

Registered Number: 2722409

VIRIDOR WASTE DISPOSAL LIMITED

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



VIRIDOR WASTE DISPOSAL LIMITED

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

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VIRIDOR WASTE DISPOSAL 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 of the Company are set out in the accompanying financial statements. The profit after taxation and dividends of the Company for the year to 31 March 2005 of £6,327,000 (2004 £2,144,000 loss) has been transferred to reserves.

A first interim dividend of £630.8138 per Ordinary share (totalling £2,784,000) was paid on 8 December 2004 and a second interim dividend of £33.9828 per Ordinary share (totalling £150,000) was paid on 27 May 2005 (2004 £659.6758 and £789.9479 per Ordinary share totalling £2,912,000 and £3,487,000 respectively). A third interim dividend of £43.0449 per Ordinary share (totalling £190,000) was paid on 15 August 2005 (2004 £847.1452 per Ordinary share totalling £3,739,000).

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

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Company is the development and operation of landfill sites.

The Company traded successfully during the year and the Directors are of the opinion that this is likely to continue for the foreseeable future.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who served on the Board during the year were:

C I J H Drummond (Chairman)

M Hellings

B S Hurley

J R Cardwell

D B Robertson

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

Mr C I J H Drummond is a Director of Pennon Group Plc and his interests in the Ordinary shares of that company are disclosed in the financial statements of Pennon Group Plc.

Of the Directors holding office on 31 March 2005, 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 DISPOSAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2005 (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 criterion 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 Pennon Group Annual Incentive Bonus Plan.

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

ENVIRONMENTAL

The Company has a written Environmental Policy covering all of its activities, incorporating written procedures under an Environmental Management System. These procedures ensure the Company operates to industry best practice employing the latest technologies and considers the environmental effect of its business at all stages.

PAYMENT TO SUPPLIERS

The Company has a variety of payment terms with its suppliers. For the year 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 year ended 31 March 2005 was 23 days.

VIRIDOR WASTE DISPOSAL LIMITED

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

AUDITORS

In accordance with Section 386 of the Companies Act 1985, the Company passed an elective resolution on 13 February 2004, whereby it dispensed with the obligation to appoint auditors annually. PricewaterhouseCoopers LLP have indicated their willingness to continue as auditors.

ANNUAL GENERAL MEETING

In accordance with Sections 252 and 366A of the Companies Act 1985, the Company passed elective resolutions on 29 January 1997, 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

11 JANUARY 2006

VIRIDOR WASTE DISPOSAL 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 year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The Directors consider that in preparing the financial statements on pages 6 to 21, 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 DISPOSAL LIMITED

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF VIRIDOR WASTE DISPOSAL LIMITED

We have audited the financial statements on pages 6 to 21 which have been prepared under the historical cost convention and the accounting policies, set out on pages 9 to 11.

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.

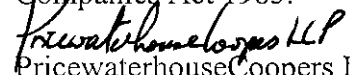
BASIS OF AUDIT OPINION

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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants
and Registered Auditors
11 January 2006

31 Great George Street
BRISTOL
BS1 5QD

VIRIDOR WASTE DISPOSAL LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2005

	Notes	2005 £000	2004 £000
Turnover	2	51,995	47,278
Operating costs	3	(38,359)	(34,706)
		<hr/>	<hr/>
Operating profit	2	13,636	12,572
Net interest payable	4	(452)	(335)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2	13,184	12,237
Tax on profit on ordinary activities	5	(3,733)	(4,243)
		<hr/>	<hr/>
Profit on ordinary activities after tax		9,451	7,994
Dividends paid and payable	6	(3,124)	(10,138)
		<hr/>	<hr/>
Retained profit/(deficit) transferred to/(from) reserves	18	6,327	(2,144)
		<hr/>	<hr/>

A statement of movements in reserves is given in note 18.

All the operating activities are continuing operations.

There were no recognised gains or losses other than the profit/(loss) for the year in 2005 and in 2004.

The notes on pages 9 to 21 form part of these financial statements.

VIRIDOR WASTE DISPOSAL LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the year ended 31 March 2005

	Notes	2005 £000	2004 £000
Reported profit on ordinary activities before taxation		13,184	12,237
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	18	1,292	1,272
		=====	=====
Historical cost profit on ordinary activities before taxation.		14,476	13,509
		=====	=====
Historical cost profit/(loss) for the year retained after taxation and dividends.		7,619	(872)
		=====	=====

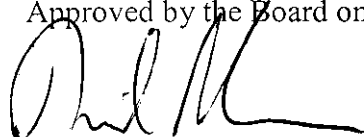
VIRIDOR WASTE DISPOSAL LIMITED

BALANCE SHEET
as at 31 March 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Tangible assets	8	43,021	42,002
		<hr/>	<hr/>
Current assets			
Stocks	10	347	184
Debtors: amounts falling due after more than one year	11	5,288	5,076
Debtors: amounts falling due within one year	12	23,113	19,458
Cash at bank and in hand		2,083	2,560
		<hr/>	<hr/>
		30,831	27,278
Current liabilities			
Creditors: amounts falling due within one year	13	(16,905)	(19,354)
		<hr/>	<hr/>
Net current assets		13,926	7,924
		<hr/>	<hr/>
Total assets less current liabilities		56,947	49,926
Creditors: amounts falling due after more than one year	14	(3,380)	(3,200)
Provisions for liabilities and charges	15	(9,260)	(8,746)
		<hr/>	<hr/>
Net assets		44,307	37,980
		<hr/>	<hr/>
Capital and reserves			
Called-up share capital	17	5	5
Share premium account	18	10,619	10,619
Revaluation reserve	18	14,659	15,951
Profit and loss account	18	19,024	11,405
		<hr/>	<hr/>
Shareholders' funds	19	44,307	37,980
		<hr/>	<hr/>

The notes on pages 9 to 21 form part of these financial statements.

Approved by the Board on 11 JANUARY 06 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 as modified by the revaluation of land and buildings 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 Landfill Tax

Landfill tax is included within both turnover and operating costs.

d Tangible fixed assets and depreciation

(i) Landfill sites

Landfill sites are included at cost or valuation less accumulated depreciation.

Each landfill site comprises a number of cells. Cell development cost is depreciated over the estimated operational life of the cell on the basis of the usage of void space.

Site acquisition costs or valuation and other development costs are depreciated over the estimated operational life of the landfill site, based on usage of void space.

(ii) Planning and development costs

Costs incurred in respect of planning and development of waste disposal sites are initially classified as prepayments within current assets. Provisions are made against any prepayment based on an assessment of the likely ultimate success of the planning application concerned. Costs are capitalised and transferred to tangible fixed assets following the Local Authority's approval of the relevant projects.

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

Other 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 – 15 years

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (cont'd)

e Leased assets

Assets held under finance leases 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 period, whichever is the shorter. The corresponding liability is recorded as a creditor. The interest element of the rental 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.

f Stocks

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

g Pension costs

The expected cost of pensions in respect of the Company's employees (who are members of the Pennon Group defined benefit pension scheme) is charged against profits so as to spread evenly the cost of pensions over the service lives of employees in the scheme. A pension surplus (or deficit) is released (or charged) to profits using the straight line method, over the average remaining service lives of employees in the scheme. Particulars of the most recent actuarial valuation are available in the financial statements of Pennon Group Plc.

h 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.

i Landfill restoration and environmental costs

Provisions for restoration, aftercare and environmental control costs are made when an obligation arises. Where the obligation recognised as a provision gives access to future economic benefits a tangible fixed asset is recognised. Provisions are otherwise charged against profits.

Where the effect of the time value of money is material, the current amount of the provision is the present value of the expenditures expected to be required to settle obligations. The unwinding of the discount to present value is included as a financial item within net interest payable.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (cont'd)

j 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 Disposal Limited.

2. Segmental information

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

3. Operating costs

	2005 £000	2004 £000
Manpower costs (note 7)	3,018	2,303
Raw materials and consumables	2,723	904
Rental under operating leases:		
Hire of plant & machinery	206	1,108
Other operating leases	96	59
Auditors' remuneration	11	11
Landfill restoration and environmental costs (note 15)	982	660
Other external charges	24,543	22,941
Depreciation:		
On owned assets (note 8)	6,651	6,561
On assets held on finance leases (note 8)	173	167
Profit on disposal of fixed assets	(44)	(8)
	<hr/>	<hr/>
	38,359	34,706
	<hr/>	<hr/>

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

VIRIDOR WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Net interest payable

	2005 £000	2004 £000
Interest payable:		
To ultimate parent company	(224)	(201)
Bank interest	(55)	-
To fellow subsidiary undertaking	-	(66)
Interest element of finance lease rentals	(44)	(12)
Other	(30)	(100)
	<hr/>	<hr/>
	(353)	(379)
	<hr/>	<hr/>
Interest receivable:		
From fellow subsidiary undertaking	-	141
Bank interest	181	208
Other	1	18
	<hr/>	<hr/>
	182	367
	<hr/>	<hr/>
Unwinding of discount in provisions (note 16)	(281)	(323)
	<hr/>	<hr/>
Net interest payable	(452)	(335)
	<hr/>	<hr/>

5. Tax on profit on ordinary activities

	2005 £000	2004 £000
(a) <u>Analysis of charge in year</u>		
<i>Current tax</i>		
UK corporation tax at 30%		
- current year	3234	3,082
- prior year	206	(3,066)
Amounts payable in respect of tax losses surrendered from Pennon Group companies in respect of:		
- current year	505	981
- prior year	-	2,782
	<hr/>	<hr/>
Total current tax (note b)	3,945	3,779
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

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

	2005 £000	2004 £000
<i>Deferred tax</i>		
Origination and reversal of timing differences	(186)	371
Decrease/(increase) in discount (note 17)	(26)	93
	<hr/>	<hr/>
	(212)	464
	<hr/>	<hr/>
Tax on profit on ordinary activities	3,733	4,243
	<hr/>	<hr/>

(b) Factors affecting tax charge for the year

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

	2005 £000	2004 £000
Profit on ordinary activities before tax	13,184	12,237
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK (30%)	3,955	3,671
<i>Effects of:</i>		
Expenses not deductible for tax purposes	534	613
Depreciation for year above capital allowances	175	16
Other timing differences	(25)	(41)
Adjustments to tax charge in respect of prior years	206	(281)
Group relief not at full rate	(900)	(199)
	<hr/>	<hr/>
Current tax charge for year (note a)	3,945	3,779
	<hr/>	<hr/>

6. Dividends paid and payable

	2005 £000	2004 £000
Interim dividend paid of £630.8138 per Ordinary share (2004 £659.6758)	2,784	2,912
Second interim dividend paid of £33.9828 per Ordinary share (2004 £789.9479)	150	3,487
Third interim dividend payable of £43.0449 per Ordinary share (2004 £847.1452)	190	3,739
	<hr/>	<hr/>
	3,124	10,138
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

7. 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 97 (2004 92).

	2005 £000	2004 £000
Employment costs comprise:		
Wages and salaries	2,603	1,930
Social security costs	188	143
Pensions costs	227	230
	<hr/>	<hr/>
	3,018	2,303
	<hr/>	<hr/>

Pension scheme

The Company's employees are members of the Pennon Group Pension Scheme, a defined benefit scheme. The Company's share of the Scheme's underlying assets and liabilities cannot be separately identified. At 31 March 2005 the Scheme had net pension liabilities of £55.7 million. Full details are disclosed in the financial statements of Pennon Group Plc.

Directors emoluments

	2005 £000	2004 £000
Aggregate emoluments of the Directors in respect of their services to the Company	164	144
	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS

8. Tangible fixed assets

	Freehold land and buildings £000	Plant and equipment £000	Total £000
Cost or valuation:			
At 1 April 2004	61,894	24,541	86,435
Additions	5,891	1,995	7,886
Disposals	-	(932)	(932)
Transfer	(1,144)	1,144	-
	<hr/>	<hr/>	<hr/>
At 31 March 2005	66,641	26,748	93,389
	<hr/>	<hr/>	<hr/>
Depreciation:			
At 1 April 2004	31,428	13,005	44,433
Charge for year	4,726	2,098	6,824
Disposals	-	(889)	(889)
	<hr/>	<hr/>	<hr/>
At 31 March 2005	36,154	14,214	50,368
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31 March 2005	30,487	12,534	43,021
	<hr/>	<hr/>	<hr/>
At 31 March 2004	30,466	11,536	42,002
	<hr/>	<hr/>	<hr/>

The net book value of plant and equipment includes an amount of £631,000 (2004 £168,000) in respect of assets held under finance leases. The accumulated depreciation of plant and equipment includes an amount of £2,549,000 (2004 £3,046,000 (restated)) in respect of assets held under finance leases.

Certain freehold land and buildings were revalued on 19 July 1995 upon acquisition of the Company by Viridor Waste Limited at £27,307,000 based on the market value (existing use basis) of the properties. The Company has followed the transitional provision of Financial Reporting Standard 15 'Tangible Fixed Assets' and has not adopted a policy of revaluation. Accordingly, these valuations will not be updated. If these freehold land and buildings had not been revalued they would have been included at their historic cost value as follows:

VIRIDOR WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. Tangible fixed assets (cont'd)

	Assets included at valuation (Restated)		Historical cost (Restated)	
	2005 £000	2004 £000	2005 £000	2004 £000
Cost or valuation:				
Freehold land and buildings	66,641	62,228	39,600	35,187
	=====	=====	=====	=====
Accumulated depreciation:				
Freehold land and buildings	32,956	28,230	20,574	17,140
	=====	=====	=====	=====

Comparatives for 2004 have been restated following a review of the treatment of depreciation of revalued assets. The restatement has no effect on the results for the year.

9. Investment in subsidiary undertaking

Subsidiary undertaking

	Shares £
Cost:	
At 1 April 2004 and 31 March 2005	2
	=====

The Company holds the 2 Ordinary shares of £1 each in VWM (Scotland) Limited (100% interest), a dormant company, registered in Scotland.

10. Stocks

	2005 £000	2004 £000
Raw materials and consumables	347	184
	=====	=====

11. Debtors: amounts falling due after more than one year

	2005 £000	2004 £000
Amounts owed by fellow subsidiary undertakings	3,100	3,100
Deferred taxation (note 16)	2,188	1,976
	=====	=====
	5,288	5,076
	=====	=====

VIRIDOR WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12. Debtors: amounts falling due within one year

	2005 £000	2004 £000
Trade debtors	8,170	8,144
Amounts owed by fellow subsidiary undertakings	14,863	11,233
Corporation tax	3	-
Prepayments and accrued income	77	81
	<u>23,113</u>	<u>19,458</u>

Prepayments and accrued income includes £47,303 incurred in respect of the planning and development of waste disposal sites (2004 £79,088). These costs will be capitalised and transferred to tangible fixed assets following the Local Authority's approval of the relevant projects.

13. Creditors: amounts falling due within one year

	2005 £000	2004 £000
Finance leases	99	-
Trade creditors	855	766
Amounts owed to ultimate parent company	1,014	800
Amounts owed to fellow subsidiary undertakings	3,521	8,667
Corporation tax	3,945	2,796
Other taxation and social security	5,392	5,512
Accruals and deferred income	2,046	813
Other creditors	33	-
	<u>16,905</u>	<u>19,354</u>

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

	2005 £000	2004 £000
Finance leases	340	-
Amount owed to ultimate parent undertaking (note 21)	3,040	3,200
	<u>3,380</u>	<u>3,200</u>

NOTES TO THE FINANCIAL STATEMENTS15. Provisions for liabilities and charges

	At 1 April 2004 £000	Charged against profits £000	Utilised in year £000	At 31 March 2005 £000
Landfill restoration and environmental provisions (notes 3 and 4)	8,746	1,263	(749)	9,260

Landfill restoration and environmental provisions will be utilised over the period from 2005 and beyond 2050. The provisions have been established assuming current waste management technology based upon estimated costs at future prices, which have been discounted to present value. Included within the amount charged against profits is the unwinding of discount in provisions of £281,000 (2004 £323,000).

16. Deferred taxation

	2005 £000	2004 £000
Depreciation in excess of capital allowances	1,374	1,162
Other timing differences	735	761
	—	—
Undiscounted asset for deferred tax	2,109	1,923
Discount	79	53
	—	—
Discounted asset for deferred tax	2,188	1,976
	—	—
Asset at start of year	1,976	
Deferred tax charge in profit and loss account for year (note 5)	212	
	—	
Asset at end of year	2,188	

17. Called-up share capital

	2005 £	2004 £
Authorised		
Ordinary shares of £1 each	4,540	4,540
Deferred shares of US\$1 each	814	814
	—	—
	2005 £	2004 £
Allotted, called-up and fully paid		
4,414 Ordinary shares of £1 each	4,414	4,414

VIRIDOR WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18. Reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At 1 April 2004	10,619	15,951	11,405
Retained profit for the year	-	-	6,327
Revaluation depreciation adjustment	-	(1,292)	1,292
	<hr/>	<hr/>	<hr/>
At 31 March 2005	10,619	14,659	19,024
	<hr/>	<hr/>	<hr/>

19. Reconciliation of movement in shareholders' funds

	2005 £000	2004 £000
Profit on ordinary activities after taxation	9,451	7,994
Dividends	(3,124)	(10,138)
	<hr/>	<hr/>
Net increase/(decrease) in shareholders' funds	6,327	(2,144)
Opening shareholders' funds (equity interest)	37,980	40,124
	<hr/>	<hr/>
Closing shareholders' funds (equity interest)	44,307	37,980
	<hr/>	<hr/>

20. Commitments and contingent liabilities

	2005 £000	2004 £000
Capital commitments:		
Contracted but not provided for	287	-
	<hr/>	<hr/>

Operating leases:

Commitments to pay rentals during the year following the balance sheet date were:

	2005 £000	2004 £000
Leases for land and buildings:		
Expiring between one and five years	51	-
Other operating leases:		
Expiring within one year	25	6
Expiring between one and five years	38	53
	<hr/>	<hr/>
	114	59
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

20. Commitments and contingent liabilities (cont'd)

	2005 £000	2004 £000
Contingent liabilities:		
Bank guarantees	2,083	2,557
Performance guarantees	21,213	18,833
	<u>23,296</u>	<u>21,390</u>

The 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 £2,083,000 (2004 £2,557,000).

The performance guarantees represent guarantee bonds issued by the Company's bankers in respect of various landfill sites which amount to £13,727,000 (2004 £11,347,000) and contract performance guarantees of £7,486,000 (2004 £7,486,000). These are indemnified by the Company and counter indemnified by Pennon Group Plc.

21. Loans and other borrowings

	2005 £000	2004 £000
Loans are repayable:		
Within one year	960	800
After more than one year	3,040	3,200
	<u>4,000</u>	<u>4,000</u>

The loans consist of an unsecured loans from Pennon Group Plc of £4,000,000 (2004 £4,000,000). Interest on this loan is currently charged at Barclays Bank Plc Base Rate plus 1 percent with a minimum rate of 5.0%. The amount repayable after more than one year is due by April 2009.

Obligations under finance leases

	2005 £000	2004 £000
Over five years	5	-
Over two and up to five years	231	-
Over one and up to two years	104	-
	<u>340</u>	<u>-</u>
Falling due after more than one year (note 14)	340	-
Falling due within one year (note 13)	99	-
	<u>439</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

22. Related party transactions

Under the requirement of FRS8, 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.

23. Ultimate parent company

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