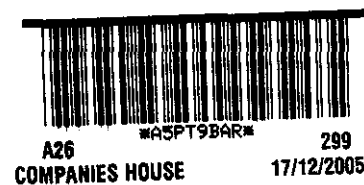


VIRIDOR WASTE (BRISTOL) LIMITED

**REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2005**



ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 March 2005

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VRIDOR WASTE (BRISTOL) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2005

The Directors present their report and the audited financial statements for the year ended 31 March 2005.

RESULTS AND DIVIDENDS

The trading results are set out in the accompanying financial statements. The loss after taxation for the Company in the year to 31 March 2005 was £231,000 (2004 £83,000) and has been transferred from reserves.

The Directors do not recommend the payment of a final dividend (2004 nil).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company's principal activity during the period was that of waste collection and materials recycling.

The Company's trading performance during the period was satisfactory and the Directors are confident that the financial performance will continue at a satisfactory level.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who served during the period were:

J R Cardwell

M Hellings

B S Hurley

D B Robertson

No Director held any beneficial interests in the shares of the Company during the year.

Messrs M Hellings and D B Robertson are Directors of Viridor Waste Limited and their interests in the Ordinary shares of Pennon Group Plc are disclosed in the financial statements of Viridor Waste Limited.

VIRIDOR WASTE (BRISTOL) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2005 (cont'd)

DIRECTORS AND DIRECTORS' INTERESTS (cont'd)

The interests in the Ordinary shares of Pennon Group Plc of the other Directors holding office at the end of the year were as follows:

	<u>Ordinary shares</u> <u>of £1.11 each</u>		<u>1 April</u> <u>2004</u>	<u>Options over Ordinary shares</u>			<u>31 March</u> <u>2005</u>
	<u>31 March 2005</u>	<u>1 April 2004</u>		<u>Exercised</u> <u>in period</u>	<u>Granted</u> <u>in period</u>	<u>Lapsed</u> <u>in period</u>	
J R Cardwell	734*	-	-	-	-	-	-
B S Hurley	7,784*	2,783*	1,812	792	-	-	1,020

*In addition Mr B S Hurley had a contingent interest on 1 April 2004 in 13,589 shares and on 31 March 2005 in 15,876 shares and Mr J R Cardwell had a contingent interest in 10,910 shares on 31 March 2005, representing the maximum number of shares to which they would become entitled under the Pennon Group Restricted Share Plan if all the relevant criteria are met. During the year, all the shares awarded to Directors under the 2000 and 2001 awards vested on 27 May 2004 and 13 September 2004, respectively. Fifty per cent of the shares awarded in 2002 to Directors have vested because the performance condition has been partially met.

At 1 April 2004, Messrs Cardwell and Hurley also had conditional interests in 4,519 and 4,387 shares respectively and on 31 March 2005 in 6,991 and 6,805 shares respectively under the terms of the Pennon Group Annual Incentive Bonus Plan, representing the maximum number of shares to which they would usually become entitled if they remain employed by the Pennon Group for a further three years from the date of the awards. All the shares awarded to Directors under the 2002 awards have vested as the criterion has been met.

During the year Directors received dividends on the above shares in accordance with the conditions of the Pennon Group Restricted Share Plan and the Group Annual Incentive Bonus Plan.

No Director has, or has had, a material interest, directly or indirectly, at any time during the period under review, in any contract significant to the Company's business.

PAYMENTS TO SUPPLIERS

The Company has a variety of payment terms with its suppliers. For the period ending 31 March 2006 the payment terms for its business transactions will continue to be settled when agreeing the other terms negotiated with its suppliers. The Company endeavours to make payment in line with those agreed terms, subject to the terms and conditions being met by the supplier. The average creditor days for the period ended 31 March 2005 was 17.

AUDITORS

In accordance with Section 386 of the Companies Act 1985, the Company passed an elective resolution on 31 December 2003, whereby it dispensed with the obligation to appoint auditors annually. PricewaterhouseCoopers LLP have indicated their willingness to continue as auditors.

VRIDOR WASTE (BRISTOL) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2005 (cont'd)

ANNUAL GENERAL MEETING

In accordance with Sections 252 and 366A of the Companies Act 1985, the Company passed elective resolutions on 31 December 2003, whereby it elected to dispense with the laying of accounts and reports before the Company in general meeting, and to dispense with the holding of annual general meetings.

By Order of the Board



M L HEELEY
Secretary

13 December 2005

VIRIDOR WASTE (BRISTOL) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the Auditors' Statement of Auditors' Responsibilities set out on page 5, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the financial statements.

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period.

The Directors consider that in preparing the financial statements on pages 6 to 18, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and hence to prevent and detect fraud and other irregularities.

VIRIDOR WASTE (BRISTOL) LIMITED

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF VIRIDOR WASTE (BRISTOL) LIMITED

We have audited the financial statements on pages 6 to 18, which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

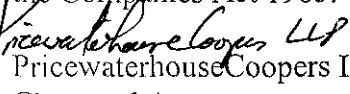
BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2005 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants
and Registered Auditors

31 Great George Street
BRISTOL
BS1 5QD

B December 2005

VIRIDOR WASTE (BRISTOL) LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2005

		Year ended 31 March 31 2005 £000	Period 5 June 2003 to March 2004 £000
	Notes		
Turnover			
Continuing operations	2	10,792	7,129
Operating costs	3	(10,694)	(7,371)
		<hr/>	<hr/>
Operating profit/(loss)			
Continuing operations	2	98	(242)
Net interest payable	4	(15)	(45)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		83	(287)
Tax on profit/loss on ordinary activities	5	(314)	204
		<hr/>	<hr/>
Loss on ordinary activities after taxation			
transferred from reserves	15	(231)	(83)
		<hr/> <hr/>	<hr/> <hr/>

A statement of movements in reserves is given in note 15.

All the operating activities in the year were continuing operations.

The notes on pages 9 to 18 form part of these financial statements.

VIRIDOR WASTE (BRISTOL) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2005

	Year ended 31 March 31 2005 £000	Period 5 June 2003 to March 2004 £000
Loss on ordinary activities after taxation recognised for the year	(231)	(83)
Prior year adjustment	-	(1,871)
	<hr/>	<hr/>
Total gains and losses recognised since last Annual Report	(231)	(1,954)
	<hr/>	<hr/>

VIRIDOR WASTE (BRISTOL) LIMITED

BALANCE SHEET as at 31 March 2005

	Notes	31 March 2005 £000	31 March 2004 £000
Fixed assets			
Tangible assets	7	6,251	6,051
Investments	8	-	-
		<u>6,251</u>	<u>6,051</u>
Current assets			
Stocks	9	25	-
Debtors: amounts falling due within one year	10	1,320	1,789
Cash at bank and in hand		496	389
		<u>1,841</u>	<u>2,178</u>
Current liabilities			
Creditors: amounts falling due within one year	11	(3,558)	(5,653)
		<u>(1,717)</u>	<u>(3,475)</u>
Net current liabilities			
		<u>4,534</u>	<u>2,576</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	12	(2,563)	(527)
Provisions for liabilities and charges	13	(439)	(286)
		<u>1,532</u>	<u>1,763</u>
Net assets			
		<u>1,532</u>	<u>1,763</u>
Capital and reserves			
Called-up share capital	14	2,047	2,047
Profit and loss account	15	(515)	(284)
	16	<u>1,532</u>	<u>1,763</u>

The notes on pages 9 to 18 form part of these financial statements.

Approved by the Board on 13 December 2005 and signed on its behalf by:



D B ROBERTSON
Director

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a Accounting convention

The financial statements have been prepared under the historical cost convention and in compliance with all applicable accounting standards and with the Companies Act 1985. The Company is exempt under the provisions of Section 228 of the Companies Act 1985 from the requirements to produce group financial statements and accordingly the financial statements are presented for the Company as an individual undertaking and not as a group.

b Turnover

Turnover, excluding Value Added Tax, represents the income receivable in the ordinary course of business for services provided.

c Tangible fixed assets and depreciation

Assets are stated at cost less accumulated depreciation. Freehold land is not depreciated. Other assets are depreciated evenly over their estimated economic lives, which are principally as follows:

Buildings	30 – 50 years
Fixed plant, machinery and equipment	10 years
Office equipment, furniture and fittings	4 – 10 years
Vehicles, mobile plant and computers	3 – 10 years

d Leasing and hire purchase commitments

Assets held under finance lease and hire purchase agreements are included in the balance sheet as tangible fixed assets at their equivalent capital value and are depreciated over their estimated economic lives or the finance lease or hire period, whichever is the shorter. The corresponding liability is recorded as a creditor. The interest element of the rental or hire cost 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 period they are incurred.

e Stocks

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

f Pension costs

Pension costs for the Company's defined contribution scheme are charged against profits in the year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (cont'd)

g Taxation

Tax payable on profits for the year is provided at current rates. Tax deferred or accelerated as a result of timing differences between the treatment of certain items for taxation and for accounting purposes is provided in full. Where the effect of the time value of money is material the current amount of the reversals of tax deferred is discounted to its present value. The unwinding of the discount to present value is included in the tax charge.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be suitable taxable profits against which the deferred tax asset can be recovered in future periods.

h Cash flow statement

The Company is exempt from the requirement to prepare a cash flow statement. It is a wholly owned subsidiary, and its ultimate parent company Pennon Group Plc prepares a consolidated cash flow statement including the cash flows of Viridor Waste (Bristol) Limited.

2. Segmental information

The Company operated wholly in the UK in one class of business during the period.

3. Operating costs

	Year ended 31 March 2005 £000	Period ended 31 March 2004 £000
Manpower costs (note 6)	2,015	1,703
Raw materials and consumables	1,374	4,136
Rentals under operating leases:		
Hire of plant and machinery	86	18
Other operating lease	170	49
Auditors' remuneration	8	9
Other external charges	6,286	905
Depreciation:		
On owned assets (note 7)	421	557
On assets held under finance leases (note 7)	337	-
Profit on disposal of fixed assets	(3)	(6)
	<u>10,694</u>	<u>7,371</u>

There were no fees payable to the company's auditors for non-audit work for the period ended 31 March 2005 (2004 nil).

NOTES TO THE FINANCIAL STATEMENTS

4. Net interest payable

	Year ended 31 March 2005 £000	Period ended 31 March 2004 £000
Bank interest received	12	-
Finance lease and hire purchase interest	(27)	(45)
Net interest payable	— (15)	— (45)
	<u> </u>	<u> </u>

5. Tax on profit on ordinary activities

	Year ended 31 March 2005 £000	Period ended 31 March 2004 £000
(a) <u>Analysis of charge in year</u>		
<i>Current tax:</i>		
Adjustment in respect of prior year	92	-
Amounts receivable in respect of tax losses surrendered by Pennon Group companies in respect of:		
- current year	(17)	(30)
- prior year	30	-
Total current tax (note b)	<u>105</u>	<u>(30)</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	122	(156)
Decrease/(increase) in discount	87	(18)
	<u>209</u>	<u>(174)</u>
Tax on profit/loss on ordinary activities	<u>314</u>	<u>(204)</u>

NOTES TO THE FINANCIAL STATEMENTS

5. Tax on profit on ordinary activities (cont'd)

(b) Factors affecting tax credit for the year

The tax assessed for the period differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £000	2004 £000
Profit/(loss) on ordinary activities before tax	83	(287)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK (30%)	25	(86)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	74	419
Depreciation for period below capital allowances	(69)	(615)
Other timing differences	(47)	230
Adjustments to tax charge in respect of prior years	122	-
Group relief charged at below full rate	-	22
Current tax charge/(credit) for year (note a)	105	(30)

6. Numbers of employees and employment costs

Numbers of employees

The average number of persons (including Directors) employed by the Company during the year ended 31 March 2005 was 88 (period to 31 March 2004 83).

	Year ended 31 March 2005 £000	Period ended 31 March 2004 £000
Employment costs comprise:		
Wages and salaries	1,805	1,489
Social security costs	186	203
Pension costs	24	11
	2,015	1,703

NOTES TO THE FINANCIAL STATEMENTS

6. Numbers of employees and employment costs (cont'd)

Pension Scheme

Following the acquisition of the Company in June 2003, a number of employees have elected to become members of the Pennon Group Defined Contribution Pension Scheme.

Directors emoluments

	2005 £000	2004 £000
Aggregate emoluments of the Directors in respect of their services to the company	25	-

Benefits are accruing to 4 Directors under a defined benefit pension scheme (2004 4).

7. Tangible fixed assets

	Freehold land and buildings £000	Plant, equipment and vehicles £000	Total £000
Cost or valuation:			
At 1 April 2004	3,736	5,828	9,564
Additions	-	979	979
Disposals	-	(526)	(526)
Reclassification	(2,751)	2,751	-
At 31 March 2005	985	9,032	10,017
Depreciation:			
At 1 April 2004	279	3,234	3,513
Charge for year	-	758	758
Disposals	-	(505)	(505)
Reclassification	(279)	279	-
At 31 March 2005	-	3,766	3,766
Net book value:			
At 31 March 2005	985	5,266	6,251
At 31 March 2004	3,457	2,594	6,051

The net book value of plant and equipment includes an amount of £1,084,000 (2004 £2,371,000) in respect of assets held under hire purchase agreements. The accumulated depreciation of plant and equipment includes an amount of £1,654,000 (2004 £271,000) in respect of assets held under hire purchase agreements.

VIRIDOR WASTE (BRISTOL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. Tangible fixed assets(cont'd)

Included in freehold land and buildings is freehold land of £985,000 (2004 £985,000) which is not depreciated.

8. Fixed asset investments

Investment in subsidiary	Shares £000
Cost:	
At 1 April 2004 and 31 March 2005	22
	<u> </u>
Provision:	
At 1 April 2004 and 31 March 2005	(22)
	<u> </u>

The Company holds the entire issued share capital of City Reclamation Services Limited, a dormant company registered in England.

9. Stocks

	2005 £000	2004 £000
Raw materials and consumables	25	-
	<u> </u>	<u> </u>

10. Debtors: amounts falling due within one year

	2005 £000	2004 £000
Trade debtors	1,126	1,480
Amounts owed by fellow subsidiary undertakings	86	154
Other debtors	-	5
Prepayments and accrued income	91	43
Corporation tax	17	107
	<u>1,320</u>	<u>1,789</u>

VIRIDOR WASTE (BRISTOL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. Creditors: amounts falling due within one year

	2005 £000	2004 £000
Obligations under hire purchase agreements (note 16)	350	84
Trade creditors	367	396
Amounts due to fellow subsidiary undertakings	2,710	4,338
Other taxation and social security	75	237
Accruals and deferred income	56	598
	<u>3,558</u>	<u>5,653</u>

12. Creditors: amounts falling due after more than one year

	2005 £000	2004 £000
Amounts due to fellow subsidiary undertakings	2,236	-
Obligations under hire purchase agreements (note 17)	327	527
	<u>2,563</u>	<u>527</u>

13. Provisions for liabilities and charges

	Deferred tax £000	Remediation provision £000	Total £000
At 1 April 2004	18	268	286
Charged against profits	209	-	209
Utilised during the year	-	(56)	(56)
	<u>227</u>	<u>212</u>	<u>439</u>
At 31 March 2005	<u>227</u>	<u>212</u>	<u>439</u>

The remediation provision arises following the acquisition of the Viridor Waste (Bristol Holdings) Limited Group by Viridor Waste Management Limited and is designed to ensure that the Company is able to meet environmental standards. The provision is expected to be utilised over the period 2005 to 2007.

NOTES TO THE FINANCIAL STATEMENTS

13. Provisions for liabilities and charges (cont'd)

Deferred taxation

	31 March 2005 £000	31 March 2004 £000
Accelerated capital allowances	292	266
Other timing differences	(134)	(230)
	<hr/>	<hr/>
Undiscounted provision for deferred tax	158	36
Discount	69	(18)
	<hr/>	<hr/>
Discounted provision for deferred tax	<u>227</u>	<u>18</u>
Provision at 1 April 2004	18	
Deferred tax credit in profit and loss account for year (note 5)	209	
	<hr/>	
Provision at 31 March 2005	<u>227</u>	

14. Called-up share capital

	2005 £000	2004 £000
Authorised, allotted called-up and fully paid 2,046,563 Ordinary shares of £1 each	<u>2,047</u>	<u>2,047</u>

15. Reserves

	Profit and loss account £000
At 1 April 2004	(284)
Loss for year	(231)
	<hr/>
At 31 March 2005	<u>(515)</u>

NOTES TO THE FINANCIAL STATEMENTS

16. Reconciliation of movement in shareholders' funds

	31 March 2005 £000	31 March 2004 £000
Retained loss for year	(231)	(83)
Net decrease in shareholders' funds	(231)	(83)
Opening shareholders' funds (equity interest)	1,763	1,846
Closing shareholders' funds (equity interest)	<u>1,532</u>	<u>1,763</u>

17. Loans and other borrowings

Obligations under finance lease and hire purchase agreements are repayable:

	2005 £000	2004 £000
Falling due in over five years	1	527
Falling due in more than two but less than five years	223	-
Falling due in more than one year but less than two years	103	-
Falling due in more than one year (note 12)	<u>327</u>	<u>527</u>
Falling due within one year (note 11)	<u>350</u>	<u>84</u>
	<u>677</u>	<u>611</u>

18. Commitments and contingent liabilities

	2005 £000	2004 £000
Operating leases:		
Within one year	3	84
Between one and five years	<u>25</u>	<u>299</u>

The Company has entered into contracts for capital expenditure amounting to £86,000 (2004 nil).

NOTES TO THE FINANCIAL STATEMENTS

18. Commitments and contingent liabilities (cont'd)

Contingent liabilities:

	2005 £000	2004 £000
Bank guarantees	496	-
Performance bonds	9	-
	<u>505</u>	<u>-</u>

Certain banking arrangements of the Company operate on a pooled basis with certain other Pennon Group companies and under these arrangements credit balances of participating companies can be offset against overdrawn balances of participating companies. The potential liability outstanding at 31 March 2005 amounted to £496,000 (2004 nil).

The performance bonds represent guarantee bonds issued by the Company's bankers in respect of various waste management contracts, which amount to £9,000 (2004 nil). These are indemnified by the Company and counter indemnified by Pennon Group Plc.

19. Related party transactions

Under the requirements of FRS 8, transactions with related parties are required to be disclosed. However, transactions with other members of the Pennon Group Plc are not required to be set out herein since the Company is a wholly owned subsidiary within that Group.

20. Ultimate parent company

The Company is owned by Viridor Waste (Bristol Holdings) Limited, a company registered in England and owned by Viridor Waste Management Limited. Viridor Waste Management Limited is a company registered in England which is a wholly owned subsidiary of Viridor Waste Limited, a company registered in England and which is a wholly owned subsidiary of Pennon Group Plc. No group financial statements are prepared by Viridor Waste (Bristol Holdings) Limited.

The ultimate parent company is Pennon Group Plc which is registered in England. Group financial statements are included in the Annual Report of Pennon Group Plc which is available from Peninsula House, Rydon Lane, Exeter EX2 7HR.