

Registered number 02751074

VIRIDOR WASTE KENT LIMITED

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2015**

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VIRIDOR WASTE KENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2015

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VIRIDOR WASTE KENT LIMITED

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 March 2015

PRINCIPAL ACTIVITIES

The Company is engaged in the provision of waste management services and renewable energy to customers in the South East of England. Its primary competencies are in landfill disposal, recycling, waste collection focusing primarily on the industrial and commercial market, and operating materials recycling facilities ('MRFs'), waste transfer stations, treatment plants, household waste recycling sites ('HWRS'), and composting facilities in that region.

BUSINESS REVIEW

Financial results

Revenues were £9,950,000 (20.9% below last year at £37,766,000 (2014 £47,716,000))

Before exceptional charges operating result fell to a loss of £7,717,000 (2014 £3,225,000). The operating margin was minus 20.4% (2014 6.8%).

Net finance costs were £690,000 (2014 £310,000).

The Company's taxation position results in a credit after exceptional items of £291,000 (2014 £2,490,000).

Exceptional charges

An exceptional impairment charge of £974,000 has been recognised to write-down the carrying value of property, plant and equipment, primarily in landfill activities, to reflect the reducing landfill volumes and management expectations of the future direction of recycle prices. The impairment charge has no cash impact on the current year.

An exceptional charge of £1,298,000 has been recognised for environmental provisions, primarily landfill aftercare costs. This also has no immediate cash impact and reflects the present value of costs expected to be incurred at individual sites over a 60-year period.

The exceptional charges net of tax were £3,284,000. The impairment of the Company's assets and recognition of increased environmental provisions resulted in a £820,000 increase in the deferred tax asset.

Investment

Capital expenditure in the year totalled £11,186,000 (2014 £4,620,000). The Company is committed to ensuring its facilities continue to meet the highest environmental standards.

Financing

Sufficient funding facilities are in place to cover both medium and long-term requirements. These are expected to be renewed as necessary.

In accordance with the Company's financial risk management policies as set out in note 3 of the Financial Statements, financing strategies will continue to be developed by the ultimate parent company, Pennon Group Plc.

Dividends and reserves

No dividends were paid in the year (2014 nil). The Directors do not recommend the payment of a final dividend (2014 nil).

The balance of reserves at 31 March 2015 was a deficit of £7,522,000 (2014 £4,698,000 surplus).

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 52 to 55 of Viridor Limited's Annual Report and Accounts which does not form part of this Report.

VIRIDOR WASTE KENT LIMITED

STRATEGIC REPORT (Continued)

BUSINESS REVIEW (Continued)

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 3 to 7 of Viridor Limited's Annual Report and Accounts which does not form part of this Report.

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 and on its website (www.pennon-group.co.uk/sustainability), neither of which 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 a competitive advantage, despite the anticipated long-term decline in future landfill volumes arising from the diversion of municipal waste.

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

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December 2015



E A J REES
Director

VIRIDOR WASTE KENT LIMITED

DIRECTORS' REPORT

The Directors present their Directors' Report and financial statements for the year ended 31 March 2015

The Directors' report is prepared in accordance with the provisions of the Companies Act 2006 and regulations made thereunder. It comprises pages 3 and 4 as well as any matters incorporated by reference.

Information regarding the Company, 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 and 2.

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, no political expenditure was incurred and no contributions were made to a non-EU political party during the year (2014 nil).

FINANCIAL RISK MANAGEMENT

Details of the Company's financial risk management objectives and policies and exposure to financial risks (market risk (interest rate risk), liquidity risk and credit risk) are set out at note 3 on page 15.

FINANCIAL INSTRUMENTS

Details of the Company's financial instruments are provided in note 2(m) on page 13, and note 16 on page 22.

FUTURE DEVELOPMENTS

The future developments of the Company are discussed in the Strategic Report on pages 1 to 2.

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)
A M D Kirkman	(resigned 18 September 2015)
P C Piddington	(appointed 31 July 2015)
E A J Rees	(appointed 31 July 2015)
S Wood	

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 KENT LIMITED

DIRECTORS' REPORT (Continued)

EMPLOYEES

The Company has no employees (2014 none) Services provided by the Company were undertaken by employees of Viridor Waste Management Limited, and policies relating to the training and development and involvement of employees in the affairs, policy and performance of the Company can be found in that Company's Annual Report and Financial Statements

PARENT COMPANY

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

The Company holds a 50% joint venture interest in Shelford Composting Limited

The Company has no subsidiary companies

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 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 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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

INDEPENDENT AUDITORS

In accordance with Section 479A of the Companies Act 2006 ("the Act"), the Company, as a wholly owned subsidiary of a company registered in the United Kingdom, is entitled to exemption from audit as conferred by the Act

By Order of the Board



K SENIOR
Company Secretary

4th December 2015

VIRIDOR WASTE KENT LIMITED

Income statement for the year ended 31 March 2015

	Notes	Before exceptional items 2015 £000	Exceptional items (note 6) 2015 £000	Total 2015 £000	2014 £000
Revenue	5	37,766	-	37,766	47,716
Operating costs	5				
Manpower costs		(2,541)	-	(2,541)	(2,514)
Raw materials and consumables used		(3,945)	-	(3,945)	(5,405)
Other operating expenses		(38,353)	(3,130)	(41,483)	(35,971)
Depreciation and impairment		(644)	(974)	(1,618)	(4,465)
Operating loss		<u>(7,717)</u>	<u>(4,104)</u>	<u>(11,821)</u>	<u>(639)</u>
Finance income		10	-	10	83
Finance costs		(700)	-	(700)	(393)
Net finance cost	8	<u>(690)</u>	<u>-</u>	<u>(690)</u>	<u>(310)</u>
Loss before tax		<u>(8,407)</u>	<u>(4,104)</u>	<u>(12,511)</u>	<u>(949)</u>
Taxation	9	(529)	820	291	2,490
(Loss)/profit for the year		<u>(8,936)</u>	<u>(3,284)</u>	<u>(12,220)</u>	<u>1,541</u>
(Loss)/profit attributable to owners of the parent		<u>(8,936)</u>	<u>(3,284)</u>	<u>(12,220)</u>	<u>1,541</u>

All operating activities are continuing operations

The notes on pages 10 to 28 form part of these financial statements

VIRIDOR WASTE KENT LIMITED

Statement of comprehensive income for the year ended 31 March 2015

	Before exceptional items 2015 £000	Exceptional items (note 6) 2015 £000	Total 2015 £000	2014 £000
Comprehensive (loss)/income attributable to owners of the parent	(8,936)	(3,284)	(12,220)	1,541

The notes on pages 10 to 28 form part of these financial statements

VIRIDOR WASTE KENT LIMITED

Balance sheet as at 31 March 2015

	Notes	2015 £000	2014 £000
Assets			
Non-current assets			
Property, plant and equipment	13	22,946	14,413
Investment in joint venture	14	-	-
Trade and other receivables	15	3,065	3,107
Deferred tax asset	23	1,587	1,630
		<u>27,598</u>	<u>19,150</u>
Current assets			
Inventories	17	192	279
Trade and other receivables	18	19,676	13,849
Cash and cash equivalents	19	501	73
		<u>20,369</u>	<u>14,201</u>
Total assets		<u>47,967</u>	<u>33,351</u>
Equity			
Share capital	25	(950)	(950)
Accumulated losses/(retained earnings)	26	7,522	(4,698)
Total equity		<u>6,572</u>	<u>(5,648)</u>
Liabilities			
Non-current liabilities			
Borrowings	22	(10,077)	(798)
Provisions	24	(16,878)	(11,169)
		<u>(26,955)</u>	<u>(11,967)</u>
Current liabilities			
Borrowings	22	(15,482)	(378)
Trade and other payables	20	(9,095)	(12,963)
Current tax liabilities	21	(716)	(1,123)
Provisions	24	(2,291)	(1,272)
		<u>(27,584)</u>	<u>(15,736)</u>
Total liabilities		<u>(54,539)</u>	<u>(27,703)</u>
Total equity		<u>(47,967)</u>	<u>(33,351)</u>

The notes on pages 10 to 28 form part of these financial statements

For the year ending 31 March 2015 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies

Directors' responsibilities

- (i) the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476,
- (ii) the Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts

The financial statements on pages 5 to 28 were approved by the Board of Directors and authorised for issue on 4th December 2015 and were signed on its behalf by



E A J REES
Director

Registered Number 02751074

VIRIDOR WASTE KENT LIMITED

Statement of changes in equity for the year ended 31 March 2015

	Share capital £000	Retained earnings £000	Total equity £000
As at 1 April 2013	950	3,157	4,107
Profit for the year	-	1,541	1,541
Total comprehensive income for the year	-	1,541	1,541
As at 31 March 2014	950	4,698	5,648
Loss for the year	-	(12,220)	(12,220)
Total comprehensive loss for the year	-	(12,220)	(12,220)
As at 31 March 2015	950	(7,522)	(6,572)

The notes on pages 10 to 28 form part of these financial statements

VIRIDOR WASTE KENT LIMITED

Cash flow statement for the year ended 31 March 2015

	Notes	2015 £000	2014 £000
Cash flows from operating activities			
Cash (used in)/generated from operations	27	(4,641)	3,049
Interest paid		(279)	(76)
Tax paid		(73)	-
Net cash (used in)/generated from operating activities		<u>(4,993)</u>	<u>2,973</u>
Cash flows from investing activities			
Interest received		10	83
Purchase of property, plant and equipment		(10,836)	(3,496)
Proceeds from sale of property, plant and equipment		2,532	718
Net cash used in investing activities		<u>(8,294)</u>	<u>(2,695)</u>
Cash flows from financing activities			
Finance lease principal repayments		(384)	(644)
Proceeds from new borrowings		51,365	-
Repayment of borrowings		(37,266)	-
Net cash generated from/(used in) financing activities		<u>13,715</u>	<u>(644)</u>
Net increase/(decrease) in cash and cash equivalents		428	(366)
Cash and cash equivalents at beginning of the year		73	439
Cash and cash equivalents at end of the year	19	<u>501</u>	<u>73</u>

The notes on pages 10 to 28 form part of these financial statements

VIRIDOR WASTE KENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Viridor Waste Kent 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 2.

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 3.

New or revised standards or interpretations which were mandatory for the first time in the year beginning 1 April 2014 did not have a material impact on the net assets or results of the Company.

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.

(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, Devon, EX2 7HR.

VIRIDOR WASTE KENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Principal accounting policies (continued)

(c) Revenue recognition

Revenue represents the fair value of consideration receivable, 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

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

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) 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 economic lives, and are principally

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

Assets in the course of 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 or losses on disposal are determined by comparing sale proceeds with carrying amounts. These are included in the income statement in other operating expenses

VIRIDOR WASTE KENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Principal accounting policies (continued)

(f) 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

(g) 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 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.

(h) Impairment of non-financial assets

Assets which are subject to depreciation 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.

(i) 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.

The carrying value of the Company's investment is adjusted for the Company's share of post-acquisition post-tax profits or losses recognised in the income statement and statement of comprehensive income. Losses of a joint venture in excess of the Company's interest are not recognised unless the Company has a legal or constructive obligation to fund those losses.

(j) Inventories

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

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term deposits held at banks.

(l) 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.

VIRIDOR WASTE KENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Principal accounting policies (continued)

(m) 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.

(n) 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.

(o) 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 tax group 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.

VIRIDOR WASTE KENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Principal accounting policies (continued)

(p) 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 is 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 at the site.

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.

(q) Share capital

Ordinary shares are classified as equity.

(r) Dividend distributions

Dividend distributions are recognised as a liability in the financial statements in the period 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.

(s) Employee benefits

i) Retirement benefit obligations

The Company participates in defined benefit and defined contribution schemes operated by the ultimate parent, Pennon Group Plc. Costs of the scheme are included in the employment cost recharge from Viridor Waste Management Limited as all employees are contracted to that company.

The Directors consider it appropriate to account for the defined benefit scheme as a defined contribution scheme.

The Directors do not consider there to be a material impact on the financial statements of the Company due to the significant proportion of the scheme assets and liabilities being attributed to Viridor Waste Management Limited, where the required disclosures have been made.

ii) Share-based payment

Pennon Group Plc operates a number of equity-settled, share-based payment plans for its employees. Costs of the schemes are not recharged to the Company by Viridor Waste Management Limited with whom all employees are contracted. Required disclosures have been made within the Financial Statements of Viridor Waste Management Limited.

(t) Exceptional items

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

VIRIDOR WASTE KENT 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, foreign exchange 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

Viridor Waste Management Limited 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 2015, if interest rates on net borrowings had been 0.5% higher/lower with all other variables held constant, post-tax result for the year would have decreased/increased by £30,000 (2014 £7,000).

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.

The Company has not entered into any covenants with lenders.

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 2015					
<i>Non-derivative financial liabilities</i>					
Borrowings excluding finance lease liabilities	14,099	-	-	-	-
Finance lease liabilities	1,462	1,250	3,749	5,463	11,924
31 March 2014					
<i>Non-derivative financial liabilities</i>					
Finance lease liabilities	416	365	464	21	1,266

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 18.

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.

VIRIDOR WASTE KENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management (continued)

(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) 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 updated 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 2014 the Company's environmental and landfill restoration provisions were £14,392,000 (2014 £8,707,000)

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 2015 these assets had a net book value of £1,147,000 (2014 £198,000)

(b) Impairment of non-financial assets

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)

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 activity 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 note 13 of the financial statements.

(c) 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 KENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Critical accounting judgements and estimates (continued)

(d) Site development costs

The development of waste management sites for new projects is subject to obtaining planning permissions. Development costs are capitalised using management's assessment of the likelihood of a successful outcome for each project. To the extent that planning permission is not received any capitalised development costs are expensed.

(e) Carrying value of deferred tax assets

The carrying value of deferred tax assets at 31 March 2015 is £1,587,000 (2014 £1,630,000). The carrying value of the deferred tax asset is supported on the basis that the Company will have sufficient future taxable profits to recover the tax asset as the environmental provisions are utilised and temporary differences unwind.

5. Operating profit

Revenue

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

Operating costs (before exceptional items)

	Notes	2015 £000	2014 £000
Manpower costs	11	2,541	2,514
Raw materials and consumables		3,945	5,405
Other operating expenses include:			
Loss/(profit) on disposal of property plant and equipment		16	(62)
Operating lease rentals payable			
- Land and buildings		1,172	1,295
- Plant and machinery		1,668	1,192
- Other hire charges		18	20
Trade receivables impairment	18	251	50
Power		696	545
Rates		459	494
Hired and contracted services		9,776	12,547
Landfill Tax		14,139	15,065
Other external charges		10,158	3,893
		38,353	35,039
 Depreciation of property, plant and equipment			
- Owned assets		124	1,013
- Leased assets		520	520
		644	1,533

6. Exceptional items

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

	2015 £000	2014 £000
Operating costs		
Impairment of property, plant and equipment (a)	(974)	(2,932)
Environmental and landfill restoration provisions (b)	(1,298)	(932)
Onerous contracts and other (c)	(1,832)	-
Operating loss	(4,104)	(3,864)
Loss before tax	(4,104)	(3,864)
Tax credit arising on exceptional items (d)	820	676
Loss for the year	(3,284)	(3,188)

VIRIDOR WASTE KENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Exceptional items (continued)

- a The impairment charge relates to write-downs of the carrying values of non-current assets in landfill and recycling activities reflecting reduced landfill volumes and recyclate prices. The impairment charge is net of a credit arising from the reassessment of landfill residual values linked to gas production at landfill sites post-closure.
- b 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 revised landfill site operating lives established from the anticipated decline in landfill activity described above.
- c 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.
- d The total tax credit on exceptional items is below the current rate of corporation tax (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).

7. Audit fees

The Company has taken the exemption from audit under Section 479A of the Companies Act 2006 for the year ended 31 March 2015. Accordingly, no audit fees were paid during the year (2014 nil).

8. Net finance income

		2015			2014		
	Note	Finance income £000	Finance cost £000	Total £000	Finance income £000	Finance cost £000	Total £000
Cost of servicing debt							
Bank interest		2	-	2	2	-	2
Interest on bonds		-	-	-	-	(25)	(25)
Guarantee fees payable to ultimate parent undertaking	31	-	(2)	(2)			
Loan to/(from) immediate parent undertaking	31	8	(191)	(183)	81	(3)	78
Loan from fellow subsidiary undertakings	31	-	(251)	(251)	-	(3)	(3)
Other interest		-	-	-	-	(2)	(2)
Interest element of finance lease rentals			(26)	(26)		(10)	(10)
		10	(470)	(460)	83	(43)	(40)
Notional interest							
Unwinding of discount on provisions	24	-	(230)	(230)	-	(350)	(350)
Net finance income		10	(700)	(690)	83	(393)	(310)

9. Taxation

	Note	2015 £000	2014 £000
Analysis of (credit)/charge in year			
Current tax		(334)	(1,235)
Deferred tax	23	43	(1,255)
		(291)	(2,490)

UK corporation tax is calculated at 21% (2014 23%) of the estimated assessable loss for the year.

VIRIDOR WASTE KENT 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 (21%) (2014 23%) from

	2015 £000	2014 £000
Loss on ordinary activities before tax	(12,511)	(949)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK (21%) (2014 23%)	(2,627)	(218)
Effects of		
Expenses not deductible for tax purposes	1,095	27
Group relief not at full rate	-	-
Change of rate of corporation tax	-	245
Adjustments to tax charge in respect of prior years	1,241	(2,544)
	<u>(291)</u>	<u>(2,490)</u>

The average applicable tax rate for the year was 23% (2014 262%)

10 Dividends

	2015 £000	2014 £000
Amounts recognised as distributions to equity holders in the year		
First interim dividend of nil per share (2014 nil)	-	-
Second interim dividend of nil per share (2013 nil)	-	-
	<u>-</u>	<u>-</u>

11. Employment costs

The Company has no employees (2014 none) Services provided by the Company were undertaken by employees of Viridor Waste Management Limited, a fellow subsidiary undertaking of Viridor Waste Limited. Viridor Waste Management Limited charged a service fee to the Company including the amounts recorded below for 73 (2014 75) employees who worked predominantly for the Company

	2015 £000	2014 £000
Employment costs comprise		
Wages and salaries	2,235	2,194
Social security costs	233	225
Pension costs	95	95
Total employment costs	<u>2,563</u>	<u>2,514</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

	2015 £000	2014 £000
<i>Charged as follows</i>		
Manpower costs	2,541	2,514
Assets under construction	22	-
	<u>2,563</u>	<u>2,514</u>

VIRIDOR WASTE KENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Directors' emoluments

	2015 £000	2014 £000
Aggregate emoluments of the Directors in respect of their services to the Company	16	22

The Company incurred no direct charge for Directors' emoluments but received a proportion of the employment costs of the Directors as a management charge from Viridor Waste Management Limited. Total emoluments of the Directors are disclosed in the Financial Statements of Viridor Waste Management Limited.

13. 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 2013	17,344	6,956	2,261	10,073	2,190	38,824
Additions	382	71	-	8	4,159	4,620
Disposals	-	-	-	(1,455)	-	(1,455)
Other (note 24)	-	-	(406)	-	-	(406)
At 31 March 2014	17,726	7,027	1,855	8,626	6,349	41,583
Additions	238	15	-	-	10,933	11,186
Disposals	(2,243)	-	-	(1,134)	-	(3,377)
Transfers/reclassifications	2,176	-	-	533	(2,709)	-
Other (note 24)	-	-	1,512	-	-	1,512
At 31 March 2015	17,897	7,042	3,367	8,025	14,573	50,904
Accumulated depreciation and impairment :						
At 1 April 2013	8,258	6,431	1,367	7,448	-	23,504
Charge for year	-	-	451	1,082	-	1,533
Impairment charge (note 6)	3,112	-	(161)	(19)	-	2,932
Disposals	-	-	-	(799)	-	(799)
At 31 March 2014	11,370	6,431	1,657	7,712	-	27,170
Charge for year	-	-	201	441	-	642
Impairment charge (note 6)	-	611	362	1	-	974
Disposals	-	-	-	(828)	-	(828)
Transfers/reclassifications	2,176	-	-	(2,176)	-	-
At 31 March 2015	13,546	7,042	2,220	5,150	-	27,958
Net book value :						
At 1 April 2013	9,086	525	894	2,625	2,190	15,320
At 31 March 2014	6,356	596	198	914	6,349	14,413
At 31 March 2015	4,351	-	1,147	2,875	14,573	22,946

Asset lives and residual values are reviewed annually.

In the opinion of the Directors, there is no material difference between the market value and net book value of land and buildings.

The increase £1,512,000 in landfill restoration recognised in the year (2014 £406,000 decrease) has been matched with an increase (2014 reduction) to environmental provisions.

VIRIDOR WASTE KENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. 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 £974,000 for property, plant and equipment have been identified relating to certain CGUs in landfill (£973,000) and recycling (£1,000) activities, to reflect reduced landfill volumes and recycle prices. 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 and 8.5% for recycling	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 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.	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.

Assets held under finance leases included above

Fixed and mobile
plant, vehicles
and computers
£000

Cost

At 31 March 2014	1,873
At 31 March 2015	1,847

Accumulated depreciation

At 31 March 2014	743
At 31 March 2015	1,691

Net book value

At 31 March 2014	1,130
At 31 March 2015	156

VIRIDOR WASTE KENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Investment in joint venture

The Company is the holder of 50% of the issued share capital of Shelford Composting Limited, a company registered in England whose principal business is recycling and composting. The cost and the carrying value of the investment at 31 March 2015 was £50 (2014 £50)

15. Trade and other receivables – non-current

	2015 £000	2014 £000
Prepayment of restoration expenditure	<u>3,065</u>	<u>3,107</u>

The Directors consider that due to the discounting of the associated provision for restoration, the carrying amount of prepayments approximates to their fair value

16. Financial instruments by category

	Note	Loans and receivables £000	Amortised cost Trade receivables and trade payables £000	Total £000
31 March 2015				
Financial assets				
Trade and other receivables	18	-	19,166	19,166
Cash and cash equivalents	19	501	-	501
Total		<u>501</u>	<u>19,166</u>	<u>19,667</u>
Financial liabilities				
Borrowings	22	(25,505)	-	(25,505)
Trade and other payables	20	-	(3,208)	(3,208)
Total		<u>(25,505)</u>	<u>(3,208)</u>	<u>(28,713)</u>
31 March 2014				
Financial assets				
Trade and other receivables	18	1,565	10,963	12,528
Cash and cash equivalents	19	73	-	73
Total		<u>1,638</u>	<u>10,963</u>	<u>12,601</u>
Financial liabilities				
Borrowings	22	(1,176)	-	(1,176)
Trade and other payables	20	-	(4,731)	(4,731)
Total		<u>(1,176)</u>	<u>(4,731)</u>	<u>(5,907)</u>

17. Inventories

	2015 £000	2014 £000
Raw materials and consumables	<u>192</u>	<u>279</u>

VIRIDOR WASTE KENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Trade and other receivables - current	2015	2014
	£000	£000
Trade receivables	2,661	3,721
Less trade receivables impairment	(61)	-
Net trade receivables	2,600	3,721
Amounts due from ultimate parent undertaking	32	-
Amounts due from immediate parent undertaking	14,682	6,199
Amounts due from fellow subsidiary undertakings	1,852	2,608
Prepayments and accrued income	510	1,321
	19,676	13,849

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

As at 31 March 2015, trade receivables of £1,352,000 (2014 £2,578,000) were fully performing

As at 31 March 2015, trade receivables of £1,270,000 (2014 £1,143,000) were past due, of which £22,000 were impaired. These primarily relate to government agencies and significant corporate customers with no history of default. The ageing analysis of these trade receivables is as follows:

	2015	2014
	£000	£000
Past due by up to one month	1,189	907
Past due by more than one but less than four months	81	236
	1,270	1,143

As at 31 March 2015 trade receivables of £39,000 (2014 nil) were more than four months overdue, the total balance was provided for (2014 nil). The provision relates to those debts in industry sectors known to be vulnerable to economic swings or who have ceased trading at the balance sheet date.

	Note	2015	2014
		£000	£000
Movement in trade receivables impairment provision			
At start of year		-	20
Increase in receivables impairment	5	251	50
Receivables written off during the year as uncollectible		(190)	(72)
At end of year		61	-

19. Cash and cash equivalents	2015	2014
	£000	£000
Cash at bank and in hand	501	73

20. Trade and other payables – current	2015	2014
	£000	£000
Trade payables	994	2,178
Amounts due to ultimate parent undertaking	22	-
Amounts due to immediate parent undertaking	1,188	1,408
Amounts due to fellow subsidiary undertakings	1,004	1,145
Taxation and social security	4,768	4,967
Accruals and deferred income	1,119	3,265
	9,095	12,963

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

VIRIDOR WASTE KENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Current tax liabilities

	2015 £000	2014 £000
UK corporation tax	716	1,123

22. Borrowings

	2015 £000	2014 £000
Current		
Obligations under finance leases	1,383	378
Amounts due to immediate parent undertaking	14,099	-
	<u>15,482</u>	<u>378</u>
Non-current		
Obligations under finance leases	10,077	798
	<u>10,077</u>	<u>798</u>
Total borrowings	<u>25,559</u>	<u>1,176</u>

The Directors consider that the carrying amounts of current and non-current borrowings approximate to their fair value

	2015 £000	2014 £000
The maturity of non-current borrowings is		
Between one and two years	1,255	337
Between two and five years	3,488	440
Over five years	5,334	21
	<u>10,077</u>	<u>798</u>

The weighted average maturity of non-current borrowings was 4.8 years (2014 2.2 years)

	2015 £000	2014 £000
Finance lease liabilities – minimum lease payments		
Within one year	1,462	416
In the second to fifth years inclusive	4,999	829
After five years	5,463	21
	<u>11,924</u>	<u>1,266</u>
Less future finance charges	(464)	(90)
	<u>11,460</u>	<u>1,176</u>

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

23. Deferred tax asset

Deferred tax is provided in full on temporary differences under the liability method using a tax rate of 20% (2014 20%)

	2015 £000	2014 £000
Movements on the deferred tax account were		
At 1 April	1,630	375
(Charged)/credited to the income statement	(43)	1,255
At 31 March	<u>1,587</u>	<u>1,630</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 Finance (No 2) Act 2015 contains the following reductions of the rate of corporation tax from 1 April 2017 the rate will be 19% with a further reduction to 18% from 1 April 2020. The changes had not been substantially enacted at 31 March 2015, however if the changes are fully enacted the effect would be to reduce the deferred tax balance by an estimated £159,000

VIRIDOR WASTE KENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 Deferred tax asset (continued)

Movements in deferred tax assets and liabilities during the year were

Deferred tax asset/(liability)

	Accelerated tax depreciation £000	Provisions £000	Total £000
At 1 April 2013	12	363	375
Credited/(charged) to the income statement	(121)	1,376	1,255
At 31 March 2014	(109)	1,739	1,630
(Charged)/credited to the income statement	43	(86)	(43)
At 31 March 2015	(66)	1,653	1,587

24. Provisions

	At 1 April 2014 £000	Charged to the income statement as operating costs £000	Landfill restoration £000	Charged to the income statement as exceptional items (note 6) £000	Utilised £000	At 31 March 2015 £000
Landfill restoration and environmental provisions	8,707	3,078	1,512	1,298	(203)	14,392
Onerous contracts	3,414	96	-	1,832	(985)	4,357
Other	320	113	-	-	(13)	420
	12,441	3,287	1,512	3,130	(1,201)	19,169

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.

The amount charged to the income statement as operating costs includes £230,000 (2014 £350,000) charged to finance costs for the unwinding of discounts in provisions.

The increase in the landfill restoration provision of £1,512,000 (2014 £406,000 reduction) recognised in the year has been matched with an increase (2014 disposal) to property, plant and equipment.

Other provisions of £420,000 (2014 £320,000) 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

	2015 £000	2014 £000
Current	2,291	1,272
Non-current	16,878	11,169
	19,169	12,441

VIRIDOR WASTE KENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Share capital

	Allotted, called up and fully paid £000
At 1 April 2013	
950,000 ordinary shares of £1 each	950
At 31 March 2014	950
At 31 March 2015	950

26. Retained earnings

	£000
At 1 April 2013	3,157
Profit for the year	1,541
At 31 March 2014	4,698
Loss for the year	(12,220)
At 31 March 2015	(7,522)

27. Cash flow from operating activities

Reconciliation of profit/loss for the year to cash generated from operations

Cash (used in)/generated from operations

	2015 £000	2014 £000
Profit/(loss) for the year	(12,220)	1,541
Adjustments for		
Loss/(profit) on disposal of property, plant and equipment	16	(62)
Depreciation charge	644	1,533
Exceptional impairment of property, plant and equipment	974	2,932
Exceptional provision charge	3,130	932
Finance income	(10)	(83)
Finance costs	700	393
Taxation	(291)	(2,490)
Changes in working capital		
Decrease in inventories	87	15
Decrease/(increase) in trade and other receivables	4,883	(139)
(Decrease)/increase in trade and other payables	(4,219)	430
Increase/(decrease) in provisions	1,665	(1,953)
Cash (used in)/generated from operations	(4,641)	3,049

VIRIDOR WASTE KENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 Operating lease commitments

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

	2015 £000	2014 £000
Within one year	1,159	1,169
Later than one year and less than five years	3,402	3,880
After five years	6,434	4,919
	10,995	9,968

The Company leases various facilities under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The Company also leases plant and machinery under non-cancellable operating lease agreements.

29. Contingent liabilities

	2015 £000	2014 £000
Bank guarantees	500	72
Performance bonds	4,838	5,495
	5,338	5,567

Certain banking arrangements of the Company operate on a pooled basis with certain other Pennon Group Plc companies and under these arrangements, credit balances of participating companies can be offset against overdrawn balances of participating companies.

The performance bonds represent guarantee bonds issued by the Company's bankers in respect of various landfill sites. Performance bonds issued after 21 June 2005 are indemnified by the Company and counter indemnified by Pennon Group Plc.

No liability is expected to arise in respect of the guarantees.

30. Capital commitments

	2015 £000	2014 £000
Contracted but not provided	46,844,396	47

VIRIDOR WASTE KENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. Related party transactions

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

	2015 £000	2014 £000
<i>Ultimate parent undertaking</i>		
Guarantee fees	(2)	-
<i>Immediate parent undertaking</i>		
Sale of goods and services	1,254	2,279
Purchase of goods and services	(1,352)	(1,063)
Administrative recharges	(1,019)	(1,292)
Interest receivable	8	81
Interest payable	(191)	(3)
<i>Fellow subsidiary undertakings</i>		
Sale of goods and services	18,987	20,371
Purchase of goods and services	(1,139)	(78)
Interest payable	(251)	(3)
Year end balances	2015 £000	2014 £000
<i>Receivables</i>		
Amounts due from ultimate parent undertaking – trading and other	32	-
Amounts due from immediate parent undertaking – trading and other	19,676	4,634
Amounts due from immediate parent undertaking – loan	-	1,565
Amounts due from fellow subsidiary undertakings – trading and other	1,852	2,608
<i>Payables</i>		
Amounts due to ultimate parent undertaking – trading and other	(22)	-
Amounts due to immediate parent undertaking – trading and other	(1,188)	(1,408)
Amounts due to immediate parent undertaking – loans	(14,099)	-
Amounts due to fellow subsidiary undertakings – trading and other	(1,004)	(1,145)

Interest is receivable on the amounts due from the immediate parent undertaking. Interest is charged on a daily basis with 50% of the debt charged at 6.0% and 50% of the debt charged at Barclays Bank Plc base rate +0.25%.

Interest is payable on the same basis and at the same rates on any short term working capital balances within trade and other payables.

The loans and balances are unsecured and repayable on demand.

32. Ultimate parent undertaking

The Company is a wholly owned subsidiary of Viridor Waste Management 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.

The Company has no subsidiary companies but holds a 50% joint venture interest in Shelford Composting Limited.