermediate parent undertaking	5,240	8,817
Amounts due to immediate parent undertaking	-	212
Amounts due to fellow subsidiary undertakings	4,779	3,739
Amounts due to subsidiary undertakings	38,262	32,694
Amounts due to joint ventures	3,754	223
Other tax and social security	27,886	38,856
Other payables	-	107
Accruals and deferred income	51,828	58,875
	<u>154,509</u>	<u>163,958</u>

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Included in accruals are amounts provided by the Company in relation to claims received, which are considered by the Directors and the management of the Company to be the best estimate of the amounts that might be finally settled. Further disclosures have not been provided in accordance with IAS 37 paragraph 92.

23. Current tax

	2016 £000	2015 £000
UK corporation tax recoverable/(payable)	<u>11,250</u>	<u>(1,807)</u>

24. Borrowings

	2016 £000	2015 £000
Current		
Bank overdrafts	121,892	57,075
Amounts due to intermediate parent undertaking	-	11,147
Amounts due to immediate parent undertaking	-	2,130
Amounts due to fellow subsidiary undertakings	10,367	16,661
Amounts due to subsidiary undertakings	44,185	58,457
Obligations under finance leases	5,975	7,299
	<u>182,419</u>	<u>152,769</u>
Non-current		
Amounts due to intermediate parent undertaking	241,168	255,439
Obligations under finance leases	45,282	60,993
	<u>286,450</u>	<u>316,432</u>
Total borrowings	<u>468,869</u>	<u>469,201</u>

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Borrowings (Continued)

The Directors consider that the carrying amounts of current borrowings approximate to their fair value.

The fair values of the non-current borrowings were:

	2016		2015	
	Book value £000	Fair value £000	Book value £000	Fair Value £000
Amounts due to intermediate parent undertaking	241,168	232,968	255,439	247,035
Obligations under finance leases	45,282	45,282	60,993	60,993
	<u>286,450</u>	<u>278,250</u>	<u>316,432</u>	<u>308,028</u>

Where market values are not available, fair values of borrowings have been calculated by discounting expected future cash flows at prevailing interest rates.

The maturity of non-current borrowings is:

	2016 £000	2015 £000
Between 1 and 2 years	53,836	69,706
Between 2 and 5 years	156,212	206,198
Over 5 years	76,402	40,528
	<u>286,450</u>	<u>316,432</u>

The weighted average maturity of non-current borrowings was 6.2 years (2015 5.1 years).

Finance lease liabilities – minimum lease payments:

	2016 £000	2015 £000
Within one year	7,317	8,365
In the second to fifth years inclusive	22,052	29,894
After five years	36,708	40,727
	<u>66,077</u>	<u>78,986</u>
Less: future finance charges	<u>(14,820)</u>	<u>(10,694)</u>
	<u>51,257</u>	<u>68,292</u>

The maturity of finance lease liabilities was:

	2016 £000	2015 £000
Within one year	5,975	7,299
In the second to fifth years inclusive	17,113	25,679
After five years	28,169	35,314
	<u>51,257</u>	<u>68,292</u>

The obligations under finance leases are secured over the property, plant and equipment concerned.

25. Trade and other payables – non-current

	2016 £000	2015 £000
Amounts due to subsidiary undertakings	<u>47,039</u>	<u>47,039</u>

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. The non-current trade and other payables due to fellow subsidiaries are interest free, unsecured and have no fixed terms for repayment.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Retirement benefit obligations

Pennon Group Plc, the ultimate holding company, operates a number of pension schemes including a defined contribution section within the main scheme. The Group sets the level of contribution required at regular intervals, having given consideration to the funding required to meet scheme obligations.

The assets of the pension schemes are held in separate trustee administered funds. The trustees of the funds are required to act in the best interest of the funds' beneficiaries. The appointment of schemes' trustees is determined by the schemes' trust documentation. Pennon Group Plc policy is that one-half of all trustees, other than the Chairman, are nominated by members of the schemes, including pensioners.

Defined contribution schemes

Pension costs for defined contribution schemes were £4,602,000 (2015 £4,236,000) of which £400,000 was accrued at 31 March 2016 (2015 £362,000).

Defined benefit schemes

Assumptions

The principal actuarial assumptions at 31 March were:

	2016	2015	2014
	%	%	%
Rate of increase in pensionable pay	2.1	2.2	3.4
Rate of increase for current and future pensions	2.9	2.9	3.2
Rate used to discount schemes' liabilities	3.30	3.35	4.30
Inflation	2.9	2.9	3.4

Mortality

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience. The mortality assumption uses a scheme-specific calculation based on CMI 2013 actuarial tables with an allowance for future longevity improvement.

The average life expectancy in years of a pensioner retiring at age 62 on the balance sheet date is projected at:

	2016	2015	2014
Male	25.1	25.0	24.9
Female	27.3	27.2	27.1

The average life expectancy in years of a pensioner retiring at age 62, 20 years after the balance sheet date is projected at:

	2016	2015	2014
Male	26.5	26.4	26.3
Female	29.6	29.5	29.4

The sensitivities regarding the principal actuarial assumptions at 31 March were:

	Change in assumption	Impact on schemes' liabilities
Rate of increase in pensionable pay	+/- 0.5%	+/- 0.1%
Rate of increase for current and future pensions	+/- 0.5%	+/- 6.2%
Rate used to discount schemes' liabilities	+/- 0.5%	+/- 9.4%
Inflation	+/- 0.5%	+/- 6.3%
Life expectancy	+/- 1 year	+/- 3.6%

The amounts recognised in the balance sheet were:

	2016	2015
	£000	£000
Present value of financial obligations	(82,410)	(82,620)
Fair value of plan assets	77,540	75,768
Net liability recognised in the balance sheet	(4,870)	(6,852)

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Retirement benefit obligations (Continued)

The movement in the net defined benefit obligation over the accounting year was as follows:

	2016			2015		
	Present value of obligation £000	Fair value of plan assets £000	Total £000	Present value of obligation £000	Fair value of plan assets £000	Total £000
At 1 April	(82,620)	75,768	(6,852)	(76,700)	66,618	(10,082)
Current service cost	(1,043)	-	(1,043)	(1,164)	-	(1,164)
Past service cost	-	-	-	1,900	-	1,900
Interest(expense)/income	(2,710)	2,069	(641)	(3,190)	2,830	(360)
	(3,753)	2,069	(1,684)	(2,454)	2,830	376
Remeasurements:						
Return on plan assets excluding amounts included in interest expense	-	(1,350)	(1,350)	-	6,320	6,320
Gain/(loss) from changes in demographic assumptions	-	-	-	2,220	-	2,220
Gain/(loss) from change in financial assumptions	(10)	-	(10)	(9,380)	-	(9,380)
Experience gains/(losses)	804	479	1,283	714	-	714
	794	(871)	(77)	(6,446)	6,320	(126)
Contributions:						
Employers	-	3,743	3,743	-	2,980	2,980
Plan participants	(31)	31	-	(10)	10	-
Payments from plans:						
Benefit payments	2,850	(2,850)	-	2,990	(2,990)	-
Administration costs	350	(350)	-	-	-	-
At 31 March	(82,410)	77,540	(4,870)	(82,620)	75,768	(6,852)

Scheme assets at the balance sheet date were:

	2016			2015		
	Quoted prices in active market £000	Prices not quoted in active market £000	Fund %	Quoted prices in active market £000	Prices not quoted in active market £000	Fund %
Equities	23,250	-	30	25,010	-	33
Government bonds	13,110	-	17	13,290	-	17
Other bonds	15,700	-	20	10,370	-	14
Diversified growth	9,110	-	12	9,250	-	12
Property	6,550	-	8	5,830	-	8
Other	9,820	-	13	12,018	-	16
	77,540	-	100	75,768	-	100

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Retirement benefit obligations (Continued)

Other assets at 31 March 2016 represented principally cash contributions received from the Company towards the year end which were invested during the subsequent financial year.

Through the Pennon Group Group's defined benefit pension plans, it is exposed to a number of risks which as a participating member of these schemes, Viridor is also exposed. The significant risks are:

Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The schemes hold a significant proportion of growth assets (equities and diversified growth funds) which are expected to outperform corporate bonds in the long-term, but can give rise to volatility and risk in the short-term. The allocation to growth assets is monitored such that it is suitable with the schemes long-term objectives.
Changes in bond yields	A decrease in corporate bond yields will increase the schemes' liabilities, although this will be partially offset by an increase in the value of the schemes' bond holdings.
Inflation risk	The majority of the schemes' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.
Life expectancy	The majority of the schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

In conjunction with its investment advisers, the trustees have structured the schemes' investments with the objective of balancing investment returns and levels of risk. The asset allocation for the main scheme has three principal elements:

- holding of bonds which is expected to be less volatile than most other asset classes and reflects the schemes' liabilities
- a proportion of equities, with fund managers having freedom in making investment decisions to maximise returns
- investment of a relatively small proportion of the schemes' assets in alternative asset classes which give the potential for diversification (currently property and diversified growth).

The liabilities of the defined benefit schemes are measured by using the projected unit credit method which is an accrued benefits valuation method in which the scheme liabilities make allowance for projected increases in pensionable pay.

The future cash flows arising from the payment of the defined benefits are expected to be settled primarily in the period between 15 and 40 years from the balance sheet date.

The last triennial review of the principal defined benefit schemes was at 31 March 2013. The Group made a deficit contribution of £3.0 million during the year (2015 £1.4 million). Pennon Group Plc monitors funding levels on an annual basis and expects to pay total contributions of £10.0 million during the year ended 31 March 2017, of which the Group's share is approximately £5 million.

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Deferred tax

Deferred tax is provided in full on temporary differences under the liability method using enacted tax rates.

Movements on the deferred tax account were:

	2016 £000	2015 £000
Deferred tax asset		
At start of year	16,570	17,120
Charged to the income statement	(12,000)	(4,978)
Change of rate in income statement – non-underlying	592	-
Other non-underlying in income statement	1,144	3,420
Charged/(credited) to equity	61	(74)
Change in rate in equity – non-underlying	(487)	-
Arising on acquisitions	18	1,082
At end of year	<u>5,898</u>	<u>16,570</u>

Deferred tax assets have been recognised in respect of all temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

All deferred tax assets and liabilities are within the same jurisdiction and may be offset as permitted by IAS 12.

The deferred tax balance has been increased in 2016 by a credit of £105,000 to recognise the change in the rate of corporation tax enacted on 18 November 2015 to reduce the rate at 1 April 2017 from 20% to 19%, followed by a further reduction from 1 April 2020 to 18%. This credit includes a credit of £592,000 recognised in the income statement and a debit of £487,000 recognised in equity.

The Finance Act 2016 contains a section relating to the reduction of the rate of corporation tax. From 1 April 2020 the rate will be reduced from previously enacted 18% to 17%.

The changes had not been substantially enacted at 31st March 2016, however if the changes are fully enacted the effect would be to increase the deferred tax balance by an estimated £108,000.

Movements in deferred tax assets and liabilities during the year were:

Deferred tax assets/(liabilities)

	Service concession arrangements £000	Accelerated tax depreciation and intangibles and goodwill £000	Provisions £000	Retirement benefit obligations £000	Share based payments £000	Losses £000	Total £000
At 1 April 2015	(112)	9,029	5,330	2,016	484	373	17,120
Credited/(charged) to the income statement	(9,259)	191	4,381	(291)	-	-	(4,978)
Other non-underlying in the income statement	-	1,166	2,634	(380)	-	-	3,420
Credited/(charged) to equity	-	-	-	25	(99)	-	(74)
Arising on acquisitions	-	1,082	-	-	-	-	1,082
At 31 March 2015	(9,371)	11,468	12,345	1,370	385	373	16,570
Credited/(charged) to the income statement	(395)	(1,964)	(8,884)	(632)	20	(145)	(12,000)
Change in rate in income statement – non-underlying	967	(627)	(89)	345	-	(4)	592
Other non-underlying in the income statement	-	845	78	220	-	-	1,144
Credited/(charged) to equity	-	-	-	15	46	-	61
Change of rate in equity – non-underlying	-	-	-	(442)	(45)	-	(487)
Arising on acquisitions	-	18	-	-	-	-	18
At 31 March 2016	<u>(8,799)</u>	<u>9,740</u>	<u>3,450</u>	<u>876</u>	<u>406</u>	<u>224</u>	<u>5,898</u>

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Provisions

	At 31 March 2015 £000	Charged/ (credited) to the income statement £000	Charged to the income statement as non- underlying items (note 6) £000	Landfill restoration (note 15) £000	Utilised £000	At 31 March 2016 £000
Landfill restoration and environmental provisions	106,750	5,170	-	(84)	(9,634)	102,202
Onerous contracts	10,558	5,136	-	-	(2,398)	13,296
Other	9,533	8,159	-	-	(6,597)	11,095
	<u>126,841</u>	<u>18,465</u>	<u>-</u>	<u>(84)</u>	<u>(18,629)</u>	<u>126,593</u>

Environmental and landfill restoration provisions are incurred during the operational life of each landfill site and for a considerable period thereafter. The period of aftercare post-closure and the level of costs expected are uncertain and can vary significantly from site to site. Key factors are the type of waste, the speed at which it decomposes, the volume of leachate requiring treatment and regulatory requirements specific to the site.

Environmental and landfill restoration provisions are expected to be substantially utilised throughout the operational life of a site and for landfill sites within 60 years of closure. The provisions have been established assuming current waste management technology based upon estimated costs at future prices which have been discounted to present value. A non-underlying item has been recognised in the current financial year as a result of the impairment review performed.

The amount charged to the income statement as operating costs includes £5,115,000 (2015 £7,078,000) charged to finance costs for the unwinding of discounts in provisions.

An decrease to the landfill restoration provision of £84,000 was recognised in the year (2015 £1,358,000 increase) and has been matched with an addition in property, plant and equipment.

Other provisions of £11,095,000 (2015 £9,533,000) have been recognised, conforming with IAS 37 Provisions, contingent liabilities and contingent assets, as liabilities of uncertain timing or amount arising from obligations from Viridor's operations which are not subject to permit requirements.

The analysis of provisions between current and non-current is:

	2016 £000	2015 £000
Current	21,857	31,386
Non-current	104,736	95,455
	<u>126,593</u>	<u>126,841</u>

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Share capital

	Allotted, called up and fully paid £000
At 1 April 2014	
210,918,000 'A' ordinary shares of £1	210,918
9,112,444 'B' ordinary shares of £0.001	9
Cancelled 180,000,000 'A' ordinary shares of £1	(180,000)
Issue 100,000,000 'A' ordinary shares £1	100,000
Issue 2,278,111 'B' ordinary shares of £0.001	2
At 31 March 2015	<u>130,929</u>
At 31 March 2016	<u><u>130,929</u></u>

Reduction in share capital

On 16 March 2015 the Company's capital was restructured through (a) the issue to Viridor Waste Limited of 100 million 'A' Ordinary shares of £1 each in the capital of the Company at par, paid up on issue by the capitalisation of existing intercompany loans between Viridor Waste Limited as lender and the Company as borrower; and (b) the reduction of the Company's share capital by cancelling 180 million of the 'A' Ordinary £1 shares held by Viridor Waste Limited in the capital of the Company.

Employee share schemes

Pennon Group Plc operates a number of equity-settled share plans for the benefit of employees. Details of each plan are:

i) Sharesave Scheme

An all-employee savings related plan is operated that enables employees, including executive Directors, to invest up to a maximum of £500 per month for three or five years. These savings can then be used to buy the Ordinary shares of Pennon Group Plc at a price set at a discount to the market value of up to 20% at the start of the savings period at the third, fifth or seventh anniversary of the option being granted. Options expire six months following the exercise date and, except for certain specific circumstances such as redundancy, lapse if the employee leaves the Pennon Group before the option exercise period commences.

Outstanding options to subscribe for shares of 40.7p each under the Pennon Group Plc share option schemes are:

Date granted and subscription price fully paid		Period when options normally exercisable	Thousands of shares in respect of which options are outstanding at 31 March	
			2016	2015
8 July 2008	517p	2011 – 2015	-	1
6 July 2009	386p	2012 – 2016	21	26
28 June 2010	431p	2013 – 2017	11	90
29 June 2011	536p	2014 – 2018	77	81
29 June 2012	588p	2015 – 2017	60	245
3 July 2013	538p	2016 – 2018	231	256
14 July 2014	611p	2017 – 2019	365	434
24 June 2015	683p	2018 – 2020	616	-
			<u>1,381</u>	<u>1,133</u>

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Share capital (Continued)

Employee share schemes (continued)

i) Sharesave Scheme (continued)

The number and weighted average exercise price of Sharesave options are:

	2016		2015	
	Number of ordinary shares (thousands)	Weighted average exercise price per share p	Number of ordinary shares (thousands)	Weighted average exercise price per share p
At start of year	1,133	565	1,071	517
Granted	665	683	463	611
Exercised	(261)	538	(291)	469
Lapsed	(36)	601	(37)	551
Expired	(120)	620	(73)	556
At end of year	<u>1,381</u>	<u>621</u>	<u>1,133</u>	<u>565</u>

The weighted average price of Pennon Group Plc shares at the date of exercise of Sharesave options during the year was 779p (2015 811p). The options outstanding at 31 March 2016 had a weighted average exercise price of 621p (2015 565p) and a weighted average remaining contractual life of 2.0 years (2015 2.0 years).

The aggregate fair value of Sharesave options granted during the year was £700,000 (2015 £500,000), determined using the Black-Scholes valuation model. The significant inputs into the valuation model were:

	2016	2015
Weighted average share price	854p	764p
Weighted average exercise price	683p	611p
Expected volatility	17.0%	17.0%
Expected life	3.4 years	3.4 years
Risk-free rate	0.8%	1.4%
Expected dividend yield	4.0%	4.0%

Expected volatility was determined by calculating the historical volatility of the Pennon Group Plc share price over the previous two years.

ii) Performance and Co-investment Plan

Executive Directors and senior management of the Group receive a conditional award of Ordinary shares in Pennon Group Plc and are also required to hold a substantial personal shareholding in Pennon Group Plc. The eventual number of shares, if any, which vest is dependent upon the achievement of conditions of the plan over the restricted period, being not less than three years.

The number and price of shares in the Performance and Co-investment Plan are:

	2016		2015	
	Number of ordinary shares (thousands)	Exercise price per share p	Number of ordinary shares (thousands)	Exercise price per share p
At start of year	566	744	583	711
Granted	202	811	181	799
Vested	-	-	(53)	698
Lapsed	(309)	764	(145)	698
At end of year	<u>459</u>	<u>761</u>	<u>566</u>	<u>744</u>

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Share capital (Continued)

Employee share schemes (continued)

ii) Performance and Co-investment Plan (continued)

The awards outstanding at 31 March 2016 had a weighted exercise price of 761p (2015 744p) and a weighted average remaining contractual life of 1.3 years (2015 1.3 years).

The aggregate fair value of awards granted during the year was £0.8 million (2015 £0.9 million), determined using a Monte-Carlo simulation model.

The significant inputs into the valuation model at the date of the share awards were:

	2016	2015
Share price	811p	799p
Expected volatility	17.0%	17.0%
Risk-free rate	0.8%	1.4%

Expected volatility was determined by calculating the historical volatility of the Pennon Group Plc share price over the previous two years.

iii) Annual Incentive Bonus Plan – Deferred Shares

Awards under the plan to Executive Directors and senior management involve the release of ordinary shares in Pennon Group Plc to participants. There is no performance condition since vesting is conditional upon continuous service within the Pennon Group for a period of three years from the date of the award.

The number and weighted average price of shares in the Annual Incentive Bonus Plan are:

	2016		2015	
	Number of ordinary shares (thousands)	Exercise price per share p	Number of ordinary shares (thousands)	Exercise price per share p
At start of year	51	758	47	727
Granted	23	791	30	822
Vested	(21)	790	(19)	728
Lapsed	(10)	776	(7)	727
At end of year	<u>43</u>	<u>753</u>	<u>51</u>	<u>758</u>

The awards outstanding at 31 March 2016 had a weighted average price of 753p (2015 758p) and a weighted average remaining contractual life of 1.6 years (2015 1.3 years).

The aggregate fair value of awards granted during the year was £200,000 (2015 £300,000), determined from market value. No option pricing methodology is applied since dividends declared on the shares are receivable by the participants in the scheme.

30. Share premium account

	£000
At 1 April 2014	40,000
Shares issued during the year at a premium of £4.38 per ordinary £0.001 'B' share (note 29)	9,989
At 31 March 2015	<u>49,989</u>
At 31 March 2016	<u>49,989</u>

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. Retained earnings and other reserves

	Shares to be issued reserve £000	Retained earnings/ (accumulated losses) £000	Total £000
At 1 April 2014	2,297	(128,603)	(126,306)
Adjustment for shares issued (notes 29 and 30)	(2,297)	(8,029)	(10,326)
Profit for the year	-	8,474	8,474
Other comprehensive loss for the year	-	(101)	(101)
Credited to equity in respect of share-based payments	-	180,000	180,000
Charged to equity in respect of share-based payments	-	1,415	1,415
Tax credit relating to share based payments	-	(99)	(99)
At 31 March 2015	-	53,057	53,057
Profit for the year	-	35,933	35,933
Other comprehensive loss for the year	-	(504)	(504)
Dividends paid	-	(45,000)	(45,000)
Charged to equity in respect of share-based payments	-	857	857
Tax credit relating to share based payments	-	1	1
At 31 March 2016	-	44,344	44,344

32. Cash flows from operating activities

Reconciliation of profit to cash generated from operations:

	2016 £000	2015 £000
Cash generated from operations		
Continuing operations		
Profit for the year	35,911	8,474
Adjustments for:		
Employee share schemes	857	(8,029)
Profit on disposal of property, plant and equipment	(420)	(632)
Depreciation charge	29,372	29,466
Impairment of property, plant and equipment	5,367	5,830
Impairment of onerous contract	-	5,819
Non-underlying provision charge	-	3,169
Non-underlying pension charge	-	(1,900)
Other non-cash non-underlying charge	5,000	-
Amortisation of intangible assets	358	358
Dividends received	(33,700)	(6,000)
Finance income	(24,085)	(29,959)
Finance costs	27,629	34,522
Taxation	(2,969)	6,551
Changes in working capital (<i>excluding the effect of acquisition of subsidiaries</i>)		
(Increase)/decrease in inventories	(1,860)	203
Decrease/(increase) in trade and other receivables	12,214	(20,650)
Decrease/(increase) in service concession arrangements	(1,116)	(7,960)
Decrease in trade and other payables	(31,652)	(10,910)
Increase in retirement benefit obligations	(2,700)	(1,816)
(Decrease)/increase in provisions	(10,279)	10,326
Cash generated from operations	7,927	16,862

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. Net borrowings	2016	2015
	£000	£000
Cash and cash equivalents	509	516
<i>Borrowings – current</i>		
Bank overdrafts	(121,892)	(57,075)
Amounts due to intermediate parent undertaking	-	(11,147)
Amounts due to immediate parent undertaking	-	(2,130)
Amounts due to fellow subsidiary undertakings	(10,367)	(16,661)
Amounts due to subsidiary undertakings	(44,185)	(58,457)
Finance lease obligations	(5,975)	(7,299)
Total current borrowings	<u>(182,419)</u>	<u>(152,769)</u>
<i>Borrowings – non-current</i>		
Amounts due to intermediate parent undertaking	(241,168)	(255,439)
Finance lease obligations	(45,282)	(60,993)
Total non-current borrowings	<u>(286,450)</u>	<u>(316,432)</u>
Net borrowings	<u>(468,360)</u>	<u>(468,685)</u>

34. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are:

	2016	2015
	£000	£000
Within one year	5,821	5,434
Later than one year and less than five years	15,152	16,476
After five years	41,066	48,251
	<u>62,039</u>	<u>70,161</u>

The Company leases various offices, depots and workshops under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. Property leases are negotiated for an average term of 25 years and rentals are reviewed on average at approximately five-yearly intervals. The Company also leases plant and machinery under non-cancellable operating lease agreements.

35. Contingent liabilities	2016	2015
	£000	£000
Performance bonds	<u>79,702</u>	<u>82,721</u>

Due to the long term nature of the company's operations and the requirement to provide for future obligations arising from the grant of licences to operate waste transfer and disposal facilities, it has provided guarantees underwritten (in the form of bonds) by United Kingdom financial institutions to secure funds to meet these obligations. No liability is expected to arise in respect of the guarantees.

36. Capital commitments	2016	2015
	£000	£000
Contracted but not provided	<u>2,676</u>	<u>176,707</u>

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37. Acquisition

On 1 June 2015 Viridor Waste Management Limited acquired Commercial Recycling Limited's waste collection division in Dorset and Somerset for an initial £4,500,000. An addition payment of up to £1,000,000 could be made in the future depending upon certain performance-related criteria. The acquisition has been accounted for using the acquisition method.

Goodwill of £3,428,000 has been capitalised attributable to the profitability of the acquired business.

No amount of goodwill relating to this acquisition is expected to be deductible for tax purposes.

The residual excesses over the net assets acquired in the business combination has been recognised as goodwill.

	Waste Collection Division £000
Fair values on acquisition	
Intangible assets	1,565
Property, plant and equipment	489
Deferred tax asset	18
Net assets acquired	2,072
Goodwill	3,428
Total consideration	5,500
 Satisfied by:	
Cash	4,500
Deferred consideration	1,000
	5,500

38. Related party transactions

During the year, the Company entered into the following transactions with related parties:

	2016 £000	2015 £000
<i>Sales of goods and services</i>		
Fellow subsidiaries – goods and services	305	1,162
Subsidiaries – goods and services	74,267	76,570
Fellow subsidiaries – management recharges	3,903	2,024
Subsidiaries – management recharges	32,439	22,335
Joint ventures – goods and services	19,780	5,888
<i>Purchase of goods and services</i>		
Fellow subsidiaries – goods and services	(6,442)	(9,209)
Subsidiaries – goods and services	(8,064)	(12,625)
Pennon Group Plc	(4,210)	(4,912)
Joint ventures – goods and services	(13,846)	(13,652)
Purchase of trades, and net assets and liabilities from fellow subsidiaries	-	(36)
<i>Dividends received</i>		
Subsidiaries of the Company	27,700	-
Joint ventures of the Company	6,000	6,000
<i>Receipts for provision of loan finance</i>		
Intermediate parent undertaking – loan interest	-	736
Fellow subsidiaries – loan interest	879	892
Subsidiaries – loan interest	5,457	4,452
Joint ventures – loan interest	3,980	11,379

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

38. Related party transactions (continued)

Payment for provision of loan finance

Pennon Group Plc	(4,210)	(4,681)
Intermediate parent undertaking – loan interest	(13,390)	(16,479)
Immediate parent undertaking – loan interest	(28)	(57)
Fellow subsidiary undertakings – loan interest	(377)	(529)
Subsidiary undertakings – loan interest	(1,973)	(1,080)

Sales and purchases of goods and services with fellow subsidiaries of Pennon Group Plc are undertaken on normal commercial terms and conditions that would also be available to unrelated third parties. Services supplied by Pennon Group Plc are provided at cost.

Year end balances

	2016 £000	2015 £000
<i>Borrowings</i>		
Intermediate parent undertaking	(241,168)	(266,586)
Immediate parent undertaking	-	(2,130)
Fellow subsidiary undertakings	(10,637)	(16,661)
Subsidiary undertakings	(44,185)	(58,457)
<i>Receivables due from related parties</i>		
Ultimate parent undertaking – trading and other	-	255
Immediate parent undertaking – trading and other	80	80
– loans	-	41,671
Intermediate parent undertaking – trading and other	31	1,042
– loans	2,633	-
Fellow subsidiaries – trading and other	9,915	6,182
– loans	21,738	25,456
Subsidiaries – trading and other	40,599	43,723
– loans	201,369	167,859
Joint ventures – trading and other	2,966	2,456
– loans	82,153	98,937
<i>Payables due to related parties</i>		
Ultimate parent undertaking – trading and other	(6,115)	(7,261)
Intermediate parent undertaking – trading and other	(5,240)	(8,817)
Immediate parent undertaking – trading and other	-	(212)
Fellow subsidiary undertakings – trading and other	(4,779)	(50,778)
Subsidiary undertakings – trading and other	(38,262)	(32,694)
Joint ventures – trading and other	(3,754)	(223)
<i>Loans carried as investments</i>		
Fellow subsidiaries of Pennon Group Plc	11,086	11,086

Other loans are short-term borrowings between companies within the Pennon Group. Interest on 50% of the debt is charged at 6.0% and the balance at Barclays Bank Plc base rate +0.25%.

Interest charged to subsidiaries for the provision of working capital is similarly charged at a fixed rate of 50% of the debt at 6.0% and 50% at Barclays Bank Plc base rate +0.25%. Interest on loans provided for the construction of energy recovery facilities is charged in the range 4.0% to 6.0%.

Loans to joint ventures of £82,153,000 (2015 £98,937,000), included within receivables, are due for repayment in instalments between 2017 and 2047. Interest is charged at an average rate of 14.0% (2015 14.0%).

VIRIDOR WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

38. Related party transactions (continued)

On 1 May 2015, the Company acquired the trade and assets of Viridor Waste Suffolk Limited, a fellow subsidiary Company at no gain no loss.

39. Ultimate parent undertaking

The Company is a 92% owned subsidiary of Viridor Waste Limited, a company registered in England.

The parent company of the smallest group into which the Company's results are consolidated is Viridor Limited, which is registered in England. Group financial statements are included in the Annual Report of Viridor Limited, which is available from Peninsula House, Rydon Lane, Exeter, Devon, EX2 7HR.

The ultimate parent company and controlling party is Pennon Group Plc, which is registered in England. This is the largest group into which the Company's results are consolidated. Group financial statements are included in the Annual Report of Pennon Group Plc, which is available from Peninsula House, Rydon Lane, Exeter, Devon, EX2 7HR.