

Registered Number 1992756

VIRIDOR LONDON RECYCLING LIMITED
(formerly LONDON RECYCLING LIMITED)

REPORT AND
FINANCIAL STATEMENTS FOR THE PERIOD
1 SEPTEMBER 2009 TO 31 MARCH 2010



VIRIDOR LONDON RECYCLING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the seven months ended 31 March 2010

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VIRIDOR LONDON RECYCLING LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the seven months ended 31 March 2010

PRINCIPAL ACTIVITIES

On 5 June 2009 the entire share capital of the Company was acquired by Viridor Waste Management Limited a Company registered in England

On 10 June 2009 the Company's name was changed to Viridor London Recycling Limited

On 30 November 2009, the business, trade and net assets of the Company were sold at net book value to Viridor Waste Management Limited, the immediate parent company. The Company ceased trading at that date.

Prior to the cessation of trade the Company's principal activity during the period continued to be the collection and recycling of paper and plastics.

BUSINESS REVIEW

Financial results

All numbers in this Annual Report are published for the first time in accordance with International Financial Reporting Standards (IFRS). The Company's transition date to IFRS is 1 September 2008 and opening balances and comparative measurements of performance have been restated to reflect the adoption of IFRS. The principal differences between UK Generally Accepted Accounting Principles (UK GAAP) and IFRS are shown in note 26 of the notes to the financial statements.

The Company has changed its Accounting Reference Date (ARD) to 31 March in order to be in line with the Viridor Group, hence this report reflects a seven month period from 1 September to 31 March 2010.

The Company made a loss for the period to 31 March 2010 of £1,257,000 (2009 full-year profit of £636,000) which has been withdrawn from reserves. The underlying performance of the Company was in line with expectations.

Exceptional costs of £1,334,000 were incurred as a result of harmonisation with Viridor policies and standards. These costs are further explained in notes 5 of the financial statements.

The Company's taxation position results in a tax credit of £295,000 (2009 charge £294,000).

Investment

The Company made no capital investment in the period (2009 £142,000).

Financing

On transfer of trade all external debts were transferred to Viridor Waste Management Limited. There was a cash outflow of £494,000 (2009 cash generated £449,000).

Dividends and reserves

The Company did not pay a dividend during the period (2009 £300,000 per ordinary share totalling £300,000). The Directors do not recommend the payment of a final dividend for the period ended 31 March 2010.

£1,257,000 loss was withdrawn from reserves, (2009 £636,000 transferred to reserves), with the balance at 31 March 2010 standing at £1,549,000 (2009 £2,806,000).

Principal risks and uncertainties

As the Company has ceased trading its principal risks arise only from unforeseen claims.

Financial risk management

The Directors have adopted a range of policies to minimise the risks arising from transactions in the ordinary course of business. These policies are further discussed under "Accounting policies" at note 3 (a to c), and on pages 41-43 of the Annual Report of Viridor Limited.

VIRIDOR LONDON RECYCLING LIMITED

DIRECTORS' REPORT (Continued)

Key performance indicators ("KPIs")

The Directors perform regular reviews of Viridor as a whole, which includes the Company, to assess the overall position of the business throughout the year. The full business review can be found in the consolidated accounts of Viridor Limited. The Directors consider the results of this period are not comparable with past performance because of the change in ownership, the cessation of trade and the short accounting period.

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. The Pennon Group has a long-established environmental policy, as set out in its annual Corporate Responsibility Report, which does not form part of this Report.

Employees

The Company has no employees. Services provided by the Company were undertaken by employees of Viridor Waste Management Limited, an intermediate parent undertaking, and policies relating to the training and development and involvement in the affairs, policy and performance of the Company can be found in that company's report and accounts.

PARENT COMPANY

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

DIRECTORS

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

M Hellings
D B Robertson
B S Hurley

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 elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state that the financial statements comply with IFRS as adopted by the European Union, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that 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.

VIRIDOR LONDON RECYCLING LIMITED

DIRECTORS' REPORT (Continued)

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP are deemed to be reappointed auditors of the Company in accordance with Section 487(2) of the Companies Act 2006 PricewaterhouseCoopers LLP have indicated their willingness to continue as auditors

By Order of the Board



M L Heeley
Secretary

2010

VIRIDOR LONDON RECYCLING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VIRIDOR LONDON RECYCLING LIMITED

We have audited the financial statements of Viridor London Recycling Limited for the seven months ended 31 March 2010 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out in the Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2010 and of its loss and cash flows for the period then ended,
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

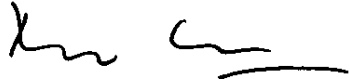
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.


David Charles (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
31 Great George Street, Bristol, BS1 5QD

13 December 2010

VIRIDOR LONDON RECYCLING LIMITED

Income statement for the period ended 31 March 2010

		Seven months to 31 March 2010			Year to 31 August 2009
	Notes	Before exceptional items £000	Exceptional items (notes 5 and 8) £000	Total £000	£000
Revenue		2,037	-	2,037	8,354
Operating costs	5				
Manpower costs		(530)	-	(530)	(2,624)
Raw materials and consumables used		(756)	-	(756)	(3,255)
Depreciation		(68)	(494)	(562)	(268)
Other operating expenses		(923)	(840)	(1,763)	(1,156)
Operating (loss)/profit		(240)	(1,334)	(1,574)	1,051
Finance income	7	22	-	22	3
Finance costs	7	-	-	-	(124)
(Loss)/profit before tax		(218)	(1,334)	(1,552)	930
Taxation	8	(23)	318	295	(294)
(Loss)/profit for the year		(241)	(1,016)	(1,257)	636
(Loss)/profit attributable to equity shareholders		(241)	(1,016)	(1,257)	636

All operating activities are discontinued

The notes on pages 10 to 24 form part of these financial statements

VIRIDOR LONDON RECYCLING LIMITED

Statement of comprehensive income for the period ended 31 March 2010

	Seven months to 31 March 2010	Year to 31 August 2009
Comprehensive (loss)/income attributable to equity shareholders	<u>(1,257)</u>	<u>636</u>

The notes on pages 10 to 24 form part of these financial statements

VIRIDOR LONDON RECYCLING LIMITED

Balance sheet at 31 March 2010

		31 March 2010	31 August 2009	31 August 2008
		£000	(Restated note 26) £000	(Restated note 26) £000
Assets	Notes			
Non-current assets				
Property, plant and equipment	12	-	3,190	3,318
Current assets				
Inventories	14	-	66	64
Trade and other receivables	15	1,550	1,604	1,744
Cash and cash deposits	16	-	630	280
		1,550	2,300	2,088
Liabilities				
Current liabilities				
Borrowings	19	-	(219)	(479)
Trade and other payables	17	-	(1,838)	(887)
Current tax	18	-	(280)	(164)
		-	(2,337)	(1,530)
Net current assets/(liabilities)		1,550	(37)	558
Non-current liabilities				
Borrowings	19	-	(177)	(1,231)
Deferred tax	20	-	(169)	(174)
		-	(346)	(1,405)
Net assets		1,550	2,807	2,471
Shareholders' equity				
Share capital	22	1	1	1
Retained earnings	23	1,549	2,806	2,470
Total shareholders' equity		1,550	2,807	2,471

The notes on pages 10 to 24 form part of these financial statements

The financial statements on pages 5 to 24 were approved by the Board of Directors and authorised for issue on 2010 and were signed on its behalf by



D B Robertson
Director

Registered number 1992756

VIRIDOR LONDON RECYCLING LIMITED

Statement of changes in equity

	Share capital £000	Retained earnings (Restated note 26) £000	Total equity (Restated note 26) £000
As at 1 September 2008	1	2,470	2,471
Profit for the year	-	636	636
Total comprehensive income for the year	-	636	636
<i>Transactions with owners</i>			
Dividends paid	-	(300)	(300)
As at 31 August 2009	1	2,806	2,807
Loss for the period	-	(1,257)	(1,257)
Total comprehensive loss for the period	-	(1,257)	(1,257)
<i>Transactions with owners</i>			
Dividends paid	-	-	-
As at 31 March 2010	1	1,549	1,550

The notes on pages 10 to 24 form part of these financial statements

VIRIDOR LONDON RECYCLING LIMITED

Cash flow statement for the period ended 31 March 2010

	Notes	Seven months to 31 March 2010	Year to 31 August 2009
Cash flows from operating activities			
Cash flow (used in)/generated from operations	24	(429)	2,390
Interest paid		-	(124)
Tax paid		-	(183)
Net cash flow (used in)/generated from operating activities		<u>(429)</u>	<u>2,083</u>
Cash flows from investing activities			
Interest received		-	3
Purchase of property, plant and equipment		-	(142)
Proceeds from sale of property, plant and equipment		-	1
Net cash used in investing activities		<u>-</u>	<u>(138)</u>
Cash flows from financing activities			
Finance lease principal repayments		(65)	(149)
Repayment of borrowings		-	(1,047)
Dividends paid		-	(300)
Net cash used in financing activities		<u>(65)</u>	<u>(1,496)</u>
Net (decrease)/increase in cash and cash equivalents		(494)	449
Cash and cash equivalents at beginning of the year		494	45
Cash and cash equivalents at end of the year	16	<u>-</u>	<u>494</u>

The notes on pages 10 to 24 form part of these financial statements

VIRIDOR LONDON RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Viridor London Recycling 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, EX2 7HR. The nature of the Company's operations and its principal activities are set out in the Directors' report on pages 1 to 3.

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 in accordance with International Financial Reporting Standards (IFRS) using the historical cost convention and going concern assumption, and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union, 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 in the year.

The following revised standard, amended standard, new standard and interpretation of existing standard have been adopted as of 1 April 2009 and are relevant to the Company:

IAS 1 "Presentation of financial statements" (revised)

The revised standard requires non-owner changes in equity to be presented separately from owner changes in equity. The Company has elected to present two statements, an income statement and a statement of comprehensive income.

IFRS 7 "Financial Instruments: Disclosures" (amendment)

The amended standard requires the classification of fair value measurements using a fair value hierarchy which reflects the significance of the inputs used in making the measurement. As the Company holds no derivative financial instruments, the adoption of this standard has no impact on the financial statements.

The following revised standards, amended standards and interpretations, which are mandatory for the first time in the financial period beginning 1 September 2009, are relevant to the Company but have no material impact:

IAS 23 "Borrowing costs" (revised)

IFRS 2 "Share-based payment" (amendment)

IAS 32 "Financial instruments: presentation" (amendment) and consequential amendments to IAS 1 "Presentation of financial statements"

Improvements to IFRSs 2008

IAS 39 "Financial instruments: recognition and measurement" (amendment)

IAS 39 "Financial instruments: recognition and measurement" (amendment) and consequential amendments to IFRS 7 "Financial instruments: disclosures"

IFRIC 9 & IAS 39 "Reassessment of embedded derivatives" amendments to IFRIC 9 and IAS 39 regarding embedded derivatives"

IFRIC 12 "Service concession arrangements"

IFRIC 14 "IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction"

At the date of approval of these financial statements the following revised standards, amended standards and interpretations, which have not been applied in these financial statements, were in issue, but not yet effective:

IAS 27 "Consolidated and separate financial statements" (revised)

IFRS 3 "Business combinations" (revised)

Improvements to IFRSs 2009

VIRIDOR LONDON RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Principal accounting policies (continued)

(a) Basis of preparation (continued)

IFRS 2	"Share-based payment" (amendment)
IFRS 1	"First-time adoption of IFRS" (revised)
IAS 32	"Financial instruments presentation"
IFRS 9	"Financial instruments"
IAS 24	"Related party disclosures"
IFRS 1	"First-time adoption of IFRS" (amendment)
IFRIC 14	"Prepayments a minimum funding requirement"
IFRIC 15	"Agreements for the construction of real estate"
IFRIC 16	"Hedges of a net investment in a foreign operation"
IFRIC 17	"Distribution of non-cash assets to owners"
IFRIC 18	"Transfers of assets from customers"
IFRIC 19	"Extinguishing financial liabilities with equity instruments"

The presentational impact of these standards and interpretations is being assessed. The Directors expect that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company.

The preparation of financial statements in conformity with generally accepted accounting principles 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 period. 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. Details of critical accounting judgements and estimates are set out in note 4.

(b) 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.

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

(c) Property, plant and equipment

Other assets (including properties, over-ground plant and equipment)

Property, plant and equipment are included at cost less accumulated depreciation.

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

Assets are depreciated evenly over their estimated economic lives to their residual value, which are principally as follows:

Leasehold buildings	Over the life of the lease
Fixed and mobile plant	15% reducing balance
Fittings, equipment and motor vehicles	25% reducing balance

VIRIDOR LONDON RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Principal accounting policies (continued)

(c) Property, plant and equipment (continued)

The cost of assets includes directly attributable labour and overhead costs which are incremental to the Company. Borrowing costs directly attributable to the construction of a qualifying asset (an asset which necessarily takes 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.

(d) 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.

(e) Cash and cash deposits

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

(f) Derivatives and 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. Premiums, 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 and are recognised initially 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(g) Taxation including deferred tax

The tax charge for the period is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date. Deferred tax is provided in full, using the liability method, on temporary differences between the tax basis of assets and liabilities and their carrying amounts in the financial statements. A deferred tax asset is only recognised to the extent it is probable that sufficient taxable profits will be available in the future for it to be utilised.

Where the surrendering or claimant company is not a wholly owned subsidiary within the Viridor group, the surrender of tax losses takes place at a consideration based on the discounted value of the tax losses available.

(h) Share capital

Ordinary shares are classified as equity.

VIRIDOR LONDON RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Principal accounting policies (continued)

(i) Employee benefits

i) *Retirement benefit obligations*

The Company participates in both defined benefit and defined contribution schemes operated by the ultimate parent, Pennon Group Plc. Costs of the schemes 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 accounts of Viridor Waste Management Limited.

(j) 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 parent company loans and other loans due in more than one year 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.

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 Pennon Group Plc, its ultimate parent company, which seeks to ensure that sufficient funding is available to meet foreseeable needs, maintains reasonable headroom for contingencies and manages inflation and interest rate risk.

The principal financial risks faced by the Company can be found in the annual report and financial statements of Viridor Limited, the intermediate holding company.

Financial instruments are used to raise finance and to manage risk and optimise the use of surplus funds. Pennon Group Plc does not engage in speculative activity.

i) *Market risk*

Pennon Group Plc ensures that at least 50% of fixed term interest bearing borrowing available to the Company is at fixed rate. At the year end the Company had no borrowings (2009 the Company had no borrowings at fixed rate).

The principal market risks faced by the Company can be found in the annual report and financial statements of Viridor Limited, the intermediate holding company.

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 and planned expansions equivalent to at least one year's forecast requirements are maintained at all times.

Refinancing risk is managed under Pennon Group Plc policies.

The Company has not entered into any covenants with lenders.

VIRIDOR LONDON RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 Financial risk management (continued)

(a) Financial risk factors (continued)

ii) *Liquidity risk (continued)*

Contractual undiscounted cash flows were

	Due within 1 year £000	Due between 1 and 2 years £000	Due between 2 and 5 years £000	Total £000
31 March 2010				
<i>Non-derivate financial liabilities</i>				
Borrowings excluding finance leases liabilities	-	-	-	-
Finance lease liabilities	-	-	-	-
	-	-	-	-
31 August 2009				
<i>Non-derivate financial liabilities</i>				
Borrowings excluding finance leases liabilities	136	-	-	136
Finance lease liabilities	95	92	96	283
	231	92	96	419

iii) *Credit risk*

Credit and counterparty risk arises from cash and cash deposits 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 15.

Counterparty risk arises from the investment of surplus funds which are pooled with certain other Pennon Group companies. Surplus funds of the group 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.

(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 determination of fair values is common throughout the Viridor group of companies, details of which can be found in the annual report and financial statements of Viridor Limited, the intermediate holding company.

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.

The area which management believes require the most critical accounting judgements is

Carrying value of property, plant and equipment

The Company's accounting policy for property, plant and equipment is detailed in note 2. All property, plant and equipment was transferred to Viridor Waste Management Limited, the immediate parent undertaking, on 30 November 2009. At 31 March 2010 the carrying value of property, plant and equipment was nil, (31 August 2009 £3,190,000). In the period ended 31 March 2009 there were no additions to property, plant and equipment (2009 £142,000) and the depreciation charge was £562,000 (2009 £268,000). The estimated useful economic lives of property, plant and equipment are based on management's judgement and experience. When management identifies that actual useful lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Historically, only minor changes to estimated useful lives have been required.

VIRIDOR LONDON RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 Operating costs

	Seven months to 31 March 2010 £000	Year to 31 August 2009 £000
Manpower costs (note 9)	530	2,624
Raw materials and consumables	756	3,255
Other operating expenses		
Loss on sale of fixed assets	-	2
Operating lease rentals payable		
- Property	26	71
Power	11	54
Rates	10	113
Hired and contracted services	322	114
Other external charges	554	802
	923	1,156
Depreciation of property, plant and equipment		
- Owned assets	68	157
- Leased assets	-	111
	68	268
Exceptional items		
The items charged to this category recognise potential liabilities identified at the acquisition, together with those identified as associated with adoption of Viridor Waste Group policies and can be summarised as		
<i>Depreciation</i> – Write down of plant, vehicles, and equipment values	494	-
<i>Other operating expenses</i> – Provisions for remediation	840	-

6 Audit

	Seven months to 31 March 2010 £000	Year to 31 August 2009 £000
Fees payable to the Company's auditors included in 'Other external charges' above, for the audit of the Company's accounts in the period/year were paid by Viridor Waste Management Limited, the immediate parent undertaking, and recharged	4	7

VIRIDOR LONDON RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 Net Finance income

	Seven months to 31 March 2010 £000	Year to 31 August 2009 £000
<i>Finance income</i>		
Bank interest	22	3
<i>Finance costs</i>		
Bank interest	-	(103)
Interest element of finance lease rentals	-	(21)
	-	(124)
Net finance income	22	(121)

8 Taxation

	Seven months to 31 March 2010 £000	Year to 31 August 2009 £000
Analysis of (credit)/charge in year		
Current tax	-	299
Deferred tax (note 20)	(295)	(5)
	(295)	294

The tax assessed for the period/year differs from the UK standard rate of corporation tax (28%)

The differences are explained below

(Loss)/profit before tax Continuing operations	(1,552)	930
Profit before tax multiplied by UK standard rate of corporation tax of 28% (2009 28%)	(435)	260
Effects of		
Expenses not deductible for tax purposes	59	14
Group relief not surrendered at full rate	52	-
Adjustments to tax charge in respect of prior year	29	20
Tax charge for year	(295)	294

The average applicable tax rate for the period was 19% (2009 32%)

VIRIDOR LONDON RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 Employment costs

The Company has no employees. Services provided by the Company were undertaken by employees of Viridor Waste Management Limited, the parent undertaking. Viridor Waste Management Limited charged a service fee to the Company including the amounts recorded below for 86 (2009 86) employees who worked predominantly for the Company.

	Seven months to 31 March 2010 £000	Year to 31 August 2009 £000
<i>Employment costs comprise</i>		
Wages and salaries	495	2,356
Social security costs	25	223
Pension costs	10	45
Total employment costs	<u>530</u>	<u>2,624</u>

Details of Directors' emoluments are set out in note 10. 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.

10 Directors' emoluments

	Seven months to 31 March 2010 £000	Year to 31 August 2009 £000
Aggregate emoluments of the Directors in respect of their services to the Company	<u>-</u>	<u>247</u>

No emoluments were paid to Directors in respect of their services to the Company during the year ended 31 March 2010. The Company incurred no direct charge for Directors' services; their emoluments are disclosed in the accounts of Viridor Waste Management Limited.

11 Dividends

	Seven months to 31 March 2010 £000	Year to 31 August 2009 £000
Amounts recognised as distributions to equity holders in the year		
2009 interim dividends totalling £300.00 per ordinary share	<u>-</u>	<u>300</u>

VIRIDOR LONDON RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Property, plant and equipment

	Leasehold land and buildings £000	Fixed and mobile plant, vehicles and computers £000	Total £000
Cost			
At 1 September 2008	2,685	2,331	5,016
Additions	-	142	142
Disposals	-	(5)	(5)
At 31 August 2009	2,685	2,468	5,153
Disposals	(2,685)	(2,468)	(5,153)
At 31 March 2010	-	-	-
Depreciation			
At 1 September 2008	316	1,381	1,697
Charge for year	47	221	268
Disposals	-	(2)	(2)
At 31 August 2009	363	1,600	1,963
Charge for period	12	550	562
Disposals	(375)	(2,150)	(2,525)
At 31 March 2010	-	-	-
Net book value			
At 31 August 2009	2,322	868	3,190
At 31 March 2010	-	-	-

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.

Assets held under finance leases included above

	Fixed and mobile plant, vehicles and computers £000
Cost	
At 31 August 2009	613
At 31 March 2010	-
Depreciation	
At 31 August 2009	272
At 31 March 2010	-
Net book amount	
At 31 August 2009	341
At 31 March 2010	-

VIRIDOR LONDON RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial instruments by category

		Amortised cost		
		Loans and receivables £000	Trade receivables and trade payables £000	Total £000
31 March 2010				
Financial assets				
Trade and other receivables - current	15	-	1,550	1,550
31 August 2009				
Financial assets				
Trade and other receivables - current	15	-	1,435	1,435
Cash and cash deposits	16	630	-	630
Total		630	1,435	2,065
Financial liabilities				
Borrowings	19	(396)	-	(396)
Trade and other payables	17	-	(1,611)	(1,611)
Total		(396)	(1,611)	(2,007)

14 Inventories

	31 March 2010 £000	31 August 2009 £000
Raw materials and consumables	-	66

15 Trade and other receivables - current

	31 March 2010 £000	31 August 2009 £000
Trade receivables	-	1,435
Amounts owed by parent undertaking	1,550	-
Other debtors	-	169
	1,550	1,604

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

VIRIDOR LONDON RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 Cash and cash deposits

	31 March 2010 £000	31 August 2009 £000
Cash and cash deposits	-	630

The effective interest rate on short-term deposits was 0.54% (2009 1.4%) and these deposits had an average maturity of one day (2009 one day)

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

	31 March 2010 £000	31 August 2009 £000
Cash and cash deposits as above	-	630
Bank overdrafts (note 19)	-	(136)
	-	494

17 Trade and other payables - current

	31 March 2010 £000	31 August 2009 £000
Trade payables	-	625
Amounts owed to fellow subsidiary undertakings	-	986
Other tax and social security	-	219
Accruals	-	8
	-	1,838

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

18 Current tax

	31 March 2010 £000	31 August 2009 £000
Corporation tax	-	280

19 Borrowings

	31 March 2010 £000	31 August 2009 £000
Current		
Bank overdraft	-	136
Obligations under finance leases	-	83
	-	219
Non-current		
Obligations under finance leases	-	177
Total borrowings	-	396

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

VIRIDOR LONDON RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 Borrowings (continued)

	31 March 2010 £000	31 August 2009 £000
Finance lease liabilities – minimum lease payments		
Within one year	-	95
In the second to fifth years inclusive	-	188
	-	283
Less future finance charges	-	(23)
	-	260
The maturity of non-current borrowings is	31 March 2010 £000	31 August 2009 £000
Between 1 and 2 years	-	84
Between 2 and 5 years	-	93
	-	177

The effective interest rate at the balance sheet date and the exposure to interest rate changes and the re-pricing dates was

	Effective rate %	6 months or less £000
31 August 2009		
Obligations under finance leases	5.7	260

20 Deferred tax

Deferred tax is provided in full on temporary differences under the liability method using a tax rate of 28% (2009 28%)

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 IAS12. The movement in deferred tax assets and liabilities is shown below

Assets/(liabilities)	Accelerated tax depreciation (Restated note 26) £000	Provisions £000	Total £000
At 1 September 2008	(174)	-	(174)
Credited to the income statement (note 8)	5	-	5
At 31 August 2009	(169)	-	(169)
Credited to the income statement (note 8)	116	179	295
Transferred on disposal of trade	53	(179)	(126)
At 31 March 2010	-	-	-

VIRIDOR LONDON RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 Provisions

	At 1 August 2009 £000	Charged to the income statement £000	Transfer on disposal of trade £000	At 31 March 2010 £000
Remediation costs	-	840	(840)	-

Provisions for the remediation of property arose from the requirement to bring the operational facilities to acceptable health and safety standards

22 Share capital

	Authorised £000	Allotted, called up and fully paid £000
At 1 September 2008 1000 ordinary shares of £1 each	1	1
At 31 August 2009	1	1
At 31 March 2010	1	1

23 Retained earnings

	(Restated note 26) £000
At 1 September 2008	2,470
Profit for the year	636
Dividends	(300)
At 31 August 2009	2,806
Loss for the period	(1,257)
At 31 March 2010	1,549

VIRIDOR LONDON RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 Cash flow from operating activities

Reconciliation of (loss)/profit for the period/year to cash (used in)/generated from operations

Discontinued operations

	Seven months to 31 March 2010 £000	Year to 31 August 2009 £000
(Loss)/profit for the period/year	(1,257)	636
Adjustments for		
Loss on disposal of fixed assets	-	2
Depreciation charge	562	268
Finance income	(22)	(3)
Finance costs	-	124
Taxation	(295)	294
Changes in working capital		
Decrease/(increase) in inventories	2	(2)
(Increase)/decrease in trade and other receivables	(23)	141
(Decrease)/increase in trade and other payables	(236)	930
Increase in provisions	840	-
Cash flow (used in)/generated from operations	(429)	2,390

25 Net cash

	31 March 2010 £000	31 August 2009 £000
Cash and cash deposits	-	630
<i>Borrowings - current</i>		
Bank overdrafts	-	(136)
Obligations under finance leases	-	(83)
	-	(219)
<i>Borrowings - non-current</i>		
Obligations under finance leases	-	(177)
	-	(396)
Total net cash	-	234

26 Restatement to IFRS

Balance sheet

	UK GAAP at 31 August 2009 £000		IAS 12 Tax £000	IFRS at 31 August 2009 £000	UK GAAP at 31 August 2008 £000		IAS 12 Tax £000	IFRS at 31 August 2008 £000
Deferred tax	(51)	(118)		(169)	(56)	(118)		(174)
Net assets	2,925	(118)		2,807	2,589	(118)		2,471
Retained Earnings	2924	(118)		2,806	2,588	(118)		2,470
Total Shareholders' funds	2925	(118)		2,807	2,589	(118)		2,471

The Company has adopted IFRS for the first time this year. The opening balance sheet has been restated in line with the table presented above. The only significant difference relates to the treatment of deferred tax on land and buildings.

VIRIDOR LONDON RECYCLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 Related party transactions

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

	Seven months to 31 March 2010 £000	Year to 31 August 2009 £000
<i>With immediate parent undertaking</i>		
Transfer of trade and net assets to Viridor Waste Management Limited	2,067	-
Payments made on Company's behalf	4	986
<i>With fellow subsidiary undertakings</i>		
Purchases of goods and services	224	-
Year end balances		
<i>Receivables due from related parties</i>		
With immediate parent undertaking	1,550	-
<i>Payables due to related parties</i>		
With immediate parent undertaking	-	986

28 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, EX2 7HR

The ultimate parent company and controlling party is Pennon Group Plc which is registered in England, this is the largest group in 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, EX2 7HR