

Registered number: 02456473

**VIRIDOR LIMITED**

**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2021**

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COMPANIES HOUSE

**Directors**

K Bradshaw (appointed 12 October 2020)  
T Davies (appointed 4 September 2020)  
J Gordon (appointed 4 September 2020)  
N Maddock (appointed 4 September 2020)  
I Wakelin (appointed 4 September 2020)  
S J Davy (resigned 8 July 2020)  
C Loughlin (resigned 8 July 2020)  
P C Piddington (resigned 12 October 2020)  
E A J Rees (resigned 4 September 2020)  
P M Ringham (resigned 4 September 2020)

**Company Secretaries**

L Hughes (appointed 8 July 2020)  
S Massie (resigned 8 July 2020)  
S Pugsley (resigned 8 July 2020)  
K Senior (resigned 8 July 2020)

**Registered Office**

Viridor House  
Youngman Place  
Priory Bridge Road  
Taunton  
Somerset  
TA1 1AP

**Independent Auditors**

Ernst & Young LLP  
Statutory Auditor  
The Paragon  
Counterslip  
Bristol  
BS1 6BX

## **Strategic Report**

Viridor Limited ("the Company") and its subsidiary companies (together "the Group" or "Viridor") is at the forefront of the resource sector in the UK, transforming waste into energy, high quality recyclates and raw materials. We provide comprehensive services to a broad customer base which includes local authorities and major corporate clients. Our activity supports growth of a regenerative circular economy that seeks to keep resources in use for as long as possible and recover and regenerate materials at the end of their service life.

## **Financial Highlights**

### **Revenue**

Statutory and Underlying £720.6m (2020: £742.8m)

### **EBITDA**

Statutory £181.4 m (2020: £193.2m restated)

Underlying £210.1m (2020: £189.4m restated)

### **Profit / Loss before tax**

Statutory Profit £24.7m (2020: £97.7m restated)

Underlying Profit £112.7 (2020: £93.9m restated)

Underlying earnings are presented alongside statutory results as the Directors believe they assist users of the financial statements in measuring operating performance on a comparable basis, period to period and is a measure used by management in making financial, strategic and operating decisions. Note 5 to the financial statements provides further detail on non-underlying items.

## **Acquisition by KKR and the ongoing strategy**

On 18 March 2020, the incumbent Parent Company of the Group, Pennon Group plc, announced they had entered into a formal sale agreement to dispose of Viridor Limited to Planets UK Bidco Limited, a newly formed company established by funds advised by Kohlberg Kravis Roberts & Co.L.P. (KKR).

The deal completed on 8 July 2020. The investment led by its Global Infrastructure III and Global Impact Funds will support the Group in fulfilling its critical role in the UK circular economy by expanding its plastic recycling capacity and leveraging the latest technologies in waste management. The company is already a sector leader with a strong platform. With KKR's support, Viridor is uniquely positioned to invest further and continue to build critical infrastructure backed by long term contracts helping the UK meet long-term sustainability and environmental goals.

Upon completion, Viridor announced the appointment of Ian Wakelin as Chairman and Nick Maddock as Chief Financial Officer. In November 2020 Viridor announced the appointment of a new Chief Executive Officer, Kevin Bradshaw.

The ongoing strategy is one which is primarily focussed on the Energy Recovery Facility (ERF) and Polymer businesses. We continue to develop our ERF business and, with our joint venture partner Grundon, we have recently submitted a revised planning application for a new ERF at Ford. We are also at an advanced stage in the Tees Valley bid process.

The Avonmouth Resource Recovery Centre comprises an ERF and a plastics recycling and processing plant. Construction of the centre began in summer 2017 and handover of the ERF took place in December 2020. We look forward to the operational handover of the plastics recycling and processing plant in the year ending 31 March 2022, which will draw heat and power from the ERF, to complement the existing Polymers business at Skelmersdale.

To enable the business to focus on the ongoing strategy an ongoing review continues for the non-ERF and Polymer related assets. During the year we disposed of the St Helens and Perth waste electrical and electronic equipment (WEEE) plants to Shore Recycling.

On 1 April 2021 we announced the sale of our glass processing assets This deal completed in June 2021.

On 21 May 2021 we announced the agreement to sell our collections business and a number of recycling assets to Biffa. This disposal was completed on 31 August 2021.

**Strategic Report (continued)****Energy Recovery Facilities - leading in waste infrastructure**

Our fleet of ERFs, which transform waste into electricity and heat, performed well during the year. The operational ERF portfolio achieved availability during the year of 92.3%, including joint ventures, excluding Glasgow as different technology (2020: 90%). Avonmouth ERF was taken over during December 2020 and is in the ramp up phase progressing towards operational optimisation. The Ford ERF Joint Venture with Grundon Waste Management is progressing through the statutory consultation phase following submission of our planning application to West Sussex County Council in June 2020.

**Polymers— focus on UK based plastic processing**

The construction of our plastics processing facility at Avonmouth is progressing well with the plant set to contribute to earnings from Autumn 2021. The UK capacity gap for plastics processing remains and we continue to progress plans for two further plastic processing plants to be co-located with Ardley and Dunbar ERFs, to help capture further market share whilst at the same time gaining additional energy park benefits. Through investment in UK based plastics processing, we are moving recycle production higher up the value chain.

**Waste Materials Inputs**

| Million Tonnes              | 2020/21 | 2019/20 |
|-----------------------------|---------|---------|
| Energy Recycling Facilities | 2.9     | 2.9     |
| Landfill                    | 1.1     | 1.2     |
| Recycling and Other         | 2.1     | 2.6     |
|                             | 6.1     | 6.7     |

**COVID-19 – Resilient operations in unprecedented times**

It has been a difficult and challenging year for our people, and we have kept safety and wellbeing at the heart of our business.

Our business remained resilient through the lockdown period. Our focus on assets being underpinned by long term contracts and strong ERF performance mitigated the volume impact from Commercial & Industrial customers in Collections, Landfill and Recycling.

Operational sites largely remained open throughout the period. Household Waste Recycling Centres which were closed for a period were reopened in conjunction with our Local Authority customers. We made the decision to not furlough any staff during the year. We have managed our supply chain to ensure that personal protective equipment has remained available across our operations.

As the country continues its careful emergence from the pandemic, we are closely following the Government's advice. Our approach to a return to normality remains a cautious one.

One of the steps is to begin to encourage and welcome back employees who have previously been required to work from home to the workplace. We have listened to employee feedback about introducing more flexible ways of working for some colleagues where appropriate. We have been exploring a number of options which will enable us to collaborate effectively whilst also having a flexible approach.

**Impact of Brexit**

At Viridor we regularly enlist the vital services of agency workers across our business to support our frontline service delivery, with a particularly high percentage of these operating in our Recycling function.

We have experienced increasing difficulty in maintaining the levels of agency workers as a result of the changes brought about by Brexit. However, we have put in place some short-term initiatives to try and maintain staffing levels whilst the labour pool diminished.

We have also experienced operational challenges associated with the national shortage of HGV drivers. Industry data estimates a shortage of around 100,000 drivers in the UK, exacerbated by Brexit.

Brexit has less of an impact on our full-time employee staffing levels, with 100% of employees applying to the EU Settlement Scheme achieving settled status.

## **Strategic Report (continued)**

### **Safety, Health, Quality and Security (SHQS)**

The COVID-19 pandemic significantly affected the way in which we all work and live. Viridor responded effectively during these unprecedented times and has maintained consistent operations and has also, importantly, protected our employees, contractors, agency staff and visitors throughout.

Despite this unique operating environment during the review period, safety performance continued to improve when measured against Lost Time Injuries (LTI) and injuries reportable to the UK Health and Safety Regulator (RIDDOR). We set ourselves an LTI reduction target of 20% based upon the outturn LTI frequency rate from 2019/20 and have successfully met this target (0.60). This will be used to target further performance improvement in 2021/22 in addition to the new broader metric of 'All Injuries'.

RIDDOR reportable injuries also fell during the reporting period by 11%, and injury severity – measured by the amount of time away from work resulting from an injury – fell by 6% when compared to the previous year.

This year the SHQS Team has adjusted its operating model and has developed an SHQS Roadmap to address the root causes of our most significant or 'HiPo' incidents. The Roadmap places our focus on key areas including: further embedding and enhancing HomeSafe; Contractor Management; our Management System documentation ('PPIG'), including risk assessment; Training and Competence; Mental Health and Wellbeing; and Shared Learning and Continual Improvement. These core focus areas will continue to shape our activities and projects going forward to drive further SHQS performance improvement.

Coincident to supporting our response to COVID-19, the Security and Resilience Team has worked with priority sites to review security measures and business continuity capabilities. This team has also assisted in responding to protester activities, including Extinction Rebellion, in addition to forward planning for COP26 (Climate Summit) in Glasgow.

While our HomeSafe focus has necessarily remained on deploying remote e-Learning modules, a renewed and refreshed programme of face-to-face HomeSafe training has been developed for implementation as we emerge from lockdown. HomeSafe is now firmly embedded into our new employee and agency induction processes to ensure everyone is fully immersed from Day 1, and HomeSafe has also been extended to our contractor communities with the launch of a dedicated module. Our new cross-functional Steering Group will also ensure HomeSafe remains fit for purpose, relevant and subject to continual improvement going forwards.

The SHQS assurance programme, first introduced in 2018, completed 193 H&S compliance assessments and ISO system audits in the period, with audits being conducted remotely wherever possible. No major non-conformances were raised, reflecting a maturing of the assurance plan approach and improving compliance at our facilities.

Viridor successfully completed its in-year annual corporate ISO systems assessment, and the Management System refresh project has hit a significant milestone with Business documents updated or created and now live in the Electronic Document Management System (EDMS).

A significant body of work was delivered by the in-house Occupational Health & Wellbeing Team in the period, including business-wide substance misuse testing, improvements to health surveillance and occupational monitoring processes, manager mental health awareness training, launch of the 'V-Well' Mental Health & Wellbeing Hub page, and the introduction of manager guidance and tools to support those with mental health issues.

Occupational health intervention or referral continued during the period, and our main causes of referral for occupational related ill-health remained as mental health (67%) and musculoskeletal (23%) respectively. Results from our substance misuse testing activities returned failure rates of 5% for random testing and 11% for with-cause testing, which fall broadly in line with sector benchmarks.

We have made good progress this year, but we remain firmly focussed on further improvements to deliver our HomeSafe ambitions. We have developed a clear plan and roadmap to achieve this, built on the foundation of HomeSafe.

## **Strategic Report (continued)**

### **Sustainability and Environmental Performance**

Viridor continues to build on our strengths and achievements in sustainability under a unifying framework built on environment, social and governance principles. Environmental sustainability is fundamentally important to us. Our sustainability strategy helps us to focus on the positive impact we can have on the communities we serve, and on the environment that we rely on. Viridor has set clear long-term objectives to enable clear monitoring and continuous improvement of our performance. These cover the areas of greatest significance to our business ranging from key global issues of carbon reduction and biodiversity to local community benefits, employee wellbeing and development, and ensuring good governance, quality services and customer satisfaction.

During the year, Viridor paid £4.3 million (2020: £5.3 million) to Viridor Credits, the reduction reflecting declining year on year landfill volumes. Viridor Credits is an independent, not-for-profit organisation that administers Viridor's contributions to the Landfill Communities Fund to help provide vital support for local community projects. Our charitable donations scheme helped projects supporting STEM (science, technology, engineering and maths), environmental, resource and recycling education initiatives, communities coming together through sport and community events and communities focused on improving the quality of life for disadvantaged and priority groups.

The latest sustainability report for Viridor, which contains information on our performance against the sustainability development goals, is available on our website [www.viridor.co.uk](http://www.viridor.co.uk).

### **Environmental Performance**

We keep a strong focus on our environmental performance and responsibilities, working closely with environmental regulators (the Environment Agency, Scottish Environment Protection Agency and Natural Resources Wales) to maintain high standards of operations and compliance, and to further reduce the risk of pollution incidents. In addition to the services Viridor offers its customers for the safe management, treatment and disposal of hazardous wastes, our environment policy clearly commits us to minimising hazardous wastes used or produced and any impacts arising, as well as any (non-greenhouse gases) emissions to air.

### **Community engagement through education**

Viridor plays a highly visible role in communities surrounding operational sites and our educational centres provide a quality informative experience for their visitors during the year. However, this year our community engagement has been virtual to ensure we are still providing access and learning, but in a Covid-safe way. Through a variety of online events, webinars and social media activity, we reached 63,680 people to explain what we do and why, allowing us to continue to forge relationships and deepen understanding with community groups and schools.

## **Strategic Report (continued)**

### **Financial Review**

Viridor is delivering sustainable growth in UK recycling and residual waste. With a de-risked infrastructure model, our investment is backed by profitable long-term contracts. The successful build out of the ERF portfolio, in a market showing under-capacity, will strongly support future earnings growth. There is potential for further momentum from ERF portfolio expansion and development of energy park opportunities across the landfill and ERF portfolio.

#### **Statutory financial performance**

Viridor's statutory results showed profit before tax of £24.7 million (2020: 97.7 million profit). The statutory results include the impact of non-underlying items totalling a net charge before tax of £88 million (2020: credit of £3.8 million). The Directors believe excluding non-underlying items provides a more useful comparison on business trends and performance.

#### **Underlying financial performance**

Viridor's underlying revenues reduced by 3.0% to £720.6 million in the period (2020: £742.8 million). This was in-line with expectations as landfill volumes and associated Landfill tax continue to decline. Viridor's underlying EBITDA was £210.1 million (2020: £189.4 million) an increase of £20.7 million (10.9%).

The ERF portfolio has performed strongly over the year. Avonmouth ERF was taken over during December 2020 and is in the ramp up phase progressing towards operational optimisation. ERF availability (average weighted by site capacity, including 100% of joint ventures and excluding Glasgow due to different technology) has been achieved at c90% for the fifth successive year.

The share of JV profit before tax has increased by £1.2 million (8.1%) to £16 million this year. This reflects contributions from both Lakeside and TPSCo joint ventures based upon strong operational performance in the year.

#### **Net finance costs**

During the year net finance costs were £31.4 million (2020: £24.0 million). Notional interest was recognised relating to pensions net interest credit of £0.3 million (2020: net interest cost £0.6 million), cost of discount unwind on provisions of £5.4 million (2020: £6.0 million) and IFRIC 12 contract interest receivable of £15.5 million (2020: £15.1 million).

#### **Non-underlying items**

Non-underlying items for the year were a charge of £88.0 million before tax (2020: credit of £3.8 million) and the tax credit arising on these non-underlying items was £12.7 million (2020: charge of £11.2 million, which also included a non-underlying deferred tax charge of £10.5m in relation to an enacted change to future tax rates).

Further details are set out in note 5 to the financial statements.

#### **Prior period restatements**

During the year the Group reviewed certain aspects of its accounting practices, particularly the income statement classification of compensation income for delay damages and insurance recoveries, and the measurement of landfill and restoration provisions, including the treatment of certain related operating costs.

The resultant changes have been determined as accounting errors in accordance with IAS 8, with the application of retrospective changes to comparatives and the retained earnings at the beginning of the year ended 31 March 2020. The net impact of the restatement on 31 March 2020 is an increase in net assets of £39.9m. Further details and the financial effects of these restatements are provided in note 2.5 to these financial statements.

#### **Dividends**

Viridor paid no dividends during the year (2020: £85.9 million).

#### **Capital investment**

Viridor's property, plant & equipment investments in the period was £134.8 million (2020: £165.8 million). The majority of the expenditure during the year relates to the ERF portfolio, principally the completion of the Avonmouth ERF build and lifecycle capital spend across the ERF fleet. Other larger projects in the period include the construction of the Avonmouth plastics processing facility.

## **Strategic Report (continued)**

### **Financial Review (continued)**

#### **Liquidity and debt profile**

Cash holdings were £106.2 million (2020: £33.3 million).

Loans from the parent company were £1,463.4 million (2020: £1,199.5 million). Details of interest on the ultimate parent company loans is set out in note 39 to the financial statements. Viridor's lease obligations were £96.9 million (2020: £248.4 million) the reduction is mainly due to the £141.0 million settlement of lease obligations by the ultimate parent company following the change of ownership. Further details are set out in note 26 to the financial statements.

#### **Treasury, taxation and insurance services**

Following the change in ownership Viridor has established its own treasury, tax and insurance capability, prior to this change Viridor received treasury, tax and insurance services from Pennon Group plc.

The treasury function of Viridor Limited sought to ensure that sufficient funding was made available to meet foreseeable needs, reasonable headroom for contingencies was maintained, and debt covenants were complied with. The Group has begun exploring debt refinancing options to put the Group's funding on a suitable long-term footing. Taxation compliance services were provided by the new in-house team and the Group's taxation strategy was published on our website, [www.viridor.co.uk](http://www.viridor.co.uk).

The Viridor insurance function undertakes management of property and third-party liability risks.

#### **Pensions**

The Group participates in both defined contribution and defined benefit pension schemes.

From 1 July 2020, following internal consultations, contributions to the incumbent Pennon Group Defined Contribution Pension Scheme (PGDCPS) ceased and were replaced for eligible members by the Viridor Pension Savings Plan (VPSP), a defined contribution master trust. The entire value of the pension savings within the PGDCPS were transferred to the VPSP in September 2020 with all costs of transfer borne by the new scheme provider or Pennon Group plc where appropriate.

During the year, as part of the Group's acquisition by KKR, a significant proportion of the Group's four defined benefit pension schemes, including full responsibility for the related assets and liabilities, were transferred to Pennon Group plc.

As a result of the transfer the Group recognised a non-underlying settlement gain of £35.3 million, which represented the sum of the respective scheme deficits at the date of transfer.

Further details of non-underlying items are set out in note 5 to the financial statements.

As at 31 March 2021 the Groups two defined benefit pension schemes were both in surplus and in accordance with IFRIC 14 not recognised on the balance sheet. (2020: four defined benefit pension schemes showing a deficit of £15.1m). Further details of pensions schemes are set out in note 28 to the financial statements.



## **Strategic Report (continued)**

### **Section 172 statement**

The directors are aware of their duty under section 172 of the Companies Act 2006 to act in a way which they consider in good faith, would be most likely to promote the success of the Company for the benefit of the members as a whole and, in doing so, have regard to the matters set out in section 172(1) (a) - (f). Examples of how the Board approaches its decision making, in light of its obligations under section 172, and ensuring wider stakeholder engagement, are set out below.

**S172(1)(a) The likely consequences of any decision in the long term**

Our strategic objectives are; Leadership in UK waste, Leadership in cost base efficiency and Driving sustainable growth. Our strategic objectives, which are set and monitored through a rolling long-term strategic planning process, ensure we work towards achieving long term growth in a sustainable way. In approving the strategic objectives, we also consider a host of external factors, such as the evolving economic and market conditions. The latest sustainability report for Viridor, which contains information on our performance against the sustainability development goals, is available on our website [www.viridor.co.uk](http://www.viridor.co.uk).

**S172(1)(b) The interests of the Company's employees**

We are a responsible employer, focused on employee engagement and communication, promoting a diverse and inclusive workforce and the continued development of our people in a safe working environment.

**S172(1)(c) The need to foster the company's business relationships with suppliers, customers and others**

We demonstrate continued commitment to delivering quality of service, value for money and satisfaction to our customers. We continue to foster key strategic and commercial relationships with our supply chain partners, with a focus on quality and sustainability, and focused delivery across the entire supply chain.

### **Strategic Report (continued)**

We have open dialogue and transparent engagement with our regulatory bodies, policy makers and other stakeholders who shape our social contract.

**S172(1)(d) The impact of the Company's operations on the community and the environment**

We are committed to providing educational programmes and community sponsorships and engaging in charity support initiatives and outreach events across our regions of operation. We maintain a proactive and positive relationship with our key environmental regulators the Environment Agency, Scottish Environmental Protection Agency (SEPA) and Natural Resources Wales.

**S172(1)(e) The desirability of the company maintaining a reputation for high standards of business conduct**

We ensure a transparent approach to conducting business in a responsible manner, with a focus on maintaining good governance. The codes of conduct and policies which apply across our group are regularly updated to ensure the highest of standards are adhered to.

**S172(1)(f) The need to act fairly as between members of the company**

For part the year under review we were a wholly owned subsidiary of Pennon Group plc, with their Chief Executive and Chief Financial Officer also sitting on our Board. Relevant decisions of the Board were also discussed, where relevant, at the meetings of the parent company Board. Our Chief Executive attended each of the meetings of the Board of Pennon Group plc, for the duration of the year Viridor Limited was under Pennon Group plc control. Viridor was sold by Pennon Group plc on 8 July 2020 to become a wholly owned subsidiary of Planets UK Bidco Limited, established by funds advised by Kohlberg Kravis Roberts & Co.L.P. (KKR). KKR are the ultimate controlling party. Relevant decisions of the Board have been discussed, where relevant, at the meetings of the parent company Board.

**Strategic Report (continued)****Risk Report****Risk management and internal control framework**

Viridor faces a variety of risks which, should they arise, could materially impact its ability to achieve its strategic priorities. The effective management of these existing and emerging risks is, therefore, essential to the long-term success of the Group.

Viridor manages risk in accordance the Group's integrated risk management framework. A consistent methodology is applied to the identification, evaluation and management of the principal risks which considers both the likelihood of the risk occurring and the potential impact from a stakeholder and customer, financial, management effort and reputational perspective. Principal and other risks are captured in risk registers which are regularly reviewed and challenged. Viridor seeks to reduce its risk exposure, in line with the desired risk appetite and tolerance levels, through the operation of a robust internal control environment.

**Principal risks and uncertainties**

Viridor's business model exposes the business to a variety of external and internal risks. The assessment of principal risks is informed by the potential impact of macro political, economic and environmental factors. Whilst the ability of the Group to influence these macro level risks is limited, they continue to be regularly monitored and the potential implications on the Group are considered as part of the on-going risk assessment process.

For each principal risk we report; Strategic Impact on the long-term priorities affected (Leadership in UK waste, Leadership in cost base efficiency and Driving sustainable growth), Mitigation approach, Net risk after mitigation (High, Medium, or Low) and net risk change (Increasing, Stable, or Decreasing) and Risk Appetite.

**Strategic Report (continued)****Market and economic conditions**

| Principal Risks                                           | Strategic impact                                                                                               | Mitigation                                                                                                 | Net Risk          | Risk Appetite                                                                                                                                  |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| Macro-economic risks impacting commodity and power prices | Long-term priorities affected: Driving sustainable growth.                                                     | We remain well positioned across the waste hierarchy with long term contracts supporting the ERF business. | High Net Risk     | We seek to take well-judged and informed decisions while ensuring plans are in place to mitigate the potential impact of macro-economic risks. |
|                                                           | Volatility in power prices has a direct impact on the revenues generated by our recycling and energy business. | Energy risk management, including forward hedges, is undertaken by a highly skilled specialist team.       | Stable Risk Level |                                                                                                                                                |

**Strategic Report (continued)****Risk Report (continued)****Law, regulation and finance**

| Principal Risks                                                      | Strategic Impact                                                                                                                                                                                                                               | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Net Risk                                         | Risk Appetite                                                                                       |
|----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Compliance with Laws and regulations                                 | <p>Long-term priorities affected: Leadership in UK waste and Leadership in cost base efficiency.</p> <p>Non-compliance may result in financial penalties, a negative impact on our ability to operate effectively and reputational damage.</p> | <p>We operate a robust and mature regulatory framework which ensures compliance. We maintain a proactive and positive relationship with our key environmental regulators the Environment Agency, Scottish Environmental Protection Agency (SEPA) and Natural Resources Wales.</p> <p>We continue to provide a rolling programme of training and guidance to our staff, contractors and partners, ensuring that we follow the Group's Code of Conduct.</p>                                                                                                                                                                                                                                                                                                                                                                                    | <p>Low Net Risk</p> <p>Increasing Risk Level</p> | We have the highest standards of compliance and have no appetite for legal and regulatory breaches. |
| Non-compliance or occurrence of avoidable health and safety incident | <p>Long-term priorities affected: All.</p> <p>A breach of health and safety law could lead to financial penalties, significant legal costs and damage to the Group's reputation.</p>                                                           | <p>The effective management of health and safety risks continues to be a priority. Experienced health &amp; safety professionals are providing advice, guidance and support to operational staff.</p> <p>In response to COVID-19 additional safety measures have been introduced to ensure that key activities across the Group can continue to be performed safely, in line with Government and public health guidance. This includes remote working, social distancing and the provision of additional hygiene and appropriate personal protective equipment (PPE).</p> <p>The easing of Government restrictions will require further consideration to ensure the Group's activities can continue to be delivered safely. This process is underway and Government and public health guidance will continue to be stringently followed.</p> | <p>Medium Net Risk</p> <p>Stable Risk Level</p>  | We have no appetite for incidents and have the highest standards of compliance within the Group.    |

**Strategic Report (continued)****Risk Report (continued)****Operating performance**

| Principal Risks                                                                                                                | Strategic impact                                                                                                                                                                                                                                                                                                                                                                           | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Net Risk                                            | Risk Appetite                                                                                                                                                        |
|--------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Poor operating performance due to extreme weather or climate change                                                            | <p>Long-term priorities affected: Leadership in UK waste.</p> <p>Failure of our assets to cope with extreme weather conditions may lead to an inability to meet our customers' needs, environmental damage, costs and reputational damage.</p>                                                                                                                                             | The increased frequency and impact of extreme weather exposes our assets to risk. We seek to mitigate this risk through our planned capital investment, emergency resources and contingency planning. We have in place regional adverse weather management strategies aimed at reducing disruption to site operations and transport logistics.                                                                                                                                                               | <p>Medium Net Risk</p> <p>Stable Risk Level</p>     | We seek to reduce both the impact and likelihood through planning and forecasting to ensure that measures are in place to mitigate the impact on our operations.     |
| Business interruption or significant operational failures/incidents                                                            | <p>Long-term priorities affected: Leadership in UK waste and Driving sustainable growth.</p> <p>Business interruption caused by defects, outages or fire could impact the availability and optimisation of our ERFs and recycling facilities.</p>                                                                                                                                          | We maintain detailed contingency plans and incident management procedures which are reviewed regularly, and assets are managed through a programme of planned and preventive maintenance and effective management of stores. The focus on the effective optimisation of the ERF fleet has resulted in c90% availability.                                                                                                                                                                                     | <p>Medium Net Risk</p> <p>Increasing Risk Level</p> | We operate a low tolerance for significant operational failure and incidents and seek to mitigate these risks where possible.                                        |
| Difficulty in recruitment, retention and development of appropriate skills, which are required to deliver the Group's strategy | <p>Long-term priorities affected: All.</p> <p>Failure to have a workforce of skilled and motivated individuals will detrimentally impact all of our strategic priorities. We need the right people in the right places to innovate, share best practice, deliver synergies and move the Group forward.</p>                                                                                 | Our HR Strategy continues to be embedded and a range of initiatives have been delivered during the year to attract, retain and develop our employees. Succession plans are in place for senior positions.                                                                                                                                                                                                                                                                                                    | <p>Medium Net Risk</p> <p>Stable Risk Level</p>     | We ensure the appropriate skills and experience are in place with succession plans providing adequate resilience.                                                    |
| Failure of information technology systems, management and protection including cyber risks                                     | <p>Long-term priorities affected: Leadership in UK waste.</p> <p>Failure of our information technology systems, due to inadequate internal processes or external cyber threats could result in the business being unable to operate effectively and the loss of data. This would have a detrimental impact on our customers and result in financial penalties and reputational damage.</p> | We operate a mature and embedded governance framework over the 'business as usual' IT environment and major project implementations aligned to ISO27001 standards. Disaster recovery plans are in place for corporate and operational technology and these are regularly reviewed and tested. Cyber threats continue to increase in volume and sophistication. These risks are mitigated by a strong information security framework aligned to guidance issued by the National Cyber Security Centre (NCSC). | <p>Medium Net Risk</p> <p>Increasing Risk Level</p> | We seek to minimise the risk of information technology failure and cyber security threats to the lowest level without detrimentally impacting on business operations |

**Strategic Report (continued)****Risk Report (continued)****Capital investment**

| Principal Risks                                                             | Strategic impact                                                                                                                                                                                                                                                                                                | Mitigation                                                                                                                                                                                                                                                     | Net Risk                                          | Risk Appetite                                                                                               |
|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| Failure or increased cost of capital projects/exposure to contract failures | <p>Long-term priorities affected: Leadership in UK waste and Driving sustainable growth.</p> <p>Inability to successfully deliver our capital programme may result in increased costs and delays and detrimentally impacts our ability to provide top class customer service and achieve our growth agenda.</p> | <p>All capital projects are subject to a robust business case process which includes challenge and risk modelling over key assumptions. Projects are delivered using skilled project management resources complimented by senior oversight and leadership.</p> | <p>High Net Risk</p> <p>Increasing Risk Level</p> | <p>Investment activities are taken on an informed basis with risks weighed against appropriate returns.</p> |

**Forward-looking statements**

This strategic report, consisting of pages 2 to 12, contains forward-looking statements regarding the financial position; results of operations; cash flows; dividends; financing plans; business strategies; operating efficiencies; capital and other expenditures; competitive positions; growth opportunities; plans and objectives of management; and other matters. These forward-looking statements including, without limitation, those relating to the future business prospects, revenues, working capital, liquidity, capital needs, interest costs and income in relation to the Group, wherever they occur in this strategic report, are necessarily based on assumptions reflecting the views of the Group, as appropriate. They involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Such forward-looking statements should, therefore, be considered in the light of relevant factors, including those set out in this section on principal risks and uncertainties.

The strategic report consisting of pages 2 to 12 was approved by the Board on 15 October 2021.

On behalf of the Board

DocuSigned by:  
  
 588A624C850F4F0  
 Nicholas Maddock  
 Chief Finance Officer  
 15 October 2021

## **Directors' Report**

The Directors' report is prepared in accordance with the provisions of the Companies Act 2006 and regulations made thereunder. It comprises pages 13 to 20 as well as any matters incorporated by reference.

Information regarding Viridor, including events and its progress during the year, events since the year-end and likely future developments is contained in the strategic report set out on pages 2 to 12 of this Annual report.

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, the position of the Company's business at the end of the year, a description of the principal risks and uncertainties facing the Company (including environmental, social and governance (ESG) risks), and financial and non-financial key performance indicators (including environmental matters and employee matters).

The subsidiaries of the Company are listed in note 36 to the financial statements.

### **Financial results and dividend**

The profit on ordinary activities after charging non-underlying items and taxation was £21.3 million (2020: £75.3 million).

The Directors do not recommend a final dividend (2020: £nil) and no dividends were paid during the year. During the prior year first and second interim dividends were paid, respectively of 3.96p and 5.60p per Ordinary share.

The review of performance on pages 2 to 12 analyses the Group's financial results in more detail and sets out other financial information.

### **Directors**

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

K Bradshaw  
T Davies  
J Gordon  
N Maddock  
I Wakelin

No Director has, or has had, a material interest, directly or indirectly, at any time during the year.

### **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.

### **Stakeholder engagement**

We are committed to carrying out our business in a responsible way and remain focused on continued dialogue our stakeholders. We continue to engage actively with all our stakeholders, including our customers, our communities, our people and our suppliers, as well as with our investors. Our continuous engagement allows stakeholders to provide feedback on the matters they consider to be important and any issues which they would like to be addressed.

We set out below some of the most significant decisions taken during the year and how stakeholder interests were taken into account.

## **Directors' Report (continued)**

### **COVID-19 response**

The impacted stakeholders were Employees, Customers and Shareholders. Factors taken into consideration were; Health, safety and wellbeing of employees and customers, Continued delivery of essential services and Maintaining a solid liquidity position.

The outcome was the Directors support for the measures introduced by the management team.

### **Strategic plans**

The impacted stakeholders were Shareholders, Employees, Customers and Communities. Factors taken into consideration were; Generation of value for shareholders, Continued delivery of high standards of service to customers and Regulatory and environmental compliance.

The outcome was Directors agreement of Strategic plans.

### **Employment policies and employee involvement**

The average number of employees during the year was 2,733 (2020: 2,986). Details of the related costs can be found in note 12 to the financial statements.

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

A performance appraisal system exists for all non-manual staff and managers. Viridor uses a range of incentivisation arrangements as appropriate to each group of workers and job satisfaction is supported by encouraging role changes wherever possible within the Group to help employees gain broad experience of business activities. Viridor, as a 'good employer', has operated several 'family-friendly' policies during the year, which exceed statutory requirements.

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

Viridor is committed to ensuring that no current or future employee is disadvantaged because of age, gender, religion, colour, ethnic origin, marital status, sexual orientation or disability. Viridor's equal opportunities policy ensures that there is no bias or discrimination in the availability of training and opportunities for career development and promotion. In particular, Viridor welcomes applications for employment from disabled persons and makes special arrangements and adjustments as necessary to ensure that disabled applicants are treated fairly when attending for interview or for pre-employment aptitude tests. Wherever possible, the opportunity is taken to retrain people who become disabled during their employment in order to maintain their employment within Viridor.

## **Directors' Report (continued)**

### **Streamlined Energy and Carbon Reporting (SECR)**

#### **Greenhouse gas emissions and energy report**

##### **Reporting period and Base year**

Viridor was acquired by KKR in the year, partially through the KKR Global Impact, an ESG driven investment fund.

For greenhouse gas (GHG) reporting purposes we compare the financial year 2020/21 performance against the previous financial year and therefore have a rolling baseline.

##### **Methodology and approach**

Our approach follows the UK Government's Environmental Reporting Guidelines: including streamlined energy and carbon reporting guidance and the Greenhouse Gas Protocol Corporate Standard (collectively referred to here as the Reporting Guidelines). In calculating our emissions, we have used the 2020 UK Government Conversion Factors for GHG reporting.

##### **Organisational boundary**

The emissions listed here cover all sources of environmental impact over which Viridor has financial control. This means that emissions from joint venture operations can be accurately attributed to the company in proportion to the percentage of Viridor's ownership.

##### **Operational scopes**

We report our Scope 1 and 2 emissions and certain categories of Scope 3 emissions.

##### **Market and location-based methodology**

The Reporting Guidelines allow for the reporting of both 'market-based' and 'location-based' Scope 2 emissions from imported energy. However, currently Viridor does not have any contract with third party renewable energy suppliers which ensure the supply is backed by Renewable Energy Guarantees of Origin (REGOs) allowing the contracted green tariff supply to qualify as zero carbon 'market-based' emissions, therefore we report only our location-based emissions in our GHG emissions table below.

##### **Targets**

After the acquisition, the business required a new strategic position on ESG, aligned with the investors' objectives and ready to steer the future business development. New ESG strategy is being designed with three key areas of focus – business decarbonisation, transition to circular economy and corporate culture.

As part of the business decarbonisation strategy Viridor is committed to setting 1.5°C Science Based emission reduction targets, as well as net zero targets. The company has committed to 2040 net zero and 2045 net negative emissions targets and is in a process of defining a net zero roadmap together with short term, 1.5°C degrees aligned targets.

##### **Intensity measurement**

We report an intensity measure of Scope 1 and 2 gross emissions in tCO<sub>2</sub>e per £100,000 revenue.



**Directors' Report** (continued)**Greenhouse gas emissions and energy report** (continued)**External assurance statement**

The FY 2020/21 GHG data has been independently assured by LUCIDEON. The assumptions, methods and procedures that are followed in the development of the reported data have been tested and the data audited for accuracy and consistency. LUCIDEON's statement can be found on the Viridor website ([www.viridor.co.uk](http://www.viridor.co.uk)).

|                                                                                | <b>2020/21 (Location Based)</b> | <b>2019/20 (Location Based) <sup>1</sup></b> |
|--------------------------------------------------------------------------------|---------------------------------|----------------------------------------------|
| <b>Scope 1 (tCO<sub>2</sub>e<sup>2</sup>)</b>                                  | <b>1,853,375</b>                | 2,083,960                                    |
| <b>Scope 2 (tCO<sub>2</sub>e)</b>                                              | <b>12,724</b>                   | 15,764                                       |
| <b>Total gross Scope 1 &amp; Scope 2 emissions (tCO<sub>2</sub>e)</b>          | <b>1,866,099</b>                | 2,099,724                                    |
| <b>Scope 3 <sup>3</sup></b>                                                    | <b>13,210</b>                   | 19,121                                       |
| <b>Total gross Scope 1, Scope 2 &amp; Scope 3 emissions (tCO<sub>2</sub>e)</b> | <b>1,879,309</b>                | 2,118,845                                    |

**Notes:**

**Scope 1 (direct emissions)** Activities owned or controlled by our organisation that release emissions straight into the atmosphere. For Viridor, key Scope 1 emission sources include combustion related emissions from Energy Recovery Facilities (ERFs), fugitive emissions from landfill, emissions from stationary plant, fugitive emissions from air conditioning plant and transport related emissions from our own vehicles and fleet.

**Scope 2 (indirect emissions)** Emissions released into the atmosphere associated with our consumption of imported electricity.

**Scope 3 (other indirect emissions)** Emissions that are a consequence of our actions, which occur at sources which we do not own or control.

<sup>1</sup> FY 2019/20 data has been adjusted to exclude facilities which are no longer part of Viridor portfolio in FY 2020/21.

<sup>2</sup> GHG figures expressed in tonnes of carbon dioxide equivalence (tCO<sub>2</sub>e) whereby emissions of carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), the fluorinated gases (HFC, PFC, SF<sub>6</sub>) are shown in terms of the equivalent emissions from CO<sub>2</sub>.

<sup>3</sup> Scope 3 GHG emissions include Business Travel, Rail Freight and Fuel and Well-to-tank

**Directors' Report (continued)****Other carbon and energy reporting**

|                                                                                                      | 2020/21 (Location Based) | 2019/20 (Location Based) |
|------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| <b>Energy consumption used to calculate Scope 1 and 2 emissions (MWh) (see Energy Usage section)</b> | <b>257,377</b>           | <b>283,741</b>           |
| <b>Carbon intensity measure: tCO<sub>2</sub>e (gross Scope 1+2/£100,000 revenue)<sup>4</sup></b>     | <b>248.8</b>             | <b>277.1</b>             |
| <b>Biogenic emissions outside of scopes (tCO<sub>2</sub>e)</b>                                       | <b>1,759,697</b>         | <b>1,747,526</b>         |

**Change in emissions**

Operational (Scope 1 and 2) GHG emissions for Viridor decreased by 11% from 2019/20.

The new ERF facility, which came online within our waste business in the last quarter, caused an increase of 4% in the ERFs emissions. Despite this, the main reason of the overall Scope 1 reduction can be found in the landfill emissions (-37%). This is due to a combination of an improvement in the landfill emission models with methane oxidation now taken into account, which represents -9.8%, and an increase of landfill capping work done over the year with a substantial reduction of fugitive emissions.

Viridor benefited from a continued reduction in the UK's average electricity grid emissions conversion factor, which fell by 9% from 0.2556 to 0.23314 kgCO<sub>2</sub>e/kWh<sup>5</sup> over the reporting period. This, together with a 12% of reduction in the overall electricity consumption, resulted in a decrease in the overall Scope 2 emissions. This is mainly due to Ardley ERF being back online, and an increased performance of GRREC ERF and Beddington ERF.

The intensity metric has decreased from 277.1 to 248.8 tCO<sub>2</sub>e/£100,000 turnover<sup>6</sup>. This reflects the decrease in emissions from our waste business, as described above.

**Scope 3 emissions**

The Scope 3 emissions currently consider Business Travel, Rail Freight and Well-to-tank emissions.

With respect to FY 2019/20 there has been a reduction of the Scope 3 emissions of 31%, where the Business Travel saw the biggest decrease (72%) due to the COVID pandemic.

Viridor is currently committed to the Science Based Target Initiative. As part of this commitment the business will have to undertake a detailed analysis of the value chain activities in order to update the Scope 3 emissions with new categories and investigate opportunities to reduce emissions.

This will be done to determine targets for the Well Below 1.5°C required by the Paris Agreement to be set within 24 months from the submissions of the commitment letter in May 2021.

<sup>4</sup> Based on Group revenue respectively for 2020/21 and 2019/20

<sup>5</sup> Scope 2 grid electricity conversion factors from DEFRA

<sup>6</sup> Based on Group revenue respectively for 2020/21 and 2019/20

**Directors' Report** (continued)**Energy Usage**

Including self-supplied energy, Viridor used 381 GWh of energy in 2020/21 against 384 GWh consumed in the previous year. A breakdown of Group energy usage and associated data assessment methodologies is shown below.

|                                                               | <b>FY 2020/21<br/>(MWh)</b> | <b>FY 2019/20<br/>(MWh)</b> | <b>Methodology</b>                 |
|---------------------------------------------------------------|-----------------------------|-----------------------------|------------------------------------|
| <b>Imported grid electricity<sup>^</sup></b>                  | <b>54,576</b>               | 61,673                      | Verifiable metered data            |
| <b>Imported private wire electricity (renewable)</b>          | -                           | -                           | n/a                                |
| <b>Self-supplied renewable electricity</b>                    | <b>124,037</b>              | 100,258*                    | Estimated based on verifiable data |
| <b>Self-supplied heat</b>                                     | -                           | -                           | n/a                                |
| <b>Natural gas<sup>^</sup></b>                                | <b>42,823</b>               | 12,653                      | Verified metered data              |
| <b>Liquid fuels (for stationary applications)<sup>^</sup></b> | <b>83,684</b>               | 114,481                     | Estimated based on verifiable data |
| <b>Energy used by fleet transport<sup>^</sup></b>             | <b>76,294</b>               | 94,932                      | Estimated based on verifiable data |
| <b>Total energy usage</b>                                     | <b>381,414</b>              | 383,997                     |                                    |
| <b>Intensity measure: MWh/£100,000 revenue</b>                | <b>50.85</b>                | 50.67                       |                                    |

**Energy usage data notes:**

No heat, steam or cooling was purchased by the company.

<sup>^</sup> Energy consumption used to calculate Scope 1 and 2 emissions

\*Self-supplied renewable electricity includes ERFs and landfill powergen electricity. Powergen data collection and monitoring has improved in FY 2020/21. The FY 2019/20 data has been adjusted to reflect those changes and ensure comparability with the FY 2020/21.

## **Directors' Report (continued)**

### **Energy Efficiency Action Taken**

Viridor was successfully reaccredited with the ISO 50 001 certification. A complementary external audit reflected the positive status of energy management and energy efficiency within the company.

Strong engagement with a growing fleet of Energy Champions across Viridor has resulted in numerous energy efficiency projects implemented and a sustained energy management culture within the business. Behaviour change projects, such as operation out of 'the red rate' through organised shift changes and maintenance routines, remain apparent throughout the portfolio.

Submeters were installed at the top 10 sites with the largest electrical demands, resulting in the identification and implementation of projects to improve energy consumption. Compressor air leak maintenance solutions were implemented and subsequently valves were upgraded as a result improving the overall energy performance at multiple sites.

Solar remains a key area of opportunity with multiple sites earmarked for possible projects for the coming year.

Energy improvement projects across the ERF fleet have been scrutinised to reduce parasitic load and increase export. Projects at Beddington, Trident Park and Ardley identified consumption reduction opportunities of 500kW (potentially up to 1.5MW), 150kW and 125kW respectively. These reductions are through installing more effective equipment along with the optimisation of the full process.

### **Financial risk management policy**

The Company's financial risk management policy is set out at note 3 of the financial statements.

### **Financial instruments**

Details of the Company's financial instruments are provided in note 2(q) and note 17 of the financial statements.

### **Donations**

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

### **Going concern basis**

The financial statements have been prepared on a going concern basis. At the time of approving the financial statements the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Viridor Limited and its subsidiaries have loans with its parent company Planets UK Bidco Limited totalling £1.5bn at 31 March 2021 which are not repayable for a period of 15 years from the acquisition date of 8 July 2020. There are no covenants associated with these loans. The directors also note that Viridor Limited is a guarantor to the external loans held by Planets Bidco Limited. These loans include a covenant associated with the debt service coverage ratio. The directors have therefore assessed the going concern position of the overall Planets Bidco Limited Group. When considering the going concern position, management has prepared two cash flow scenarios – a base case and a downside case which covers the period to 31 March 2023. The downside case acknowledges a reduction in volume throughput during the assessment period. The base case and the downside case have significant headroom against available facilities. A reverse stress test has been performed to identify a scenario which could exhaust available facilities. This test demonstrates that there would have to be a very significant fall in uncontracted revenues to impact the ability to continue as a going concern – either through a lack of liquidity or a breach of the covenant noted above. Management consider that the likelihood of this scenario is remote, largely due to significant proportions of revenues being contracted in advance, with prices fixed 12 months ahead.

## **Directors' Report (continued)**

### **Going concern basis (continued)**

Planets UK Bidco Limited has a revolving credit facility that expires in July 2025 of £300m of which £146.6m is available after accounting for bonding agreements and financing arrangements.

A financial covenant related to Planets UK Bidco Limited's facilities was assessed prior to the payment of a dividend from Planets UK Bidco Limited to Planets UK Midco Limited on 1 June 2021. This financial covenant is a debt service coverage ratio comparing cash generated during a six-month period against interest payments and there was significant headroom. The next assessment is in March 2022 and at half yearly intervals after that, and there is expected to be significant headroom in both the base case and downside case scenarios. A reverse stress test has also been applied to breach the covenant – which demonstrates that there would have to be a significant fall in uncontracted revenues before the covenant is breached.

The Directors are currently considering refinancing options for the Group's external debt and an assessment of the expected outcome of the refinancing has been considered. Based on the assessment the Group has concluded that if such a refinancing is to occur then it would materially improve the Group's liquidity position, however the going concern assessment is not reliant on the refinancing of the debt.

On the basis of the considerations above, the directors have concluded that Viridor has sufficient headroom throughout the period to March 2023 to meet its working capital and covenant requirements. On the basis the financial statements have been prepared on a going concern basis.

### **Independent auditors**

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

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

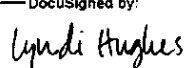
### **Statement as to disclosure of information to auditor**

- a) So far as each of the Directors in office at the date of the signing of the report is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- b) each Director has taken all the steps each Director ought to have taken individually as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Events after the reporting period**

Further details of events after the reporting period are set out at note 41 of the financial statements. The Directors' report was approved by the Board on 15 October 2021.

By Order of the Board

DocuSigned by:  
  
12B1C3B7BA9A414  
L Hughes  
**Company Secretary**  
15 October 2021

## **Directors' Report (continued)**

### **Directors' Responsibility Statement**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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 group *and parent company* financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- in respect of the group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether *international accounting standards in conformity with the requirements of the Companies Act 2006*, have been followed, subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company and/ or the group will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the company and the group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and parent company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRIDOR LIMITED**

### **Opinion**

We have audited the financial statements of Viridor Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise Consolidated Income and Other Comprehensive Income Statement, the Group and Parent company Balance Sheet, the Group and Parent Statement of Changes in Equity, the Group and Parent statement of cash flows and the related notes 1 to 41, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 March 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for the period ending 31 March 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRIDOR LIMITED (continued)**

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- *adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or*
- *the parent 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.*

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are IAS in conformity with the Companies Act 2006 and compliance with the relevant direct and indirect tax regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, waste management and GDPR.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRIDOR LIMITED (continued)

- We understood how Viridor Limited is complying with those frameworks by making enquiries of management and those charged with governance to understand how the company maintains and communicates its policies and procedures in these areas. We understood any controls put in place by management to reduce the opportunities for fraudulent transactions. We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur through involvement of forensic specialists who interviewed key management personnel and inquiry of management and those charged with governance. Through our procedures we determined there to be risks associated with management override and fraud risks in relation to revenue recognition and landfill provisions due to the nature of estimates and judgements required to determine the amounts recorded.
- In relation to management override, our forensic specialists worked with the group engagement team to identify the fraud risks across various parts of the business. With the assistance of the forensic specialists we incorporated data analytics to sample the entire population of journals, identifying specific transactions which did not meet our expectations based on specific criteria. Where instances of risk behaviour patterns were identified through our data analytics, we utilised our forensic specialists to performed additional audit procedures to address the identified risk. These procedures included investigating these transactions to gain understanding and testing them back to source information.
- In performing our work over recognition of revenue, we identified that the areas that were particularly susceptible to fraud were recognition of accrued income on contract revenue, contract revenue subject to IFRIC 12 (Accounting for Service Concession arrangements) and recognition of adjustments made to invoiced revenue. We have separated the revenue into its appropriate streams and selected a sample of revenue transactions throughout the period to perform detailed testing. Our procedures included: Validation of transactions back to contracts, evaluation of appropriateness of assumptions, and where possible, agreeing the transactions to an invoice and cash receipt.
- In performing our work over the landfill provisions, we have reviewed the models used and assessed the reasonableness of the assumptions by selecting a sample to perform detailed testing which has been confirmed to third party support.

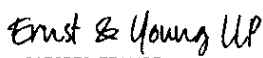
These procedures were designed to provide reasonable assurance that the group financial statements were free from fraud or error.

- Based on our understanding of laws and regulations identified above, we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved agreeing that material transactions are recorded in compliance with IAS in conformity with the Companies Act 2006. Compliance with other operational laws and regulations was covered through our inquiry with no indication of non-compliance identified.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 15 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
CAD2DE64FE414DF

**John Howarth** (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Bristol

16 October 2021

**Consolidated income statement**  
for the year ended 31 March 2021

|                                                                                                                    |      | 2021<br>Before<br>non-<br>underlying<br>items | 2021<br>Non-<br>underlying<br>items<br>(Note 5) | 2021<br>Total | 2020<br>Before<br>non-<br>underlying<br>items | 2020<br>Non-<br>underlying<br>items | 2020<br>Total  |
|--------------------------------------------------------------------------------------------------------------------|------|-----------------------------------------------|-------------------------------------------------|---------------|-----------------------------------------------|-------------------------------------|----------------|
|                                                                                                                    | Note | £m                                            | £m                                              | £m            | £m<br>Restated                                | £m<br>Restated                      | £m<br>Restated |
| <b>Revenue</b>                                                                                                     | 6    | <b>720.6</b>                                  | -                                               | <b>720.6</b>  | 742.8                                         | -                                   | 742.8          |
| <b>Other income</b>                                                                                                | 7    | <b>26.1</b>                                   | -                                               | <b>26.1</b>   | 15.0                                          | -                                   | 15.0           |
| <b>Operating costs</b>                                                                                             | 6    |                                               |                                                 |               |                                               |                                     |                |
| Manpower costs                                                                                                     |      | (125.0)                                       | (2.4)                                           | (127.4)       | (130.4)                                       | 4.9                                 | (125.5)        |
| Raw materials and consumables used                                                                                 |      | (85.7)                                        | -                                               | (85.7)        | (87.2)                                        | -                                   | (87.2)         |
| Other operating expenses                                                                                           |      | (325.9)                                       | (26.3)                                          | (352.2)       | (350.8)                                       | (1.1)                               | (351.9)        |
| <b>Profit before interest, tax, depreciation, amortisation, impairment and share of profit from joint ventures</b> |      | <b>210.1</b>                                  | <b>(28.7)</b>                                   | <b>181.4</b>  | 189.4                                         | 3.8                                 | 193.2          |
| Depreciation and impairment                                                                                        |      | (79.4)                                        | (12.5)                                          | (91.9)        | (82.3)                                        | -                                   | (82.3)         |
| Amortisation and impairment of intangibles                                                                         |      | (2.6)                                         | (46.8)                                          | (49.4)        | (4.0)                                         | -                                   | (4.0)          |
| <b>Operating profit/(loss)</b>                                                                                     |      | <b>128.1</b>                                  | <b>(88.0)</b>                                   | <b>40.1</b>   | 103.1                                         | 3.8                                 | 106.9          |
| Finance income                                                                                                     | 8    | 23.6                                          | -                                               | 23.6          | 28.4                                          | -                                   | 28.4           |
| Finance costs                                                                                                      | 8    | (55.0)                                        | -                                               | (55.0)        | (52.4)                                        | -                                   | (52.4)         |
| <b>Net financing</b>                                                                                               | 8    | <b>(31.4)</b>                                 | -                                               | <b>(31.4)</b> | <b>(24.0)</b>                                 | -                                   | <b>(24.0)</b>  |
| Share of post-tax profit from joint ventures                                                                       | 19   | 16.0                                          | -                                               | 16.0          | 14.8                                          | -                                   | 14.8           |
| <b>Profit/(loss) before tax</b>                                                                                    |      | <b>112.7</b>                                  | <b>(88.0)</b>                                   | <b>24.7</b>   | 93.9                                          | 3.8                                 | 97.7           |
| Taxation                                                                                                           | 9    | (16.1)                                        | 12.7                                            | (3.4)         | (11.2)                                        | (11.2)                              | (22.4)         |
| <b>Profit/(loss) for the year</b>                                                                                  |      | <b>96.6</b>                                   | <b>(75.3)</b>                                   | <b>21.3</b>   | 82.7                                          | (7.4)                               | 75.3           |
| Profit attributable to owners of the parent                                                                        |      |                                               |                                                 | 21.3          |                                               |                                     | 71.5           |
| Profit attributable to non-controlling interests                                                                   |      |                                               |                                                 | -             |                                               |                                     | 3.8            |
|                                                                                                                    |      |                                               |                                                 | <b>21.3</b>   |                                               |                                     | <b>75.3</b>    |

The notes on pages 32 to 96 form part of these financial statements.

**Consolidated statement of comprehensive income**  
for the year ended 31 March 2021

|                                                                     |      | 2021                                  | 2021                                    | 2021          | 2020                                  | 2020                        | 2020           |
|---------------------------------------------------------------------|------|---------------------------------------|-----------------------------------------|---------------|---------------------------------------|-----------------------------|----------------|
|                                                                     |      | Before<br>non-<br>underlying<br>items | Non-<br>underlying<br>items<br>(Note 5) | Total         | Before<br>non-<br>underlying<br>items | Non-<br>underlying<br>items | Total          |
|                                                                     | Note | £m                                    | £m                                      | £m            | £m<br>Restated                        | £m<br>Restated              | £m<br>Restated |
| <b>Profit for the year</b>                                          |      | <b>96.6</b>                           | <b>(75.3)</b>                           | <b>21.3</b>   | <b>82.7</b>                           | <b>(7.4)</b>                | <b>75.3</b>    |
| Re-measurement of defined benefit obligations                       | 28   | (20.8)                                | -                                       | (20.8)        | 11.4                                  | -                           | 11.4           |
| Income tax on items that will not be reclassified                   | 9    | 3.7                                   | -                                       | 3.7           | (1.3)                                 | -                           | (1.3)          |
| Total items that will not be reclassified to profit or loss         |      | (17.1)                                | -                                       | (17.1)        | 10.1                                  | -                           | 10.1           |
| Share of other comprehensive income from joint ventures             | 19   | 1.1                                   | -                                       | 1.1           | 0.2                                   | -                           | 0.2            |
| Cash flow hedges                                                    |      | (13.4)                                | -                                       | (13.4)        | 0.1                                   | -                           | 0.1            |
| Income tax on items that may be reclassified                        | 9    | 2.4                                   | -                                       | 2.4           | -                                     | -                           | -              |
| Total items that may be subsequently reclassified to profit or loss |      | (9.9)                                 | -                                       | (9.9)         | 0.3                                   | -                           | 0.3            |
| <b>Other comprehensive income/(loss) for the year net of tax</b>    |      | <b>(27.0)</b>                         | <b>-</b>                                | <b>(27.0)</b> | <b>10.4</b>                           | <b>0.0</b>                  | <b>10.4</b>    |
| <b>Total comprehensive income for the year</b>                      |      | <b>69.6</b>                           | <b>(75.3)</b>                           | <b>(5.7)</b>  | <b>93.1</b>                           | <b>(7.4)</b>                | <b>85.7</b>    |
| Attributable to owners of the parent                                |      |                                       |                                         | (5.7)         |                                       |                             | 81.4           |
| Attributable to non-controlling interests                           |      |                                       |                                         | -             |                                       |                             | 4.3            |
|                                                                     |      |                                       |                                         | (5.7)         |                                       |                             | 85.7           |

The notes on pages 32 to 96 form part of these financial statements.

**Balance sheets**  
at 31 March 2021

|                                       |             | <b>Group</b>     |                  | <b>Company</b>   |                  |
|---------------------------------------|-------------|------------------|------------------|------------------|------------------|
|                                       |             | <b>2021</b>      | <b>2020</b>      | <b>2021</b>      | <b>2020</b>      |
|                                       | <b>Note</b> | <b>£m</b>        | <b>£m</b>        | <b>£m</b>        | <b>£m</b>        |
|                                       |             |                  | Restated         |                  |                  |
| <b>Assets</b>                         |             |                  |                  |                  |                  |
| <b>Non-current assets</b>             |             |                  |                  |                  |                  |
| Goodwill                              | 14          | 328.5            | 328.5            | -                | -                |
| Other intangible assets               | 15          | 47.2             | 86.9             | -                | -                |
| Property, plant and equipment         | 16          | 1,608.7          | 1,579.9          | -                | -                |
| Other non-current assets              | 18          | 257.8            | 261.4            | 360.2            | 1,876.8          |
| Investment in subsidiary undertakings | 19          | -                | -                | 1,953.6          | 411.7            |
| Investments in joint ventures         | 19          | 69.3             | 60.1             | -                | -                |
|                                       |             | <b>2,311.5</b>   | <b>2,316.8</b>   | <b>2,313.8</b>   | <b>2,288.5</b>   |
| <b>Current assets</b>                 |             |                  |                  |                  |                  |
| Inventories                           | 20          | 37.0             | 29.9             | -                | -                |
| Trade and other receivables           | 21          | 333.5            | 281.2            | 113.5            | 42.1             |
| Derivative financial instruments      | 22          | -                | 0.1              | -                | -                |
| Current tax assets                    | 25          | 0.4              | -                | 4.4              | -                |
| Cash and cash equivalents             | 23          | 106.2            | 33.3             | 3.6              | 1.3              |
|                                       |             | <b>477.1</b>     | <b>344.5</b>     | <b>121.5</b>     | <b>43.4</b>      |
| <b>Liabilities</b>                    |             |                  |                  |                  |                  |
| <b>Current liabilities</b>            |             |                  |                  |                  |                  |
| Trade and other payables              | 24          | (155.2)          | (153.1)          | (17.7)           | -                |
| Derivative financial instruments      | 22          | (2.1)            | -                | -                | -                |
| Current tax liabilities               | 25          | -                | (0.9)            | -                | (43.1)           |
| Borrowings                            | 26          | (20.6)           | (19.0)           | (31.3)           | -                |
| Provisions                            | 30          | (49.2)           | (26.7)           | -                | -                |
|                                       |             | <b>(227.1)</b>   | <b>(199.7)</b>   | <b>(49.0)</b>    | <b>(43.1)</b>    |
| <b>Net current assets</b>             |             | <b>250.0</b>     | <b>144.8</b>     | <b>72.5</b>      | <b>0.3</b>       |
| <b>Non-current liabilities</b>        |             |                  |                  |                  |                  |
| Borrowings                            | 26          | (1,539.7)        | (1,428.9)        | (1,260.8)        | (1,183.5)        |
| Other non-current liabilities         | 27          | (13.1)           | (14.4)           | -                | -                |
| Derivative financial instruments      | 22          | (44.6)           | -                | -                | -                |
| Retirement benefit obligations        | 28          | -                | (15.1)           | -                | -                |
| Deferred tax liabilities              | 29          | (101.1)          | (106.9)          | -                | -                |
| Provisions                            | 30          | (131.1)          | (159.3)          | -                | -                |
|                                       |             | <b>(1,829.6)</b> | <b>(1,724.6)</b> | <b>(1,260.8)</b> | <b>(1,183.5)</b> |
| <b>Net assets</b>                     |             | <b>731.9</b>     | <b>737.0</b>     | <b>1,125.5</b>   | <b>1,105.3</b>   |

**Balance sheets (continued)**  
at 31 March 2021

|                                                          | Note | Group          |          | Company        |         |
|----------------------------------------------------------|------|----------------|----------|----------------|---------|
|                                                          |      | 2021           | 2020     | 2021           | 2020    |
|                                                          |      | £m             | £m       | £m             | £m      |
| <b>Equity</b>                                            |      |                | Restated |                |         |
| <b>Equity attributable to owners of the parent</b>       |      |                |          |                |         |
| Share capital                                            | 31   | <b>898.2</b>   | 898.2    | <b>898.2</b>   | 898.2   |
| Share premium account                                    | 32   | <b>95.2</b>    | 95.2     | <b>95.2</b>    | 95.2    |
| Accumulated gains / (losses)                             | 33   | <b>(261.5)</b> | (256.4)  | <b>132.1</b>   | 111.9   |
| <b>Total equity attributable to owners of the parent</b> |      | <b>731.9</b>   | 737.0    | <b>1,125.5</b> | 1,105.3 |

The profit for the year attributable to ordinary shareholder's equity dealt with in the accounts of the Parent Company is £20.2m (2020: £62.2m). The notes on pages 32 to 96 form part of these financial statements.

The financial statements on pages 25 to 96 were approved by the Board of Directors and authorised for issue on 15 October 2021 and were signed on its behalf by:

DocuSigned by:  
  
 588A624C850F4F0  
**Nicholas Maddock**  
 Chief Financial Officer  
 15 October 2021

**Viridor Limited**

Registered office: Viridor House Youngman Place, Priory Bridge Road, Taunton, Somerset, TA1 1AP  
 Registered in England No. 2456473

**Statements of changes in equity**  
For the year ended 31 March 2021

|                                                                | Share<br>capital | Share<br>premium<br>account | Retained<br>earnings<br>and<br>other<br>reserves | Total         | Non-<br>controlling<br>interests | Total<br>equity |
|----------------------------------------------------------------|------------------|-----------------------------|--------------------------------------------------|---------------|----------------------------------|-----------------|
|                                                                | (Note<br>31)     | (Note<br>32)                | (Note<br>33)                                     |               |                                  |                 |
|                                                                | £m               | £m                          | £m                                               | £m            | £m                               | £m              |
| <b>Group</b>                                                   |                  |                             |                                                  |               |                                  |                 |
| At 1 April 2019                                                | 898.2            | 95.2                        | (305.2)                                          | <b>688.2</b>  | 7.1                              | <b>695.3</b>    |
| Restatement due to accounting error<br>(note 2.5)              |                  |                             | 46.6                                             | <b>46.6</b>   |                                  | <b>46.6</b>     |
| Effect of transition to IFRS 16                                |                  |                             | (6.2)                                            | <b>(6.2)</b>  | -                                | <b>(6.2)</b>    |
| Profit for the year                                            | -                | -                           | 71.5                                             | <b>71.5</b>   | 3.8                              | <b>75.3</b>     |
| Other comprehensive income for the<br>year                     | -                | -                           | 9.9                                              | <b>9.9</b>    | 0.5                              | <b>10.4</b>     |
| Total comprehensive income for the<br>year                     | -                | -                           | 81.4                                             | <b>81.4</b>   | 4.3                              | <b>85.7</b>     |
| Transactions with owners                                       |                  |                             |                                                  |               |                                  |                 |
| Dividends paid                                                 | -                | -                           | (85.9)                                           | <b>(85.9)</b> | -                                | <b>(85.9)</b>   |
| Adjustments in respect of share-based<br>payments (net of tax) | -                | -                           | 1.5                                              | <b>1.5</b>    | -                                | <b>1.5</b>      |
| Capital contribution received                                  | -                | -                           | 11.4                                             | <b>11.4</b>   | (11.4)                           | -               |
| Total transactions with owners                                 | -                | -                           | (73.0)                                           | <b>(73.0)</b> | (11.4)                           | <b>(84.4)</b>   |
| <b>At 31 March 2020</b>                                        | <b>898.2</b>     | <b>95.2</b>                 | <b>(256.4)</b>                                   | <b>737.0</b>  | -                                | <b>737.0</b>    |
| Profit for the year                                            | -                | -                           | 21.3                                             | <b>21.3</b>   | -                                | <b>21.3</b>     |
| Other comprehensive loss<br>for the year                       | -                | -                           | (27.0)                                           | <b>(27.0)</b> | -                                | <b>(27.0)</b>   |
| Total comprehensive loss for the year                          | -                | -                           | (5.7)                                            | <b>(5.7)</b>  | -                                | <b>(5.7)</b>    |
| Transactions with owners                                       |                  |                             |                                                  |               |                                  |                 |
| Dividends paid                                                 | -                | -                           | -                                                | -             | -                                | -               |
| Adjustments in respect of share-based<br>payments (net of tax) | -                | -                           | 0.6                                              | <b>0.6</b>    | -                                | <b>0.6</b>      |
| Capital contribution received                                  | -                | -                           | -                                                | -             | -                                | -               |
| Total transactions with owners                                 | -                | -                           | 0.6                                              | <b>0.6</b>    | -                                | <b>0.6</b>      |
| <b>At 31 March 2021</b>                                        | <b>898.2</b>     | <b>95.2</b>                 | <b>(261.5)</b>                                   | <b>731.9</b>  | -                                | <b>731.9</b>    |

The notes on pages 32 to 96 form part of these financial statements.

**Statements of changes in equity** (continued)

For the year ended 31 March 2021

|                                         | Share<br>capital<br>(Note 31)<br>£m | Share<br>premium<br>account<br>(Note 32)<br>£m | Retained<br>earnings<br>and other<br>reserves<br>(Note 33)<br>£m | Total<br>equity<br>£m |
|-----------------------------------------|-------------------------------------|------------------------------------------------|------------------------------------------------------------------|-----------------------|
| <b>Company</b>                          |                                     |                                                |                                                                  |                       |
| At 1 April 2019                         | 898.2                               | 95.2                                           | 135.6                                                            | 1,129.0               |
| Profit for the year                     | -                                   | -                                              | 62.2                                                             | 62.2                  |
| Total comprehensive income for the year | -                                   | -                                              | 62.2                                                             | 62.2                  |
| <b>Transactions with owners</b>         |                                     |                                                |                                                                  |                       |
| Dividends paid                          | -                                   | -                                              | (85.9)                                                           | (85.9)                |
| Capital contribution received           | -                                   | -                                              | 125.2                                                            | 125.2                 |
| Capital contribution issued             | -                                   | -                                              | (125.2)                                                          | (125.2)               |
| Total transactions with owners          | -                                   | -                                              | (85.9)                                                           | (85.9)                |
| <b>At 31 March 2020</b>                 | <b>898.2</b>                        | <b>95.2</b>                                    | <b>111.9</b>                                                     | <b>1,105.3</b>        |
| Profit for the year                     | -                                   | -                                              | 20.2                                                             | 20.2                  |
| Total comprehensive income for the year | -                                   | -                                              | 20.2                                                             | 20.2                  |
| <b>Transactions with owners</b>         |                                     |                                                |                                                                  |                       |
| Dividends paid                          | -                                   | -                                              | -                                                                | -                     |
| Total transactions with owners          | -                                   | -                                              | -                                                                | -                     |
| <b>At 31 March 2021</b>                 | <b>898.2</b>                        | <b>95.2</b>                                    | <b>132.1</b>                                                     | <b>1,125.5</b>        |

The notes on pages 32 to 96 form part of these financial statements.

**Cash flow statements**

For the year ended 31 March 2021

|                                                               |             | <b>Group</b>   |             | <b>Company</b> |             |
|---------------------------------------------------------------|-------------|----------------|-------------|----------------|-------------|
|                                                               | <b>Note</b> | <b>2021</b>    | <b>2020</b> | <b>2021</b>    | <b>2020</b> |
|                                                               |             | <b>£m</b>      | <b>£m</b>   | <b>£m</b>      | <b>£m</b>   |
| <b>Cash flows from operating activities</b>                   |             |                |             |                |             |
| Cash generated from/(used in) operations                      | 34          | <b>169.2</b>   | 178.0       | <b>(53.8)</b>  | (204.3)     |
| Interest paid                                                 | 34          | <b>(4.8)</b>   | (40.1)      | -              | (37.9)      |
| Tax received/(paid)                                           |             | <b>(4.4)</b>   | 11.3        | <b>(43.1)</b>  | (0.3)       |
| <b>Net cash generated from/(used in) operating activities</b> |             | <b>160.0</b>   | 149.2       | <b>(96.9)</b>  | (242.5)     |
| <b>Cash flows from investing activities</b>                   |             |                |             |                |             |
| Interest received                                             |             | <b>12.4</b>    | 13.1        | <b>9.2</b>     | 108.5       |
| Dividends received                                            | 19,39       | <b>7.9</b>     | 6.0         | <b>50.0</b>    | 35.6        |
| Repayment of loans by joint ventures                          |             | <b>0.6</b>     | 0.5         | -              | -           |
| Investment in intangible assets                               |             | <b>(3.1)</b>   | -           | -              | -           |
| Purchase of property, plant and equipment                     |             | <b>(125.1)</b> | (162.6)     | -              | -           |
| Proceeds from sale of property, plant and equipment           |             | <b>5.0</b>     | 9.9         | -              | -           |
| <b>Net cash (used in)/generated from investing activities</b> |             | <b>(102.3)</b> | (133.1)     | <b>59.2</b>    | 144.1       |
| <b>Cash flows from financing activities</b>                   |             |                |             |                |             |
| Proceeds from new borrowing                                   |             | <b>40.0</b>    | 190.7       | <b>40.0</b>    | 184.0       |
| Repayment of borrowing                                        |             | -              | (8.9)       | -              | -           |
| Lease principal repayments                                    |             | <b>(23.5)</b>  | (23.1)      | -              | -           |
| Dividends paid                                                | 11          | -              | (85.9)      | -              | (85.9)      |
| <b>Net cash generated from financing activities</b>           |             | <b>16.5</b>    | 72.8        | <b>40.0</b>    | 98.1        |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   |             | <b>74.2</b>    | 88.9        | <b>2.3</b>     | (0.3)       |
| Cash and cash equivalents at beginning of the year            | 23          | <b>32.0</b>    | (56.9)      | <b>1.3</b>     | 1.6         |
| Cash and cash equivalents at end of the year                  | 23          | <b>106.2</b>   | 32.0        | <b>3.6</b>     | 1.3         |

The notes on pages 32 to 96 form part of these financial statements.



## **Notes to the financial statements**

### **1. General information**

Viridor Limited is a private company, limited by shares and registered in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. Viridor's business is waste management, including resource recovery, recycling and low-carbon energy generation operated through a number of subsidiaries ('the Group').

### **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 (except for fair value items, principally acquisitions and certain financial instruments as described in accounting policy notes (b) and (q) respectively) and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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.

#### **Going Concern**

The going concern basis has been adopted in preparing the financial statements as stated by the Directors on page 20.

#### **New standards and interpretations**

New standards or interpretations which were mandatory for the first time in the year beginning 1 April 2020 did not have a material impact on the net assets or results of the Group. New standards or interpretations due to be adopted from 1 April 2021 are not expected to have a material impact on the Group's net assets or results.

#### **(b) Basis of consolidation**

The Group financial statements include the results of Viridor Limited, its subsidiaries and joint ventures.

The results of subsidiaries and joint venture undertakings are included from the date of acquisition or incorporation and excluded from the date of disposal. The results of subsidiaries are consolidated where the Group has the power to control the financial and operating policies of a subsidiary. The results of joint venture and associate undertakings are accounted for on an equity basis. Intra-group trading, loan balances and transactions are eliminated on consolidation.

The acquisition method of accounting is used to account for the purchase of subsidiaries. The excess of the value transferred to the seller in return for control of the acquired business together with the fair value of any previously held equity interest in that business over the Group's share of the fair value of the identifiable net assets is recorded as goodwill.

Once control is achieved any change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

#### **(c) Revenue recognition**

Group revenue is recognised following delivery of performance obligations and an assessment of when control over the product or service is transferred to the customer. Revenue is only recognised when collection of consideration is highly probable.

Revenue is recognised either when the performance obligation in the contract has been performed ('point in time' recognition) or 'over time' as the performance obligations to the customer are satisfied. For each obligation satisfied over time, the Group applies a revenue recognition method that accurately reflects performance in transferring control of the services to the customer.

Where a contract with a customer includes more than one performance obligation, revenue is allocated to each obligation in proportion to a fair value assessment of the total contract sales value split across the services provided.

## **Notes to the financial statements (continued)**

### **2. Principal accounting policies (continued)**

#### **(c) Revenue recognition (continued)**

At the inception of a contract the total transaction price is estimated, being the fair value to which the Group expects to be entitled under the contract, including any variable consideration. Variable consideration is based on the most likely outcome of the performance obligations.

Revenue excludes value added tax, trade discounts and revenue arising from transactions between Group companies. Revenue includes landfill tax and compensation receivable for loss of earnings.

#### **Energy sales**

The Group receives revenue from the sale of electricity from generating assets. These assets include solar, anaerobic digestion, gas from landfill and Energy Recovery facilities. Revenue from the sale of electricity from the Group's generating assets is measured based upon metered output delivered at rates specified under contract terms or prevailing market rates. Revenue is recognised at a 'point in time', being the point of distribution to the grid. Typically, invoices are raised monthly with standard payment terms.

#### **Waste Management Services**

In respect of single services with fixed fees, such as the receipt of gate and collection fees, revenue is recognised at the time the service is provided.

The Group also delivers other waste management services for which revenue is recognised 'over time' in accordance with contracts with customers. The nature of contracts and/or performance obligations includes management fees to operate local authority recycling centres and energy recovery facilities, multi service contracts including collections and gate fees.

Revenue from other services can be fixed (i.e. management fees) or variable (i.e. gate fees).

Gate fee revenue, derived from the Group's operational assets, is recognised as customer waste is deposited and is based on tonnage received.

In respect of waste collection services, revenue is recognised at the point of collection from customer premises.

The majority of waste management customers are invoiced monthly for services provided within the monthly billing period. Payments are typically due on an end of month following invoice basis. Alternative billing and/or payment terms are agreed in exceptional circumstances.

The Group transfers control of such waste management services prior to invoicing. Receipt of payment following invoice is based solely on the passage of time. A trade receivable is recognised until payment is made and/or refund issued.

Where the Group has entered into service concession arrangements it accounts for these contracts in accordance with IFRIC12. Consideration is treated as contract assets or other intangible assets, depending upon the right to receive cash from the asset. Consideration is split between construction of assets, operation of the service and provision of finance recognised as interest receivable.

Revenue in respect of construction services is recognised over time and based on the fair value of work performed, with reference to the total sales value and the stage of completion of those services, as this best reflects the manner in which control passes to the customer. While construction is in progress, the consideration is disclosed as a contract asset within non-current financial assets. On entry into operational service, in accordance with IFRIC 12, the contract asset is reclassified as costs recoverable from construction activities and disclosed within either:

- other intangible assets (when the concession grantor has not provided a contractual guarantee in respect of the recoverable amount regardless of the service use by customers).
- other non-current financial assets (when the concession grantor contractually guarantees the payment of amounts determined in the contract or the shortfall, if any, between amounts received from users of the public service and amounts specified or determined in the contract). No payments are received during the construction phase.

## **Notes to the financial statements (continued)**

### **2. Principal accounting policies (continued)**

#### **(c) Revenue recognition (continued)**

##### **Waste Management Services (Continued)**

In respect of operating services, revenue is recognised over time in line with delivery of operational services in accordance with the contract with the local authority.

Once the operational phase commences, the Group has a right to receive consideration for the construction and operational services delivered. Invoicing typically occurs monthly and payments are due by the end of the month following date of invoice.

##### **Recyclate**

The Group transforms waste into recyclate ready for resale. Revenue is measured at the agreed transaction price per tonne of recyclate under the contract with the customer. Revenue recognition occurs when control over the recyclate assets has been transferred to the customer.

In respect of UK sales, the Group's performance obligation is satisfied at the point of collection by the customer. This is the point in time when an invoice is issued and revenue is recognised. Payment terms are typically end of month following invoice date. Overseas sales are predominantly agreed under a letter of credit. Goods are despatched at the point the letter of credit is accepted by the customers bank. Payment is released when the customer confirms satisfactory receipt of the recyclate. This is the point legal title (i.e. control) passes to the customer and revenue is recognised.

##### **Contract assets and liabilities**

A trade receivable is recognised when the Group has an unconditional right to receive consideration in exchange for performance obligations already fulfilled. A contract asset is recognised when the Group has fulfilled some of its performance obligations but has not yet obtained an unconditional right to receive consideration, such as during the construction phase of a service concession agreement, as described above. The amounts for contract assets are disclosed within note 18 (Other non-current assets) and note 21 (Trade and other receivables) as appropriate.

A contract liability is recognised when consideration is received in advance of the Group performing its performance obligations to customers. The value of contract liabilities is disclosed within note 24 (Trade and other payables) and note 27 (Other non-current liabilities) as appropriate.

#### **(d) Landfill tax**

In respect of its landfill business, revenue is set to cover total costs, including landfill tax (LFT), and to achieve a desired profit margin. Viridor, as the operator, has a direct obligation to pay LFT, which represents a significant waste disposal cost of production for the business.

#### **(e) Other income**

Other income is derived from activities which do not form part of the ordinary business cycle for Viridor, this consists of insurance recoveries and delay damages received for loss of revenue on asset construction. Other income is recognised when management considers receipt to be highly probable and the amount can be reliably measured or estimated.

#### **(f) Foreign exchange**

Transactions in overseas currencies are translated into sterling at the prevailing exchange rates on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the prevailing rate at the year-end. The resulting gain or loss is recognised in the income statement.

## **Notes to the financial statements (continued)**

### **2. Principal accounting policies (continued)**

#### **(g) Goodwill**

Goodwill arising on consolidation from the acquisition of subsidiary and joint venture undertakings represents the excess of the purchase consideration over the fair value of net assets acquired, less any subsequent impairment charges.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units or group of cash generating units that is expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal reporting purposes. Further details are contained in accounting policy 2 (l). When a subsidiary or joint venture undertaking is sold, the profit or loss on disposal is determined after including the attributable amount of unamortised goodwill.

#### **(h) Other intangible assets**

An intangible asset is recognised in respect of service concession contracts to the extent that future amounts to be received are not contractually guaranteed.

Other intangible assets acquired in a business combination are capitalised at fair value at the date of acquisition. Following initial recognition, finite life intangible assets are amortised on a straight-line basis over their estimated useful economic lives, with the expense taken to the income statement through operating costs.

#### **(i) 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 a landfill is depreciated to its residual value 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

Leasehold buildings: Over their estimated economic lives, whichever is the shorter

Energy recovery facilities: 25-40 years

Fixed and mobile plant vehicles and computers: 3-10 years

Assets classified as construction in progress are not depreciated until commissioned.

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

Asset lives and residual values are reviewed annually.

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

## **Notes to the financial statements (continued)**

### **2. Principal accounting policies (continued)**

#### **(j) Grants and contributions**

Grants are recognised where there is a reasonable assurance that the grant will be received and all of the attached conditions will be met.

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 are charged against profits in the year and have been included in the income statement in other operating expenses.

#### **(k) Leased assets**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leased assets are accounted for by recognising a right-of use-asset and a lease liability except for:

- Low value assets; and
- Leases with a duration of 12 months or less.

#### **Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

#### **Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

#### **(l) Impairment of non-financial assets**

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

Assets subject to amortisation or 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 an 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.

## **Notes to the financial statements (continued)**

### **2. Principal accounting policies (continued)**

#### **(l) Impairment of non-financial assets (continued)**

Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of the impairment at each reporting date.

Where a previously impaired asset or cash generating unit's recoverable amount is in excess of its carrying amount, previous impairments are reversed to the carrying value that would have expected to be recognised had the original impairment not occurred.

#### **(m) Investment in subsidiary undertakings**

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

#### **(n) Investment in joint ventures**

Joint ventures are entities over which the Group exercises joint control. Investments in joint ventures are accounted for using the equity method of accounting. Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the joint venture at the date of acquisition is recognised as goodwill and is included in the carrying value of the investment in the joint venture.

The carrying value of the Group's investment is adjusted for the Group'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 Group's interest are not recognised unless the Group has a legal or constructive obligation to fund those losses.

#### **(o) Inventories**

Inventories are stated at the lower of cost or net realisable value. The cost of finished goods and work in progress includes raw materials and the cost of bringing stocks to their present location and condition. It excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price less cost to sell.

Stocks of fuel and spares are valued at cost, less any provision for obsolescence.

#### **(p) 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.

#### **(q) Derivatives and other financial instruments**

Financial instruments are recognised and measured in accordance with IFRS 9.

The Group classifies its financial instruments in the following categories:

##### **i) Debt instruments at amortised cost**

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 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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## Notes to the financial statements (continued)

### 2. Principal accounting policies (continued)

#### ii) Trade receivables

Trade receivables do not carry any interest receivable and are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less provision for expected credit losses (ECLs). Each Group entity performs an impairment analysis at each reporting date to measure the ECLs. Each entity does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Each subsidiary has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment”

#### 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.

#### iv) Financial assets arising from service concession arrangements

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

#### v) Derivative financial instruments and hedging activities

The Group uses derivative financial instruments, principally RPI swaps, to hedge cash flow risks associated with components of long-term contractual terms linked to a quoted index. The group also uses currency forward contracts and energy swaps to hedge cash flow risks associated with forecast transactions with a clearly defined market price risk. Derivative instruments are initially recognised at fair value on the date the derivative contract is entered into and subsequently re-measured at fair value for the reported balance sheet.

The Group also uses intra-group hedging arrangements to pass the risks and rewards of the relevant hedges from Viridor Limited to the relevant subsidiaries.

The Group generally designates its hedging derivatives as cash flow hedges due to there being a highly probable forecast transaction or change in the cash flows of a recognised asset or liability. The exception for this year was energy swaps which were new and relatively immaterial in the period.

The gain or loss on remeasurement is recognised in the income statement except for cash flow hedges which meet the conditions for hedge accounting, when the portion of the gain or loss on the hedging instrument which is determined to be effective is recognised in other comprehensive income and the ineffective portion in the income statement. The gains or losses deferred in equity in this way are subsequently recognised in the income statement in the same period in which the hedged underlying transaction or firm commitment is recognised in the income statement.

In order to qualify for hedge accounting the Group is required to document, in advance, the relationship between the item being hedged and the hedging instrument. The Group is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed at the end of each reporting period to ensure that the hedge remains highly effective.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than one year and as a current asset or liability when the remaining maturity of the hedged item is less than one year. Derivative financial instruments which do not qualify for hedge accounting are classified as a current asset or liability with any change in fair value recognised immediately in the income statement.

## **Notes to the financial statements (continued)**

### **2. Principal accounting policies (continued)**

#### **(q) Derivatives and other financial instruments (continued)**

##### **vi) Receivables due from subsidiary undertakings**

Amounts owed by subsidiaries are classified and recorded at amortised cost and reduced by allowances for expected credit losses. Estimated future credit losses are first recorded on initial recognition of a receivable and are based on estimated probability of default.

##### **(r) Taxation including deferred tax**

The tax charge for the year 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 as appropriate.

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 provisions on individual tax items, where in the judgement of management, the position is uncertain.

The Company is part of the group of companies headed by Planets Topco Limited relief provisions whereby current tax liabilities can be offset by current tax losses arising in other Group companies. Payments for group relief 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 where they arise from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be realised. Deferred tax is determined using the tax rates enacted or substantively enacted at the balance sheet date and expected to apply when the deferred tax liability is settled, or the deferred tax asset is realised.

##### **(s) Provisions**

The Group has a number of provisions in relation to Environmental compliance as well as Health and Safety incidents. 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 expenditures expected to be required to settle obligations. The unwinding of the discount to present value is included as a financial item within finance costs where applicable.

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

##### **i) Landfill restoration costs**

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

##### **ii) Environmental control and aftercare costs**

Environmental control and aftercare costs are incurred during 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 relevant site.



## **Notes to the financial statements (continued)**

### **2. Principal accounting policies (continued)**

#### **iii) Underperforming contracts**

Where the unavoidable costs of meeting a contract's obligations exceed the economic benefits derived from that contract, the unavoidable costs, less revenue anticipated under the terms of the contract, are recognised as a provision and charged to the income statement. An impairment loss on any assets dedicated to that contract is also recognised as described in accounting policy note 2 (l).

#### **(t) Share capital**

Ordinary shares are classified as equity.

#### **(u) Dividend distributions**

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

#### **(v) Employee benefits**

##### **i) Retirement benefit obligations**

The Group participates in defined benefit and defined contribution pension schemes operated or managed by its parent.

##### **Defined benefit pension schemes**

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

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

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

##### **Defined contribution scheme**

Costs of the defined contribution pension scheme are charged to the income statement in the year in which they arise. The Group has no further payment obligations once the contributions have been paid.

##### **ii) Share-based payment**

The group operates an equity settled share based compensation plan. The fair value of the employee services received in exchange for the grant is recognized as an expense. Until the KKR acquisition of the Group on 8 July 2020, senior management participated in a number of equity settled share based payment plans for shares in Pennon plc.

## **Notes to the financial statements (continued)**

### **2. Principal accounting policies (continued)**

#### **(w) Pre-contract and development costs**

Pre-contract 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.

#### **(x) 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 best estimate of future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

#### **(y) Non-underlying items**

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

### **2.5 Accounting errors**

#### **(a) Landfill and restoration provisions**

A significant cost of owning and operating a landfill site in the UK arises due to the constructive and legal obligation to restore sites after landfill operations cease and to care for them until it can be demonstrated that they present no ongoing risk to the environment.

The period of aftercare post-closure and the level of costs expected to be incurred over that period are uncertain and can vary significantly from site to site. Viridor organises its costs as follows:

- Restoration costs including capping, restoration soils, and other infrastructure and landscaping costs.
- Aftercare costs including inspection, ground water monitoring, leachate management, methane gas control and recovery and the operation and maintenance costs to be incurred during the period after the site closes.

During the year Viridor has undertaken a review of its landfill and restoration provisions, which are recorded to manage its landfill obligations. We have reviewed the accounting treatment of certain operating costs, specifically considering whether they should be included within provisions under IAS 37 Provisions, contingent liabilities and contingent assets. This has resulted in a material reduction in the level of provisioning and brings the Company more in line with other operators in the industry.

**Notes to the financial statements (continued)****2. Principal accounting policies (continued)****2.5 Accounting errors (continued)****(a) Landfill and restoration provisions (continued)**

These matters have been treated as accounting errors in accordance with IAS 8, meaning that, changes have been made retrospectively by amending the comparatives and restating retained earnings at the beginning of the year ended 31 March 2020.

The impact on the financial statements is as follows:

**Comparative period adjustment to equity [increase/(decrease) in equity]**

|                               | <b>2020</b>  | <b>2019</b> |
|-------------------------------|--------------|-------------|
|                               | <b>£m</b>    | <b>£m</b>   |
| Property, plant and equipment | (2.4)        | -           |
| <b>Total assets</b>           | <b>(2.4)</b> | <b>-</b>    |
| Deferred tax                  | 1.4          | (10.7)      |
| Provisions                    | (5.7)        | 57.3        |
| <b>Total liabilities</b>      | <b>(4.3)</b> | <b>46.6</b> |
| <b>Net impact on equity</b>   | <b>(6.7)</b> | <b>46.6</b> |

**Comparative period adjustment to income statement [increase/(decrease) in profit]**

|                                          | <b>2020</b>  |
|------------------------------------------|--------------|
|                                          | <b>£m</b>    |
| Other operating expenses                 | (8.6)        |
| Depreciation                             | (1.7)        |
| Finance costs                            | 2.2          |
| Taxation                                 | 1.4          |
| <b>Net impact on profit for the year</b> | <b>(6.7)</b> |
| <b>Attributable to:</b>                  |              |
| Owners of the parent                     | (6.4)        |
| Non-controlling interests                | (0.3)        |
|                                          | <b>(6.7)</b> |

There is no net impact to either the operating, investing, or financing activities in the prior period cashflow disclosures.

**(b) Other income**

In previous periods, the Group presented delay damages and insurance recoveries within revenue in order to simplify the statement of profit or loss i.e. only presenting one income line. As the other income amount is considered to be material to the users of the financial statements, it has been determined that an error has been made in previous years by not presenting this information separately. The comparative period has been restated to classify £15.0m of other income, previously reported in revenue, as other income on the face of the income statement. The analysis of other income in the previous year and the current year is recorded in note 7 to these financial statements.

There is no net impact to either the operating, investing, or financing activities in the prior period cashflow disclosures.

## **Notes to the financial statements (continued)**

### **3. Financial risk management**

The financial risk management policies reflect conditions that existed through and at the year ending 31 March 2021.

#### **(a) Financial risk factors**

The Group's activities expose it to a number of financial risks: liquidity risk, market risk (including interest rate risk, inflation risk, and energy price risk), and credit risk. Details of the nature of each of these risks along with the steps the Group has taken to manage them is described below.

The Group's treasury function seeks to ensure that sufficient funding is available to meet foreseeable needs and to maintain reasonable headroom for contingencies and manages financial risks.

These risks and treasury operations are managed by the Chief Financial Officer in accordance with policies established by the Board. Major transactions are individually approved by the Board.

Financial instruments, including derivatives, are used, where appropriate, to manage the risks of fluctuations in interest rates, inflation and other financial risks. The Group does not engage in speculative activity.

#### **i) Market risk**

Market risk relates to fluctuations in external market variables such as interest rates, inflation and exchange rates that affect the Group's income or the value of the financial instruments that it holds.

Of the Group's interest-bearing financial liabilities at the year-end, 99% were at fixed rates after the impact of financial derivatives designed to manage the risk of fluctuating interest rates impacting the financial performance of the Group.

The Group is currently considering its strategy for the transition from LIBOR to SONIA in conjunction with other businesses controlled by KKR. Due to the high level of effectively fixed debt, there should be no material impact from the transition.

The Group has long term contracts with customers for the processing of waste, and some of the prices are linked to the RPI index. The group has entered into RPI swap contracts which effectively fix RPI on 88% of forecast contractual RPI-linked revenue until 2036.

The Group's primary exposure to exchange rates arises from contractual commitments to incur expenditure in Euros, primarily in relation to major capital projects. The group uses a combination of Euro cash deposits and currency forward contracts to manage this risk. There was no material net exposure at the year-end.

#### **ii) Liquidity risk**

The parent company, Planets UK Bidco Limited maintains facilities that are designed to ensure the Group has significant available funds for operations, planned expansions and facilities equivalent to at least one year's forecast requirements at all times, with reasonable headroom for contingencies. A financial covenant related to Planets' facilities was first assessed in September 2021.

This financial covenant is a debt service coverage ratio comparing cash generated during a twelve-month period against interest payments and other debt service costs. Additional covenants limit the Group's ability to enter into certain transactions, including placing limits on its ability to pay dividends. The Group has complied with these covenants throughout the financial year.

**Notes to the financial statements (continued)****Financial risk factors (continued)****ii) Liquidity risk (Continued)**

Contractual undiscounted cash flows, including interest payments, at the balance sheet date were:

|                                             | Due<br>within<br>1 year<br>£m | Due<br>between<br>1 and 2<br>years<br>£m | Due<br>between<br>2 and 5<br>years<br>£m | Over<br>5 years<br>£m | Total<br>£m |
|---------------------------------------------|-------------------------------|------------------------------------------|------------------------------------------|-----------------------|-------------|
| <b>Group</b>                                |                               |                                          |                                          |                       |             |
| <b>31 March 2021</b>                        |                               |                                          |                                          |                       |             |
| <b>Non-derivative financial liabilities</b> |                               |                                          |                                          |                       |             |
| Borrowings excluding lease liabilities      | -                             | -                                        | -                                        | 1,463.4               | 1,463.4     |
| Interest payments on borrowings             | 54.9                          | 54.9                                     | 164.7                                    | 508.5                 | 783.0       |
| Lease liabilities including interest        | 13.9                          | 19.9                                     | 18.3                                     | 155.2                 | 207.3       |
| <b>31 March 2020</b>                        |                               |                                          |                                          |                       |             |
| <b>Non-derivative financial liabilities</b> |                               |                                          |                                          |                       |             |
| Borrowings excluding Lease liabilities      | -                             | 72.9                                     | 231.7                                    | 894.9                 | 1,199.5     |
| Interest payments on borrowings             | 12.8                          | 12.6                                     | 32.6                                     | 75.5                  | 133.5       |
| Lease liabilities including interest        | 25.8                          | 24.1                                     | 57.0                                     | 293.0                 | 399.9       |
| <b>Company</b>                              |                               |                                          |                                          |                       |             |
| <b>31 March 2021</b>                        |                               |                                          |                                          |                       |             |
| <b>Non-derivative financial liabilities</b> |                               |                                          |                                          |                       |             |
| Borrowings                                  | 31.3                          | -                                        | -                                        | 1,260.8               | 1,292.1     |
| Interest payments on borrowings             | 47.3                          | 47.3                                     | 141.9                                    | 438.1                 | 674.6       |
| <b>31 March 2020</b>                        |                               |                                          |                                          |                       |             |
| <b>Non-derivative financial liabilities</b> |                               |                                          |                                          |                       |             |
| Borrowings                                  | -                             | 70.8                                     | 225.3                                    | 887.4                 | 1,183.5     |
| Interest payments on borrowings             | 11.8                          | 11.7                                     | 30.6                                     | 74.6                  | 128.7       |

**iii) Credit risk**

Credit and counterparty risk arises from cash and cash deposits and deposits with bank and financial institutions, as well as exposure to customers, including outstanding receivables. Further information on the credit risk relating to trade receivables is given in note 21.

Counterparty risk arises from the investment of surplus funds and from the use of derivative financial instruments. The Group follows a policy for managing such risk which is controlled through credit limits, counterparty approvals and rigorous monitoring procedures.

The Group has no other significant concentration of credit risk. The Group's surplus funds are managed by the Group's treasury function and, where sufficient incremental yield is available, are placed in short term deposits or the overnight money markets. Deposit counterparties must meet minimum criteria based on their short-term credit ratings and therefore be of good credit quality.

## **Notes to the financial statements (continued)**

### **3. Financial risk management (continued)**

#### **(b) Capital Risk Management (continued)**

The capital risk management policy is managed by the parent company, Planets UK Bidco Limited. The company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to minimise the cost of capital.

The acquisition of Viridor Limited by Planets UK Bidco Limited on 8 July 2020 was funded in part by a medium-term loan of which £1,882m is due for repayment within 5 years or fewer, and Viridor Limited and its subsidiaries are obligors in respect of this debt. This debt can only be funded through a refinancing. The directors are well advanced in the necessary course of actions to replace this medium-term debt with a long term, sustainable, portfolio of debt. This refinancing would involve new debt being borrowed by a subsidiary of Viridor Limited with net proceeds being used mainly to repay the lenders to Planets UK Bidco Ltd.

#### **(c) Commodity risk**

The Group is exposed to availability and price fluctuations in the recycle markets in which it operates. The Group mitigates this risk with a combination of long-term contracts with local authorities, which secures substantial amounts of recycle materials and by extensive cost control and continual efficiency management programmes at its recycling plants.

#### **(d) Energy price risk**

The Group is exposed to price fluctuations in the energy supply market. It seeks to mitigate this risk with a combination of forward sale contracts, supported by energy derivatives, in line with a Board approved policy. Due to the complex interactions between these different contracts the Group has not designated the energy derivatives as hedging instruments for accounting purposes as at 31 March 2021.

#### **(e) Determination of fair values**

The fair value of financial assets and liabilities represents the price that would be received to sell an asset or paid to transfer a liability between informed and willing parties, other than in a forced or liquidation sale at the measurement date. The techniques for determining the fair value of financial instruments are classified under the hierarchy defined in IFRS 13 Fair Value Measurement which categorises inputs to valuation techniques into levels one to three based on the degree to which fair value is observable. The Group's financial instruments are valued using level two measures, as analysed in note 17.

The fair value of derivative financial instruments, including interest rate swaps and index-linked swaps, are measured using discounted cash flows. The future cash flows are estimated based on observable forward interest rates and discounts at a rate that reflects the credit risk of the Group and counterparties. Currency cash flows are translated as spot rate.

The carrying values less expected credit losses of the Group's trade and other receivables, lease liabilities, cash and cash equivalents, short term investments, trade and other payables are considered to be approximate to their fair values. The fair value of financial liabilities, principally environmental provisions, is estimated by discounting the future contractual cash flows at the current market interest rates available to the Group for similar financial instruments.

The carrying values less expected credit losses of trade receivables and payables are assumed to approximate to their fair values. The fair value of financial liabilities, principally environmental provisions, is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

### **4. Critical accounting judgements and estimates**

The Group's principal accounting policies are set out in note 2. Management is required to exercise significant judgment and make use of estimates and assumptions in the application of these policies. Estimates are based on factors including historical experience and expectations of future events that management believe to be reasonable. However, given the judgemental nature of such estimates, actual results could be different from the assumptions used.

## Notes to the financial statements (continued)

### 4. Critical accounting judgements and estimates (continued)

#### (a) Estimates

##### (i) 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 latest estimate of landfill site operating lives.

The provisions are based on latest assumptions reflecting recent historical data and future cost estimates. The aftercare provision is particularly sensitive to the estimated volumes of leachate and their associated cost, together with the discount rate used to establish the provision.

The provisions are recognised in the financial statements at the net present value of the estimated future expenditure required to settle the Group'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.

An aftercare period between 30 and 60 years is used in calculating provision values. This is considered reasonable by management, is comparable to peers in the waste business and is consistent with Environment Agency bond periods. The impact of a 0.1% change in discount rate is estimated to be in the region of £1.3 million.

As at 31 March 2021 the Group's environmental and landfill restoration provisions were £142.9 million (2020: £149.8 million restated) (note 30). Where a restoration provision is an integral part of a landfill site's future economic benefits, an asset is recognised and depreciated in accordance with the Group's depreciation policy. As at 31 March 2021 these assets had a net book value of £23.4 million (2020: £24.6 million restated) (note 16).

During the year Viridor has undertaken a review of its landfill and restoration provisions, which are recorded to manage its landfill obligations. This has resulted in a material reduction in the level of provisioning and brings the Company more in line with other operators in the industry. The changes have been made retrospectively by amending the comparatives and restating retained earnings at the beginning of the year ended 31 March 2020. Note 2.5 details the full impact of this adjustment.

##### (ii) Retirement benefit obligations

The Group operates defined benefit pension schemes for which actuarial valuations are carried out as determined by the trustees at intervals of not more than three years. The most recent triennial valuation of the main scheme was as at 31 March 2019.

The pension cost and liabilities under IAS 19 are assessed in accordance with Directors' best estimates using the advice of an independent qualified actuary and assumptions in the latest actuarial valuation. The assumptions are based on member data supplied to the actuary and market observations for interest rates and inflation, supplemented by discussions between the actuary and management. The mortality assumption uses a scheme-specific calculation based on CMI 2020 actuarial tables with an allowance for future longevity improvement. The principal assumptions used to measure schemes' liabilities, sensitivities to changes in those assumptions and future funding obligations are set out in note 28.

##### (iii) Taxation

The Group's current tax receivable of £0.4 million (2020: £0.9 million payable)

The Group continues to have a small number of ongoing uncertain tax items primarily relating to the interpretation of tax legislation regarding different tax aspects of its ERF's. This is part of the normal course of business and the Group has paid in full the tax HMRC interpret as due, and therefore would benefit by a cash refund of up to £22.1 million (2020 £24.0 million) should these tax items be concluded in the Group's favor. The Group is continuing to work towards resolution of these matters with HMRC. The amount of the cash refund will reduce over time as the points at stake mainly relate to timing issues

## **Notes to the financial statements (continued)**

### **4. Critical accounting judgements and estimates (continued)**

#### **(a) Estimates (continued)**

##### **(iv) Service concession arrangements**

Consideration from public sector entities for the operation of waste management service concessions is treated as contract receivables or other intangible assets, depending on the right to receive cash from the asset. At the balance sheet date there were contract receivables of £259.5 million (2020: £260.9 million) and other intangible assets of £44.1 million (2020: £86.9 million) in relation to its service concession arrangements. The movement in the intangible is driven by an impairment of the intangible asset relating to the Glasgow recycling and renewable energy centre. The key estimates used are tonnage throughput, availability of anaerobic digestion and a discount rate of 6.25%.

Consideration relating to contract receivables is split between profit on the construction of assets, operation of the service and provision of finance recognised as interest receivable. Management's judgement is used in the allocation between these three elements, this assessment reflects external market conditions according to the type of service provided and project specific cash flow expectations.

#### **(b) Judgements**

##### **Non-underlying items**

In establishing which items are disclosed separately as non-underlying, to enable a full understanding of the Group's financial performance, the Directors exercise their judgement in assessing the size, nature or incidence of specific items. See note 5 for further details.

##### **(i) Valuation of goodwill**

The Group tests goodwill for impairment annually, or more frequently if there are any indications that impairment may have arisen. Before this financial year the management were monitoring goodwill based on a single aggregation of CGUs. During the current year, the acquisition, subsequent change in management, and changes in the future strategy for the different parts of the business has resulted in a change in the level at which goodwill is monitored. The Goodwill is now monitored on three aggregated levels where the associated CGUs are: Energy recovery facilities, waste management services, and polymer recycling facilities. The recoverable amount of the refreshed CGUs have been assessed using a value in use or fair value less costs to sell with reference to the recent acquisition of the business by KKR and the sale of part of the business to Biffa. The results of the tests performed during the year demonstrate significant headroom and it is judged that no reasonable change in the key assumptions would cause the carrying amount of the CGUs to exceed the recoverable amount.



**Notes to the financial statements (continued)****5. Non-underlying items**

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

| <b>Operating costs</b>                               |             | <b>2021</b>   | <b>2020</b>  |
|------------------------------------------------------|-------------|---------------|--------------|
|                                                      | <b>Note</b> | <b>£m</b>     | <b>£m</b>    |
| <b>Manpower costs</b>                                |             |               |              |
| Impact of strategic review (d)                       |             | (2.4)         | -            |
| Pension past service credit (i)                      |             | -             | 4.9          |
|                                                      |             | <b>(2.4)</b>  | <b>4.9</b>   |
| <b>Other operating expenses</b>                      |             |               |              |
| Transfer of defined benefit pension schemes (b)      |             | 35.3          | -            |
| Construction receivable & legal fees recoverable (c) |             | (43.8)        | -            |
| Impact of strategic review (d)                       |             | (12.0)        | -            |
| Environmental compliance risk (e)                    |             | 7.3           | -            |
| HSE compliance risk (f)                              |             | (10.0)        | -            |
| Exit from share schemes (g)                          |             | (0.6)         | -            |
| Asset derecognition (h)                              |             | (2.1)         | -            |
| Contract exit settlement (n)                         |             | (0.4)         | -            |
| Covid 19 provision for expected credit losses (j)    |             | -             | (1.1)        |
|                                                      |             | <b>(26.3)</b> | <b>(1.1)</b> |
| <b>Depreciation / Amortisation / Impairment</b>      |             |               |              |
| Impairment of intangible assets (a)                  |             | (46.8)        | -            |
| Accelerated depreciation of certain IT assets (k)    |             | (10.0)        | -            |
| Impairment of Plant & Machinery (m)                  |             | (2.5)         | -            |
| <b>Operating (Loss)/profit</b>                       |             | <b>(88.0)</b> | <b>3.8</b>   |
| Deferred tax change in rate (l)                      |             | -             | (10.5)       |
| Tax credit/(charge) arising on non-underlying items  | <b>9</b>    | <b>12.7</b>   | <b>(0.7)</b> |
| <b>Net non-underlying charge</b>                     |             | <b>(75.3)</b> | <b>(7.4)</b> |

a) The group tests for impairment of cash generating units and during the year ending 31 March 2021, this has resulted in an impairment of the intangible asset relating to the Glasgow Recycling Renewable Energy Centre. The impairment of £46.8m has been based on the asset's value in use, with the key driver for the impairment being site tonnage throughputs being at a lower level than expected. The key estimates used were tonnage throughput, availability of anaerobic digestion and a discount rate of 6.25%.

b) As part of the acquisition of Viridor by KKR there were changes to the principal employer of certain pension schemes. The Somerset Section of the Citrus Pension Plan was split into three sections, two of which have Pennon Group plc as Principal Employer, replacing Viridor Waste (Somerset) Limited. Pennon became principal employer of the Viridor Waste Section of the Citrus Pension Plan. In addition, Viridor is no longer a participant in the Pennon Group Pension Scheme. The transfer of the assets and liabilities resulted in a settlement gain of £35.3m.

c) A settlement was reached with Tilbury Douglas Construction Limited (formerly known as Interserve Construction Limited) in relation to rectifications and completion costs for Glasgow Recycling Renewable Energy Centre in June 2021. This resulted in a charge to the income statement of £43.8m.

d) The group has undertaken a strategic review of its operations under new ownership in the year. This has resulted in employee related charges of £2.4m and professional fees incurred of £12.0m.

## **Notes to the financial statements (continued)**

### **5. Non-underlying items (continued)**

e) The Group has assessed the risk on certain landfill related liabilities and the net credit to the income statement is £7.3m. This is the reversal of a provision previously charged to non-underlying items.

f) The Group has assessed the liability resulting from potential prosecutions from the Health and Safety Executive resulting in a charge of £10m.

g) Post the change in ownership the Group is no longer part of the equity settled share plans that Pennon Group plc operated. This was resulted in a charge to the income statement of £0.6m.

h) As part of the change in ownership the Group has assessed certain assets. This was resulted in an asset derecognition of £2.1m.

i) Upon cessation of the Greater Manchester contract, employees were transferred to the new contract provider. Accordingly, defined benefit pension commitments for these employees are in the process of being transferred. The past service credit of £4.9 million in 2020 reflects curtailment and other gains resulting from transferring employees from an active to a deferred status in the schemes.

j) In response to the COVID-19 pandemic a detailed expected credit loss review was undertaken. As a result of the review, a Group provision of £1.1 million was recognised.

k) Investment in systems infrastructure commenced during the year and a reassessment of the remaining useful lives of existing IT-related assets took place, resulting in an accelerated depreciation charge of £10m.

l) Following the Chancellor's Budget on 11 March 2020, the UK headline tax rate will remain at 19%. It was previously set to reduce to 17% from 1 April 2020 and that change has now been cancelled. All deferred tax assets and liabilities have therefore been recalculated to crystallise at 19%, hence giving a non-underlying deferred tax change in the year of £10.5m. The change was substantively enacted on 17th March 2020.

m) Whilst testing for impairment in property, plant and equipment, an impairment of £2.5m was charged relating to CGUs in our polymers division.

n) Professional fees incurred in the course of progressing the final settlement matters associated with the Greater Manchester operating contract, from which the Group exited in May 2019.

**Notes to the financial statements (continued)****6. Revenue and operating costs**

The grouping of revenue streams, analysed by different types of revenue streams geographically, is as follows:

| <b>Year ended 31 March 2021</b> | <b>UK</b>    | <b>Rest of EU</b> | <b>China</b> | <b>Rest of World</b> | <b>Total</b> |
|---------------------------------|--------------|-------------------|--------------|----------------------|--------------|
|                                 | <b>£m</b>    | <b>£m</b>         | <b>£m</b>    | <b>£m</b>            | <b>£m</b>    |
| Waste management services       | <b>534.0</b> | -                 | -            | -                    | <b>534.0</b> |
| Energy                          | <b>120.8</b> | -                 | -            | -                    | <b>120.8</b> |
| Recyclate                       | <b>40.3</b>  | <b>10.5</b>       | <b>0.7</b>   | <b>14.3</b>          | <b>65.8</b>  |
|                                 | <b>695.1</b> | <b>10.5</b>       | <b>0.7</b>   | <b>14.3</b>          | <b>720.6</b> |

| <b>Year ended 31 March 2020</b> | <b>UK</b> | <b>Rest of EU</b> | <b>China</b> | <b>Rest of World</b> | <b>Total</b> |
|---------------------------------|-----------|-------------------|--------------|----------------------|--------------|
|                                 | <b>£m</b> | <b>£m</b>         | <b>£m</b>    | <b>£m</b>            | <b>£m</b>    |
| Waste management services       | 556.8     | -                 | -            | -                    | 556.8        |
| Energy                          | 109.2     | -                 | -            | -                    | 109.2        |
| Recyclate                       | 50.9      | 11.8              | 3.8          | 10.3                 | 76.8         |
|                                 | 716.9     | 11.8              | 3.8          | 10.3                 | 742.8        |

The Group's country of domicile is the United Kingdom and is the country in which it generates most of its revenue. The Group's non-current assets are all located in the United Kingdom.

| <b>Operating costs (before non-underlying items)</b>       | <b>Note</b> | <b>2021<br/>£m</b> | <b>2020<br/>£m</b> |
|------------------------------------------------------------|-------------|--------------------|--------------------|
|                                                            |             |                    | Restated           |
| Manpower costs                                             | 12          | 125.0              | 130.4              |
| Raw materials and consumables                              |             | 85.7               | 87.2               |
| Other operating expenses                                   |             |                    |                    |
| Loss/(profit) on disposal of property, plant and equipment |             | 3.7                | (2.1)              |
| Short-term and low value lease rentals payable             |             | 7.3                | 7.7                |
| Trade receivables impairment                               | 21          | (0.8)              | (1.0)              |
| Amortisation of deferred income                            |             | (0.4)              | (2.5)              |
| Hired and contracted services                              |             | 134.1              | 143.5              |
| Other external charges                                     |             | 182.0              | 205.2              |
|                                                            |             | <b>325.9</b>       | <b>350.8</b>       |
| Depreciation of property, plant and equipment:             |             | <b>79.4</b>        | <b>82.3</b>        |
| Amortisation of intangible assets                          | 15          | <b>2.6</b>         | <b>4.0</b>         |

**Notes to the financial statements** (continued)**6. Revenue and operating costs** (continued)**Operating costs** (before non-underlying items) (continued)

|                                                                                     | <b>2021</b> | <b>2020</b> |
|-------------------------------------------------------------------------------------|-------------|-------------|
|                                                                                     | <b>£m</b>   | <b>£m</b>   |
| Fees payable to the Company's auditors in the year were:                            |             |             |
| Fees payable to the Company's auditors for assurance services provided to the Group | <b>1.1</b>  | <b>0.4</b>  |
|                                                                                     | <b>1.1</b>  | <b>0.4</b>  |

**7. Other income**

|                                   | <b>2021</b> | <b>2020</b> |
|-----------------------------------|-------------|-------------|
|                                   | <b>£m</b>   | <b>£m</b>   |
| Compensation for loss of earnings | <b>17.3</b> | <b>7.1</b>  |
| Insurance income                  | <b>8.8</b>  | <b>7.9</b>  |
|                                   | <b>26.1</b> | <b>15.0</b> |

Compensation for loss of earnings relates to damages for delays to an asset under construction. The Insurance income relates to income recoverable under insurance policies.

**8. Net finance costs**

|                                                                  |             | <b>2021</b>                 |                              |                     | <b>2020</b>                          |                              |                     |
|------------------------------------------------------------------|-------------|-----------------------------|------------------------------|---------------------|--------------------------------------|------------------------------|---------------------|
|                                                                  | <b>Note</b> | <b>Finance costs<br/>£m</b> | <b>Finance income<br/>£m</b> | <b>Total<br/>£m</b> | <b>Restated Finance costs<br/>£m</b> | <b>Finance income<br/>£m</b> | <b>Total<br/>£m</b> |
| <b>Cost of servicing debt</b>                                    |             |                             |                              |                     |                                      |                              |                     |
| Loans from parent undertaking                                    | 39          | <b>(39.5)</b>               | <b>0.2</b>                   | <b>(39.3)</b>       | <b>(41.7)</b>                        | <b>-</b>                     | <b>(41.7)</b>       |
| Interest element of lease rentals                                |             | <b>(6.3)</b>                | <b>-</b>                     | <b>(6.3)</b>        | <b>(6.5)</b>                         | <b>-</b>                     | <b>(6.5)</b>        |
| Other loans                                                      |             | <b>(3.6)</b>                | <b>0.1</b>                   | <b>(3.5)</b>        | <b>(0.3)</b>                         | <b>0.2</b>                   | <b>(0.1)</b>        |
| Interest receivable from loans to joint ventures                 | 39          | <b>-</b>                    | <b>5.3</b>                   | <b>5.3</b>          | <b>-</b>                             | <b>7.2</b>                   | <b>7.2</b>          |
| Derivative loss                                                  |             | <b>(1.3)</b>                | <b>-</b>                     | <b>(1.3)</b>        | <b>-</b>                             | <b>-</b>                     | <b>-</b>            |
|                                                                  |             | <b>(50.7)</b>               | <b>5.6</b>                   | <b>(45.1)</b>       | <b>(48.5)</b>                        | <b>7.4</b>                   | <b>(41.1)</b>       |
| Capitalised interest                                             |             | <b>3.3</b>                  | <b>-</b>                     | <b>3.3</b>          | <b>8.6</b>                           | <b>-</b>                     | <b>8.6</b>          |
|                                                                  |             | <b>(47.4)</b>               | <b>5.6</b>                   | <b>(41.8)</b>       | <b>(39.9)</b>                        | <b>7.4</b>                   | <b>(32.5)</b>       |
| <b>Notional interest</b>                                         |             |                             |                              |                     |                                      |                              |                     |
| Interest receivable on service concession arrangements           |             | <b>-</b>                    | <b>15.5</b>                  | <b>15.5</b>         | <b>-</b>                             | <b>15.1</b>                  | <b>15.1</b>         |
| Retirement benefit obligations                                   | 28          | <b>(2.2)</b>                | <b>2.5</b>                   | <b>0.3</b>          | <b>(6.5)</b>                         | <b>5.9</b>                   | <b>(0.6)</b>        |
| Unwinding of discounts on provisions and non-current liabilities | 30          | <b>(5.4)</b>                | <b>-</b>                     | <b>(5.4)</b>        | <b>(6.0)</b>                         | <b>-</b>                     | <b>(6.0)</b>        |
|                                                                  |             | <b>(7.6)</b>                | <b>18.0</b>                  | <b>10.4</b>         | <b>(12.5)</b>                        | <b>21.0</b>                  | <b>8.5</b>          |
| <b>Net finance costs</b>                                         |             | <b>(55.0)</b>               | <b>23.6</b>                  | <b>(31.4)</b>       | <b>(52.4)</b>                        | <b>28.4</b>                  | <b>(24.0)</b>       |

Finance costs include a credit of £3.3 million (2020: credit of £8.6 million) for interest capitalised relating to the construction of Energy Recovery Facilities and other significant projects where construction exceeds one year. The loans on which the interest is charged are provided by the parent undertaking at funding rates explained in note 39.

**Notes to the financial statements (continued)****9. Taxation**

|                                                           | Before non-<br>underlying<br>items | Non-<br>underlying<br>items<br>(note 5) | Total | Before non-<br>underlying<br>items | Non-<br>underlying<br>items<br>(note 5) | Total |
|-----------------------------------------------------------|------------------------------------|-----------------------------------------|-------|------------------------------------|-----------------------------------------|-------|
|                                                           | 2021                               | 2021                                    | 2021  | 2020                               | 2020                                    | 2020  |
|                                                           | £m                                 | £m                                      | £m    | £m                                 | £m                                      | £m    |
| <b>Analysis of charge in year</b>                         |                                    |                                         |       |                                    |                                         |       |
| Current tax charge/(credit)                               | 11.3                               | (8.2)                                   | 3.1   | (9.6)                              | (0.2)                                   | (9.8) |
| Deferred tax - other                                      | 4.8                                | (4.5)                                   | 0.3   | 20.8                               | 0.9                                     | 21.7  |
| Deferred tax arising on change of rate of corporation tax | -                                  | -                                       | -     | -                                  | 10.5                                    | 10.5  |
| Deferred tax charge/(credit)                              | 4.8                                | (4.5)                                   | 0.3   | 20.8                               | 11.4                                    | 32.2  |
| Tax charge for year                                       | 16.1                               | (12.7)                                  | 3.4   | 11.2                               | 11.2                                    | 22.4  |

UK corporation tax is calculated at 19% (2020 19%) of the estimated assessable profit for the year.

UK corporation tax is stated after a credit relating to prior year current tax of £nil (2020 credit of £9.0m) and a prior year deferred tax credit of £5.0 million (2020 charge of £3.0million).

The tax for the year differs from the theoretical amount which would arise using the standard rate of corporation tax in the UK of 19% (2020 19%)

|                                                                                | 2021  | 2020  |
|--------------------------------------------------------------------------------|-------|-------|
|                                                                                | £m    | £m    |
| <b>Reconciliation of total tax charge</b>                                      |       |       |
| Profit before tax                                                              | 24.7  | 97.7  |
| Profit multiplied by the standard rate of UK corporation tax of 19% (2020 19%) | 4.7   | 18.5  |
| Effects of:                                                                    |       |       |
| Expenses not deductible for tax purposes                                       | 4.6   | 0.1   |
| Depreciation charged on non-qualifying assets                                  | 2.1   | 1.6   |
| Profit/loss on disposal of non-qualifying assets                               | (0.1) | 0.4   |
| Joint venture profits not taxed                                                | (3.0) | (2.8) |
| Change in UK tax rates                                                         | -     | 10.3  |
| Other                                                                          | 0.1   | 0.3   |
| Adjustments to tax charge in respect of prior years                            | (5.0) | (6.0) |
| Tax charge for year                                                            | 3.4   | 22.4  |

The average total effective rate for the year, before non-underlying items is 14.4% (2020 12.6%).

The adjustment to the tax charge in respect of prior years represents a deferred tax charge of £5.0 million. These reflect adjustments to the deferred tax provision.

**Notes to the financial statements (continued)****9. Taxation (continued)**

The current tax for the year differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK of 19% (2020: 19%).

|                                                                                     | 2021<br>£m | 2020<br>£m |
|-------------------------------------------------------------------------------------|------------|------------|
| Profit before tax                                                                   | 24.7       | 97.4       |
| Profit multiplied by the standard rate<br>of UK corporation tax of 19% (2020: 19%)  | 4.7        | 18.5       |
| Effects of:                                                                         |            |            |
| Relief for capital allowances in place of depreciation                              | (26.7)     | (32.3)     |
| Disallowance of depreciation and profit/loss on disposal<br>charged in the accounts | 14.4       | 15.7       |
| Expenses not deductible for tax purposes                                            | 4.6        | 0.1        |
| Adjustments to tax charge in respect of prior years                                 | -          | (9.0)      |
| Joint venture profits not taxed                                                     | (3.0)      | (2.8)      |
| Other timing differences                                                            | 9.1        | -          |
| Current tax charge/(credit) for year                                                | 3.1        | (9.8)      |

The average current effective rate for the year is 13.4% (2020 minus 10.1%)

The Group's current tax charge is lower than the UK headline rate of 19%, primarily due to the availability of capital allowances. Capital allowances provide tax relief when a business incurs expenditure on qualifying capital items such as plant and machinery used by the business. As a waste business, with major qualifying assets, these allowances help the Group to plan major investment as corporation tax relief is given against the investments made.

As announced in the Chancellor's Budget on 4 March 2021, the headline rate of corporation tax in the UK will increase from 1 April 2023 to 25%. As at the balance date the change in tax rate was not substantively enacted and thus this change is not reflected in the tax charge in these financial statements. The effect of the change of rate will be to increase the deferred liability by c£38.5 million, represented by a tax charge of c£39.2 million and a credit to other comprehensive income of c£0.7million

This change was substantively enacted on 24 May 2021, following the third reading in the House of Commons.

Joint venture profits are not subject to any additional tax within the Group as these are included on a post-tax basis already, as the Joint venture entity is subject to tax itself.

In addition to the amounts recognised in the income statement the following tax charges and credits were also recognised:

|                                                                  | 2021<br>£m | 2020<br>£m |
|------------------------------------------------------------------|------------|------------|
| <b>Amounts recognised directly in other comprehensive income</b> |            |            |
| Deferred tax (credit)/charge on defined benefit pension schemes  | (3.7)      | 1.3        |
| Deferred tax (credit)/charge on cash flow hedges                 | (2.4)      | -          |
|                                                                  | (6.1)      | 1.3        |
| <b>Amounts recognised directly in equity</b>                     |            |            |
| Deferred tax credit on share-based payments                      | -          | (0.5)      |
|                                                                  | -          | (0.5)      |

**Notes to the financial statements (continued)****10. Profit of the parent company**

|                                                                                                       | <b>2021</b> | 2020 |
|-------------------------------------------------------------------------------------------------------|-------------|------|
|                                                                                                       | <b>£m</b>   | £m   |
| Profit attributable to owners of the parent dealt with in the financial statements of Viridor Limited | <b>20.2</b> | 62.2 |

As permitted by Section 408 of the Companies Act 2006 no income statement or statement of comprehensive income is presented for the Company.

**11. Dividends paid**

Dividends paid refer to both Group and Company

|                                                                                                                           | <b>2021</b> | 2020        |
|---------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
|                                                                                                                           | <b>£m</b>   | £m          |
| Amounts recognised as distributions to the ultimate parent undertaking in the year:                                       |             |             |
| No first interim dividend was paid for the year ended 31 March 2021 (2020: 3.96p per share was paid on 30 September 2019) | -           | 35.6        |
| No second interim dividend was paid for the year ended 31 March 2021 (2020: 5.60p per share paid on 31 March 2020)        | -           | 50.3        |
|                                                                                                                           | <b>-</b>    | <b>85.9</b> |

**12. Employment costs (before non-underlying items)**

|                               | <b>2021</b>  | 2020  |
|-------------------------------|--------------|-------|
|                               | <b>£m</b>    | £m    |
| Wages and salaries            | <b>108.4</b> | 113.7 |
| Social security costs         | <b>11.4</b>  | 11.5  |
| Other pension costs           | <b>8.5</b>   | 8.7   |
| Share-based payments          | <b>0.3</b>   | 1     |
| <b>Total employment costs</b> | <b>128.6</b> | 134.9 |
| Charged as follows:           |              |       |
| Manpower costs                | <b>125.0</b> | 130.4 |
| Construction in progress      | <b>3.6</b>   | 4.5   |
|                               | <b>128.6</b> | 134.9 |

In addition to the above there are non-underlying employment costs of £2.4m (2020: £4.9m credit) as detailed under note 5.

Details of transactions with key management personnel are set out in note 13. There are no personnel, other than Directors, who as key management exercise authority and responsibility for planning, directing and controlling the activities of the Group.

**Notes to the financial statements (continued)****12. Employment costs (continued)**

|                                                 | 2021         | 2020         |
|-------------------------------------------------|--------------|--------------|
| Employees (average full time equivalent number) |              |              |
| The average monthly number of employees         | 2,733        | 2,986        |
| <b>Total number of employees at 31 March</b>    | <b>2,664</b> | <b>2,899</b> |
|                                                 | 2021         | 2020         |
| <b>Average number of employees by category</b>  |              |              |
| Operations                                      | 2,413        | 2,690        |
| Administration                                  | 320          | 296          |
|                                                 | <b>2,733</b> | <b>2,986</b> |

**13. Transactions with key management personnel**

|                                  | 2021<br>£000 | 2020<br>£000 |
|----------------------------------|--------------|--------------|
| Payments to current directors:   |              |              |
| Short-term employee benefits     | 1,525        | 999          |
| Post-employment benefits         | -            | 15           |
| Other long-term benefits         | -            | 11           |
| Share-based payment              | -            | 466          |
| <b>Total – current directors</b> | <b>1,525</b> | <b>1,491</b> |
| Payments to past directors:      |              |              |
| Short-term employee benefits     | 1,362        | -            |
| Post-employment benefits         | 16           | -            |
| Termination benefits             | 356          | -            |
| Share-based payment              | 569          | -            |
| <b>Total – past directors</b>    | <b>2,303</b> |              |
| <b>Total</b>                     | <b>3,828</b> | <b>-</b>     |

No directors were compensated for the loss of office during the year (2020: none).

The Pennon Group plc executive reward schemes ceased upon the sale of Viridor. During 2020 three Directors exercised options under the Pennon Group plc executive reward schemes. The cost of share-based payments represents the amount charged to the income statement.

At 31 March 2021 no retirement benefits were accruing to Directors under defined benefit pension schemes (2020: nil).

During the year no Directors were members of the Group's defined contribution pension scheme (2020: two).

The emoluments of the highest paid Director in relation to services to Viridor were:

|                                                                                                               | 2021<br>£000 | 2020<br>£000 |
|---------------------------------------------------------------------------------------------------------------|--------------|--------------|
| <b>Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes</b> | <b>819</b>   | <b>626</b>   |



**Notes to the financial statements (continued)****14. Goodwill**

| <b>Cost:</b>            | <b>£m</b>    |
|-------------------------|--------------|
| At 1 April 2019         | 330.4        |
| Disposal                | (1.9)        |
| At 31 March 2020        | 328.5        |
| <b>At 31 March 2021</b> | <b>328.5</b> |
| <b>Carrying amount:</b> |              |
| At 1 of April 2019      | 330.4        |
| At 31 March 2020        | 328.5        |
| <b>At 31 March 2021</b> | <b>328.5</b> |

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating unit ('CGU') expected to benefit from that business combination. Before this financial year management were monitoring goodwill based on a single aggregation of CGUs. During the current year, the acquisition, subsequent change in management, and changes in the future strategy for the different parts of the business has resulted in a change in the level at which goodwill is monitored. An aggregation of the allocation of Goodwill to the new CGUs ('group of CGUs') is as follows:

|                                                      | <b>£m</b>    |
|------------------------------------------------------|--------------|
| Energy recovery facilities and associated services   | 301.7        |
| Waste management services                            | 11.9         |
| Polymer recycling facilities and associated services | 14.9         |
|                                                      | <b>328.5</b> |

The Group tests goodwill for impairment annually, or more frequently if there are any indications that impairment may have arisen.

The recoverable amount of goodwill for the waste management services CGU has been assessed using a fair value less costs of disposal calculation. The data used to assess the fair value has been determined by reference to the valuation placed upon a major part of the CGU by an external third party as noted in note 41.

The recoverable amount of goodwill for the other CGUs is determined based on value-in-use calculations which, under IAS 36 'Impairment of Assets', require the use of base cash flow projections that reflect reasonable and supportable assumptions with specific restrictions on the estimates to be used. These include limitations on reflecting cash flows to take account of future cost restructuring, or improvement or enhancement of asset performance. Uncommitted projects are excluded. Discount rates are required to be derived independently of the Viridor's capital structure and those used reflect management's prudent estimate of a rate that investors would require if they were to choose a similar investment ranging from 5.7%-11.4% across the CGUs business activities. The base cash flow projections have been derived from detailed budget and strategic plan projections. These cover a period of ten years and are prepared as part of the annual planning cycle. This period is believed to lead to a more realistic estimate of future cash flows than five years. Long-term growth rates of 2%, based on forecast of growth in waste management markets and the UK economy, are applied to cash flows beyond the ten year period. These plans are based on detailed market-by-market forecasts of projected volumes, prices and costs for each business activity. These forecasts reflect, on an individual operational site basis, numerous assumptions and estimates. The key assumptions include anticipated changes in market size and volumes; recyclate prices; energy selling prices; gate fees; the level of future landfill tax; and cost inflation. Management has determined the value assigned to each assumption based on historical experience, market surveys, industry analysis and current legislation. For business activities with an indefinite life a terminal growth rate has been used.

The results of tests performed during the year demonstrate significant headroom in all CGUs, and it is judged that no reasonable change in the key assumptions would cause the carrying amount of the CGUs to exceed the recoverable amount.

During 2020 the £1.9m disposal related to the recycling and reprocessing services provided under the Manchester contract, which the Group ceased to operate on 31 May 2020.

**Notes to the financial statements (continued)****15. Other intangible assets**

|                                                 | <b>Service<br/>concession<br/>arrangements</b> | <b>Customer<br/>Contracts</b> | <b>Patents</b> | <b>Other<br/>Intangibles<br/>in<br/>progress</b> | <b>Total</b> |
|-------------------------------------------------|------------------------------------------------|-------------------------------|----------------|--------------------------------------------------|--------------|
|                                                 | <b>£m</b>                                      | <b>£m</b>                     | <b>£m</b>      | <b>£m</b>                                        | <b>£m</b>    |
| <b>Acquired intangible assets</b>               |                                                |                               |                |                                                  |              |
| <b>Cost:</b>                                    |                                                |                               |                |                                                  |              |
| At 31 March 2019                                | 94.5                                           | 34.1                          | 0.2            | -                                                | 128.8        |
| Disposals                                       | -                                              | (34.1)                        | (0.2)          | -                                                | (34.3)       |
| At 31 March 2020                                | 94.5                                           | -                             | -              | -                                                | 94.5         |
| Additions                                       | 0.1                                            | -                             | -              | 3.1                                              | 3.2          |
| Transfer from non current receivables           | 6.5                                            | -                             | -              | -                                                | 6.5          |
| <b>At 31 March 2021</b>                         | <b>101.1</b>                                   | <b>-</b>                      | <b>-</b>       | <b>3.1</b>                                       | <b>104.2</b> |
| <b>Accumulated amortisation and impairment:</b> |                                                |                               |                |                                                  |              |
| At 1 April 2019                                 | 3.8                                            | 33.9                          | 0.2            | -                                                | 37.9         |
| Charge for year                                 | 3.8                                            | 0.2                           | -              | -                                                | 4.0          |
| Disposals                                       | -                                              | (34.1)                        | (0.2)          | -                                                | (34.3)       |
| At 31 March 2020                                | 7.6                                            | -                             | -              | -                                                | 7.6          |
| Charge for year                                 | 2.6                                            | -                             | -              | -                                                | 2.6          |
| Impairment (note 5)                             | 46.8                                           | -                             | -              | -                                                | 46.8         |
| <b>At 31 March 2021</b>                         | <b>57.0</b>                                    | <b>-</b>                      | <b>-</b>       | <b>-</b>                                         | <b>57.0</b>  |
| <b>Carrying amount:</b>                         |                                                |                               |                |                                                  |              |
| At 31 March 2019                                | <b>90.7</b>                                    | <b>0.2</b>                    | -              | -                                                | <b>90.9</b>  |
| At 31 March 2020                                | <b>86.9</b>                                    | -                             | -              | -                                                | <b>86.9</b>  |
| <b>At 31 March 2021</b>                         | <b>44.1</b>                                    | -                             | -              | <b>3.1</b>                                       | <b>47.2</b>  |

Service concession arrangements are amortised over the useful life of each contract. The weighted average remaining life is 23 years (2020: 24 years). The carrying values of intangible assets are reviewed when events or changes in circumstance indicate that the carrying amount may not be fully recoverable. The principal assumptions used to assess impairment are set out in note 16 of the financial statements.

During 2020 fully written down customer contracts and patents were disposed. Prior to disposal Customer contracts were amortised over the useful economic life of each contract, which at acquisition ranged between 5 and 12 years

Other Intangibles in progress relate to internally developed software.

**Notes to the financial statements (continued)****16. Property, plant and equipment**

There was no property, plant and equipment held by the Company during the year.

During the year borrowing costs of £3.3 million (2020: £8.6 million) have been capitalised (note 8) on qualifying assets at an average borrowing rate of 3.7% (2020: 3.7%).

During the year depreciation of £0.1 million (2020: £0.5 million) has been capitalised in relation to leased assets used during the construction phase of Energy Recovery Facilities and other significant projects where construction exceeds one year.

Groups of assets forming cash generating units are reviewed for indicators of impairment. No indicators of impairment were identified during the year.

|                                                 | Land and<br>buildings | Fixed and<br>mobile<br>plant,<br>vehicles<br>and<br>computers | Landfill<br>restoration | Construction<br>in progress | Total          |
|-------------------------------------------------|-----------------------|---------------------------------------------------------------|-------------------------|-----------------------------|----------------|
|                                                 | £m                    | £m                                                            | £m<br>restated          | £m                          | £m             |
| <b>Cost:</b>                                    |                       |                                                               |                         |                             |                |
| At 1 April 2019                                 | 553.3                 | 1,473.9                                                       | 105.5                   | 230.8                       | 2,363.5        |
| Additions                                       | 11.2                  | 5.7                                                           | 5.5                     | 143.4                       | 165.8          |
| Disposals                                       | (4.0)                 | (109.8)                                                       | -                       | -                           | (113.8)        |
| Transfers/reclassifications                     | -                     | 69.6                                                          | -                       | (69.6)                      | -              |
| At 31 March 2020                                | 560.5                 | 1,439.4                                                       | 111.0                   | 304.6                       | 2,415.5        |
| Additions                                       | 13.3                  | 10.8                                                          | -                       | 110.7                       | 134.8          |
| Disposals                                       | (9.0)                 | (49.6)                                                        | -                       | -                           | (58.6)         |
| Transfers/reclassifications                     | -                     | 274.0                                                         | -                       | (274.0)                     | -              |
| <b>At 31 March 2021</b>                         | <b>564.8</b>          | <b>1,674.6</b>                                                | <b>111.0</b>            | <b>141.3</b>                | <b>2,491.7</b> |
| <b>Accumulated depreciation and impairment:</b> |                       |                                                               |                         |                             |                |
| At 1 April 2019                                 | 399.4                 | 376.7                                                         | 75.6                    | -                           | 851.7          |
| Charge for year                                 | 15.0                  | 57.0                                                          | 10.8                    | -                           | 82.8           |
| Disposals                                       | (0.6)                 | (98.3)                                                        | -                       | -                           | (98.9)         |
| At 31 March 2020                                | 413.8                 | 335.4                                                         | 86.4                    | -                           | 835.6          |
| Charge for year                                 | 13.5                  | 64.7                                                          | 1.2                     | -                           | 79.4           |
| Impairment (note 5)                             | -                     | 12.5                                                          | -                       | -                           | 12.5           |
| Disposals                                       | (1.7)                 | (42.8)                                                        | -                       | -                           | (44.5)         |
| Transfers/reclassifications                     | -                     | -                                                             | -                       | -                           | -              |
| <b>At 31 March 2021</b>                         | <b>425.6</b>          | <b>369.8</b>                                                  | <b>87.6</b>             | <b>-</b>                    | <b>883.0</b>   |
| <b>Net book value:</b>                          |                       |                                                               |                         |                             |                |
| At 31 March 2019                                | 153.9                 | 1,097.2                                                       | 29.9                    | 230.8                       | 1,511.8        |
| At 31 March 2020                                | 146.7                 | 1,104.0                                                       | 24.6                    | 304.6                       | 1,579.9        |
| <b>At 31 March 2021</b>                         | <b>139.2</b>          | <b>1,304.8</b>                                                | <b>23.4</b>             | <b>141.3</b>                | <b>1,608.7</b> |

**Notes to the financial statements** (continued)**16. Property, plant and equipment** (continued)

Right of use assets held under leases included above were:

|                                                 | Land and<br>buildings | Fixed and<br>mobile<br>plant,<br>vehicles and<br>computers | Total        |
|-------------------------------------------------|-----------------------|------------------------------------------------------------|--------------|
|                                                 | £m                    | £m                                                         | £m           |
| <b>Cost:</b>                                    |                       |                                                            |              |
| At 31 March 2020                                | 84.2                  | 193.8                                                      | 278.0        |
| Additions                                       | 5.7                   | 10.8                                                       | 16.5         |
| Disposals                                       | (5.3)                 | (8.2)                                                      | (13.5)       |
| Assets transferred to ownership                 | -                     | (173.2)                                                    | (173.2)      |
| <b>At 31 March 2021</b>                         | <b>84.6</b>           | <b>23.2</b>                                                | <b>107.8</b> |
| <b>Accumulated depreciation and impairment:</b> |                       |                                                            |              |
| At 31 March 2020                                | 5.2                   | 65.4                                                       | 70.6         |
| Charge for year                                 | 5.2                   | 9.6                                                        | 14.8         |
| Disposals                                       | (1.5)                 | (6.4)                                                      | (7.9)        |
| Assets transferred to ownership                 | -                     | (58.9)                                                     | (58.9)       |
| <b>At 31 March 2021</b>                         | <b>8.9</b>            | <b>9.7</b>                                                 | <b>18.6</b>  |
| <b>Net book value:</b>                          |                       |                                                            |              |
| At 31 March 2020                                | 79.0                  | 128.4                                                      | 207.4        |
| <b>At 31 March 2021</b>                         | <b>75.7</b>           | <b>13.5</b>                                                | <b>89.2</b>  |

The corresponding lease liabilities are disclosed in note 26.

Short-term and low value lease rentals payable are disclosed in note 6.

**Notes to the financial statements (continued)****17. Financial instruments by category**

The accounting policies for financial instruments have been applied to the line items:

| Group                            | Note  | Fair value                             | Amortised cost   |                                      | Fair value through income statement | Total            |
|----------------------------------|-------|----------------------------------------|------------------|--------------------------------------|-------------------------------------|------------------|
|                                  |       | Derivatives used for cash flow hedging | Debt instruments | Trade receivables and trade payables | Debt instruments                    |                  |
|                                  |       | £m                                     | £m               | £m                                   |                                     |                  |
| <b>31 March 21</b>               |       |                                        |                  |                                      |                                     |                  |
| <b>Financial assets</b>          |       |                                        |                  |                                      |                                     |                  |
| Trade receivables                | 18,21 | -                                      | 144.6            | 104.1                                | -                                   | 248.7            |
| Other receivables                | 18,21 | -                                      | 259.5            | 14.5                                 | -                                   | 274.0            |
| Cash and cash deposits           | 23    | -                                      | 106.2            | -                                    | -                                   | 106.2            |
| <b>Total</b>                     |       | -                                      | <b>510.3</b>     | <b>118.6</b>                         | -                                   | <b>628.9</b>     |
| <b>Financial liabilities</b>     |       |                                        |                  |                                      |                                     |                  |
| Borrowings                       | 26    | -                                      | (1,560.3)        | -                                    | -                                   | (1,560.3)        |
| Trade and other payables         | 24    | -                                      | -                | (25.4)                               | -                                   | (25.4)           |
| Derivative financial instruments | 22    | (45.3)                                 | -                | -                                    | (1.4)                               | (46.7)           |
| <b>Total</b>                     |       | <b>(45.3)</b>                          | <b>(1,560.3)</b> | <b>(25.4)</b>                        | <b>(1.4)</b>                        | <b>(1,632.4)</b> |
| <b>31 March 20</b>               |       |                                        |                  |                                      |                                     |                  |
| <b>Financial assets</b>          |       |                                        |                  |                                      |                                     |                  |
| Trade receivables                | 18,21 | -                                      | 71.6             | 93.9                                 | -                                   | 165.5            |
| Other receivables                | 18,21 | -                                      | 260.9            | 43.8                                 | -                                   | 304.7            |
| Derivative financial instruments | 22    | 0.1                                    | -                | -                                    | -                                   | 0.1              |
| Cash and cash deposits           | 23    | -                                      | 33.3             | -                                    | -                                   | 33.3             |
| <b>Total</b>                     |       | <b>0.1</b>                             | <b>365.8</b>     | <b>137.7</b>                         | -                                   | <b>503.6</b>     |
| <b>Financial liabilities</b>     |       |                                        |                  |                                      |                                     |                  |
| Borrowings                       | 26    | -                                      | (1,447.9)        | -                                    | -                                   | (1,447.9)        |
| Trade and other payables         | 24    | -                                      | -                | (57.2)                               | -                                   | (57.2)           |
| <b>Total</b>                     |       | -                                      | <b>(1,447.9)</b> | <b>(57.2)</b>                        | -                                   | <b>(1,505.1)</b> |
| <b>Company</b>                   |       |                                        |                  |                                      |                                     |                  |
| <b>31 March 21</b>               |       |                                        |                  |                                      |                                     |                  |
| <b>Financial assets</b>          |       |                                        |                  |                                      |                                     |                  |
| Trade and other receivables      | 18,21 | -                                      | 467.1            | 6.4                                  | -                                   | 473.5            |
| Cash and cash deposits           | 23    | -                                      | 3.6              | -                                    | -                                   | 3.6              |
| <b>Total</b>                     |       | -                                      | <b>470.7</b>     | <b>6.4</b>                           | -                                   | <b>477.1</b>     |
| <b>Financial liabilities</b>     |       |                                        |                  |                                      |                                     |                  |
| Borrowings                       | 26    | -                                      | (1,292.1)        | -                                    | -                                   | (1,292.1)        |
| Trade and other payables         | 24    | -                                      | -                | (9.5)                                | -                                   | (9.5)            |
| <b>Total</b>                     |       | -                                      | <b>(1,292.1)</b> | <b>(9.5)</b>                         | -                                   | <b>(1,301.6)</b> |
| <b>31 March 20</b>               |       |                                        |                  |                                      |                                     |                  |
| <b>Financial assets</b>          |       |                                        |                  |                                      |                                     |                  |
| Trade and other receivables      | 18,21 | -                                      | 1,918.9          | -                                    | -                                   | 1,918.9          |
| Cash and cash deposits           | 23    | -                                      | 1.3              | -                                    | -                                   | 1.3              |
| <b>Total</b>                     |       | -                                      | <b>1,920.2</b>   | -                                    | -                                   | <b>1,920.2</b>   |
| <b>Financial liabilities</b>     |       |                                        |                  |                                      |                                     |                  |
| Borrowings                       | 26    | -                                      | (1,183.0)        | -                                    | -                                   | (1,183.0)        |
| <b>Total</b>                     |       | -                                      | <b>(1,183.0)</b> | -                                    | -                                   | <b>(1,183.0)</b> |

**Notes to the financial statements (continued)****18. Other non-current assets**

|                                         |             | <b>Group</b>       |                    | <b>Company</b>     |                    |
|-----------------------------------------|-------------|--------------------|--------------------|--------------------|--------------------|
|                                         | <b>Note</b> | <b>2021<br/>£m</b> | <b>2020<br/>£m</b> | <b>2021<br/>£m</b> | <b>2020<br/>£m</b> |
| Amounts owed by subsidiary undertakings | 39          | -                  | -                  | <b>360.2</b>       | 1,876.8            |
| Amounts owed by related parties         | 39          | <b>54.3</b>        | 58.3               | -                  | -                  |
| Service concession arrangements         |             | <b>200.4</b>       | 202.4              | -                  | -                  |
| Prepayments and accrued income          |             | <b>3.1</b>         | 0.7                | -                  | -                  |
|                                         |             | <b>257.8</b>       | 261.4              | <b>360.2</b>       | 1,876.8            |

Non-current receivables were due:

|                       | <b>Group</b>       |                    | <b>Company</b>     |                    |
|-----------------------|--------------------|--------------------|--------------------|--------------------|
|                       | <b>2021<br/>£m</b> | <b>2020<br/>£m</b> | <b>2021<br/>£m</b> | <b>2020<br/>£m</b> |
| Between 1 and 2 years | <b>43.2</b>        | 40.5               | <b>16.4</b>        | 136.9              |
| Between 2 and 5 years | <b>127.9</b>       | 123.4              | <b>49.1</b>        | 410.6              |
| Over 5 years          | <b>86.7</b>        | 97.5               | <b>294.7</b>       | 1,329.3            |
|                       | <b>257.8</b>       | 261.4              | <b>360.2</b>       | 1,876.8            |

The fair values of the financial assets classified within other non-current assets above are:

|                                         | <b>Group</b>       |                    | <b>Company</b>     |                    |
|-----------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                         | <b>2021<br/>£m</b> | <b>2020<br/>£m</b> | <b>2021<br/>£m</b> | <b>2020<br/>£m</b> |
| Amounts owed by subsidiary undertakings | -                  | -                  | <b>338.7</b>       | 2,117.8            |
| Amounts owed by related parties         | <b>65.5</b>        | 52.6               | -                  | -                  |
|                                         | <b>65.5</b>        | 52.6               | <b>338.7</b>       | 2,117.8            |

The fair values are calculated on contractual cash flows discounted at prevailing interest rates plus an allowance to reflect an appropriate credit margin.

The weighted average interest rate on amounts owed by related parties was 12% (2020: 12.3%).

Notes to the financial statements (continued)

**18. Other non-current assets** (continued)

The Group has several service concession arrangements with local authority clients in the waste management sector to build and operate recycling assets and energy recovery facilities. During the year, all the Group's service concession arrangements were in the operational phase.

The arrangements are typically for 25 years and are for the provision of waste management services including the build and operation of recycling and energy recovery facilities. The assets revert to the local authority at the end of the contract. At 31 March 2021 the weighted average remaining duration of the service concession arrangements was 21 years.

Under the arrangements, the Group maintains the recycling and energy recovery facilities (ERF) on an ongoing basis throughout the life of the agreement to ensure operational performance.

The terms of the principal service concession arrangement contracts, including pricing and performance obligations are established at the outset. The service concession arrangements are subject to annual indexation to take account of inflation. However, arrangements are not subject to formal re-pricing or re-negotiation.

The service concession arrangements do not contain renewal or termination options. These contracts will, as is common, contain event of default termination clauses for non-performance, but we do not consider it reasonably foreseeable that these clauses will be put into effect.

**Notes to the financial statements (continued)****19. Investments****Subsidiary undertakings**

|                         | <b>£m</b>      |
|-------------------------|----------------|
| <b>Company</b>          |                |
| At 31 March 2019        | 411.7          |
| Additions               | 125.2          |
| Disposals               | (125.2)        |
| At 31 March 2020        | 411.7          |
| Additions               | 1,541.9        |
| <b>At 31 March 2021</b> | <b>1,953.6</b> |

In the prior year, on 14 March 2020 Pennon Group plc gifted its non-controlling interest in Viridor Waste Management Limited (VWML) (an indirect subsidiary of Viridor Limited) to the Company.

On the same day the Company gifted these shares to Viridor Waste Limited (VWL) (a direct subsidiary of Viridor Limited and the direct parent of VWML), which now owns 100% of the issued share capital of VWML. The value of the Capital contribution is the fair value at the date of the transaction.

During the year, on 14 December 2020 the loan between Viridor Waste Limited (VWL) and Viridor Limited was capitalised. The value of the Capital contribution is the fair value at the date of the transaction.

The recoverable amounts of investments are determined based on value-in-use calculations.



**Notes to the financial statements (continued)****19. Investments (continued)****Joint ventures**

|                                     | <b>£m</b>   |
|-------------------------------------|-------------|
| <b>Group</b>                        |             |
| At 31 March 2019                    | 51.1        |
| Share of post-tax profit            | 14.8        |
| Share of other comprehensive income | 0.2         |
| Dividends received                  | (6.0)       |
| At 31 March 2020                    | 60.1        |
| Share of post-tax profit            | 16.0        |
| Share of other comprehensive income | 1.1         |
| Dividends received                  | (7.9)       |
| <b>At 31 March 2021</b>             | <b>69.3</b> |

Details of the Group's subsidiary and joint venture undertakings are set out in note 36.

The Group's joint ventures listed below all have share capital consisting solely of ordinary shares which is held directly by the Group.

| Name of Entity                              | Place of<br>business/country<br>of incorporation | % of<br>ownership | Measurement<br>method |
|---------------------------------------------|--------------------------------------------------|-------------------|-----------------------|
| Lakeside Energy from Waste Holdings Limited | England                                          | 50                | Equity                |
| Shelford Composting Limited                 | England                                          | 50                | Equity                |
| INEOS Runcom (TPS) Holdings Limited         | England                                          | 40                | Equity                |
| Ford Energy from Waste Limited              | England                                          | 50                | Equity                |

- Lakeside Energy from Waste Holdings Limited provides energy recovery facilities.
- Shelford Composting Limited ceased trading in March 2017, having provided green waste composting and disposal facilities. Following a meeting of the shareholders on 21 June 2021 it was agreed that the Company would be wound up voluntarily.
- INEOS Runcom (TPS) Holdings Limited provides energy recovery facilities. The Group's economic interest is 75.0% as set out in note 36.
- Ford Energy from Waste Limited was incorporated in October 2019 and is developing proposals for a state-of-the-art energy recovery facility and waste sorting and transfer facility.

The Group's joint ventures are all private companies and there are no quoted market prices available for their shares.

**Notes to the financial statements (continued)****19. Investments (continued)****Summarised information for the Group's joint ventures:****Summarised balance sheet**

|                                        | 2021                                                         |                                     |                                                    |                                              | 2020                                                         |                                     |                                                    |  |
|----------------------------------------|--------------------------------------------------------------|-------------------------------------|----------------------------------------------------|----------------------------------------------|--------------------------------------------------------------|-------------------------------------|----------------------------------------------------|--|
|                                        | Lakeside<br>energy<br>from<br>waste<br>holdings<br>Ltd<br>£m | Shelford<br>Composting<br>Ltd<br>£m | INEOS<br>Runcorn<br>(TPS)<br>Holdings<br>Ltd<br>£m | Ford<br>Energy<br>from<br>Waste<br>Ltd<br>£m | Lakeside<br>energy<br>from<br>waste<br>holdings<br>Ltd<br>£m | Shelford<br>Composting<br>Ltd<br>£m | INEOS<br>Runcorn<br>(TPS)<br>Holdings<br>Ltd<br>£m |  |
| <b>Current</b>                         |                                                              |                                     |                                                    |                                              |                                                              |                                     |                                                    |  |
| Cash and cash equivalents              | 25.2                                                         | -                                   | 29.1                                               | 0.8                                          | 24.2                                                         | 0.8                                 | 23.0                                               |  |
| Other current assts                    | 7.4                                                          | -                                   | 10.7                                               | -                                            | 9.0                                                          | -                                   | 4.6                                                |  |
| <b>Total current assets</b>            | <b>32.6</b>                                                  | <b>-</b>                            | <b>39.8</b>                                        | <b>0.8</b>                                   | <b>33.2</b>                                                  | <b>0.8</b>                          | <b>27.6</b>                                        |  |
| Other current liabilities              | (2.7)                                                        | -                                   | (3.1)                                              | -                                            | (3.4)                                                        | (0.1)                               | (0.1)                                              |  |
| <b>Total current liabilities</b>       | <b>(2.7)</b>                                                 | <b>-</b>                            | <b>(3.1)</b>                                       | <b>-</b>                                     | <b>(3.4)</b>                                                 | <b>(0.1)</b>                        | <b>(0.1)</b>                                       |  |
| <b>Non-current</b>                     |                                                              |                                     |                                                    |                                              |                                                              |                                     |                                                    |  |
| <b>Assets</b>                          | <b>99.8</b>                                                  | <b>-</b>                            | <b>175.3</b>                                       | <b>-</b>                                     | <b>108.2</b>                                                 | <b>-</b>                            | <b>186.4</b>                                       |  |
| Borrowings                             | (72.6)                                                       | -                                   | (70.0)                                             | -                                            | (81.1)                                                       | -                                   | (79.3)                                             |  |
| Other liabilities                      | (34.4)                                                       | -                                   | (65.0)                                             | (0.8)                                        | (38.2)                                                       | -                                   | (66.9)                                             |  |
| <b>Total non-current liabilities</b>   | <b>(107.0)</b>                                               | <b>-</b>                            | <b>(135.0)</b>                                     | <b>(0.8)</b>                                 | <b>(119.3)</b>                                               | <b>-</b>                            | <b>(146.2)</b>                                     |  |
| <b>Net assets</b>                      | <b>22.7</b>                                                  | <b>-</b>                            | <b>77.0</b>                                        | <b>-</b>                                     | <b>18.7</b>                                                  | <b>0.7</b>                          | <b>67.7</b>                                        |  |
| Net (debt)/deposit                     | (47.4)                                                       | -                                   | (40.9)                                             | -                                            | (56.9)                                                       | 0.8                                 | (56.3)                                             |  |
| Associated shareholder loans           | 13.1                                                         | -                                   | 70.0                                               | -                                            | 14.3                                                         | -                                   | 79.3                                               |  |
| Net debt (excluding shareholder loans) | (34.4)                                                       | -                                   | 29.1                                               | -                                            | (42.6)                                                       | 0.8                                 | 23.0                                               |  |

**Notes to the financial statements** (continued)**19. Investments** (continued)

## Summarised statement of comprehensive income/(loss)

|                                 | <b>2021</b>                                                           |                                                                | <b>2020</b>                                                           |                                                                |
|---------------------------------|-----------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------------------|
|                                 | <b>Lakeside<br/>energy<br/>from waste<br/>holdings<br/>Ltd<br/>£m</b> | <b>INEOS<br/>Runcorn<br/>(TPS)<br/>Holdings<br/>Ltd<br/>£m</b> | <b>Lakeside<br/>energy<br/>from waste<br/>holdings<br/>Ltd<br/>£m</b> | <b>INEOS<br/>Runcorn<br/>(TPS)<br/>Holdings<br/>Ltd<br/>£m</b> |
| Revenue                         | 51.0                                                                  | 43.9                                                           | 54.6                                                                  | 45.6                                                           |
| EBITDA                          | 36.1                                                                  | 27.0                                                           | 39.3                                                                  | 28.9                                                           |
| Depreciation and amortisation   | (8.5)                                                                 | (10.7)                                                         | (8.9)                                                                 | (10.6)                                                         |
| Other net interest charge       | (6.2)                                                                 | (5.9)                                                          | (6.8)                                                                 | (8.2)                                                          |
| Pre tax profit                  | 21.4                                                                  | 10.4                                                           | 23.6                                                                  | 10.1                                                           |
| Income tax expense              | (4.4)                                                                 | (0.8)                                                          | (5.7)                                                                 | (2.3)                                                          |
| Post tax profit                 | 17.0                                                                  | 9.6                                                            | 17.9                                                                  | 7.8                                                            |
| Other comprehensive income      | 2.2                                                                   | -                                                              | 0.5                                                                   | -                                                              |
| Total comprehensive income      | 19.2                                                                  | 9.6                                                            | 18.4                                                                  | 7.8                                                            |
| Dividends paid by joint venture | (15.0)                                                                | -                                                              | (12.0)                                                                | -                                                              |

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for differences in accounting policies between the Group and the joint ventures. The information reflects 100% of the joint ventures results and net liabilities.

**20. Inventories**

|                               | <b>Group</b>       |                    | <b>Company</b>     |                    |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|
|                               | <b>2021<br/>£m</b> | <b>2020<br/>£m</b> | <b>2021<br/>£m</b> | <b>2020<br/>£m</b> |
| Raw materials and consumables | 37.0               | 29.9               | -                  | -                  |

**Notes to the financial statements (continued)****21. Trade and other receivables – current**

|                                                |             | <b>Group</b> |             | <b>Company</b> |             |
|------------------------------------------------|-------------|--------------|-------------|----------------|-------------|
|                                                |             | <b>2021</b>  | <b>2020</b> | <b>2021</b>    | <b>2020</b> |
|                                                |             | <b>£m</b>    | <b>£m</b>   | <b>£m</b>      | <b>£m</b>   |
|                                                | <b>Note</b> |              |             |                |             |
| Trade receivables                              |             | <b>106.8</b> | 96.8        | <b>6.4</b>     | -           |
| Less: allowance for expected credit losses     |             | <b>(2.7)</b> | (2.9)       | -              | -           |
| Trade receivables                              |             | <b>104.1</b> | 93.9        | <b>6.4</b>     | -           |
| Amounts owed by parent undertaking             | 39          | <b>81.8</b>  | 0.3         | <b>81.3</b>    | -           |
| Amounts owed by fellow subsidiary undertakings | 39          | -            | 2.6         | <b>25.6</b>    | 42.1        |
| Amounts owed by joint ventures                 | 39          | <b>8.5</b>   | 10.4        | -              | -           |
| Service concession arrangements                |             | <b>59.1</b>  | 58.5        | -              | -           |
| Other receivables                              |             | <b>80.0</b>  | 115.5       | <b>0.2</b>     | -           |
|                                                |             | <b>333.5</b> | 281.2       | <b>113.5</b>   | 42.1        |

Other receivables include £14.5 million (2020: £43.8 million) relating to contractual compensation amounts due arising from additional costs incurred in the construction of the Glasgow Recycling and Renewable Energy Centre.

No material credit loss provision has been recognised in relation to amounts owed by the parent undertaking, the joint ventures or other receivables balances.

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

At 31 March, the Group's receivables denominated in currencies other than £ sterling were:

|           | <b>2021</b> | <b>2020</b> |
|-----------|-------------|-------------|
|           | <b>£m</b>   | <b>£m</b>   |
| Euro      | <b>0.5</b>  | 0.9         |
| US Dollar | -           | 0.1         |

The Group applies the simplified approach in calculating the expected credit losses for trade receivables allowing a provision matrix to be used which is based on the expected life of trade receivables. The expected credit loss rate applied ranges from 0% for not due balances up to 100% for balances aged over 120 days. However there are exceptions, for example where a customer has gone into liquidation a provision will be made regardless of ageing, or conversely if a customer is a major corporate or local authority with no history of default, a provision might not be considered appropriate.

| <b>The ageing of trade receivables not specifically impaired was:</b> | <b>2021</b>  | <b>2020</b> |
|-----------------------------------------------------------------------|--------------|-------------|
|                                                                       | <b>£m</b>    | <b>£m</b>   |
| Not past due                                                          | <b>96.7</b>  | 91.5        |
| Past due 1 to 30 days                                                 | <b>2.7</b>   | 2.0         |
| Past due 31 to 120 days                                               | <b>2.8</b>   | 0.4         |
| Past due more than 120 days                                           | <b>1.9</b>   | -           |
|                                                                       | <b>104.1</b> | <b>93.9</b> |

There is no significant concentration of credit risk in trade receivables. The Group has a large number of customers who are dispersed and there is no expectation of a significant loss on trade receivables which have not been provided for.

**Notes to the financial statements (continued)****21. Trade and other receivables – current (continued)**

The movement in the allowance for expected credit losses in respect of trade receivables was:

|                                                              | <b>Note</b> | <b>2021<br/>£m</b> | <b>2020<br/>£m</b> |
|--------------------------------------------------------------|-------------|--------------------|--------------------|
| <b>Group</b>                                                 |             |                    |                    |
| At start of year                                             |             | <b>2.9</b>         | 3.4                |
| Increase/(reduction) in provision for expected credit losses | 6           | <b>0.8</b>         | (1.0)              |
| Increase in provision for expected credit losses re COVID-19 | 5           | -                  | 1.1                |
| Receivables written-off during the year as uncollectable     |             | <b>(1.0)</b>       | (0.6)              |
| At end of year                                               |             | <b>2.7</b>         | 2.9                |

In response to the COVID-19 pandemic a detailed expected credit loss review has been undertaken. Economic and credit conditions are worsening; however, the UK Government continue to implement economic measures to support the wider economy, therefore as at 31 March 2021 no specific credit losses were provided due to COVID-19.

**Notes to the financial statements (continued)****22. Derivative financial instruments****Derivative financial assets**

|                                               | <b>Group</b> |             | <b>Company</b> |             |
|-----------------------------------------------|--------------|-------------|----------------|-------------|
|                                               | <b>2021</b>  | <b>2020</b> | <b>2021</b>    | <b>2020</b> |
|                                               | <b>£m</b>    | <b>£m</b>   | <b>£m</b>      | <b>£m</b>   |
| <b>Derivatives used for cash flow hedging</b> |              |             |                |             |
| Non-current assets                            | -            | 0.1         | -              | -           |

**Derivative financial liabilities**

|                                                                | <b>Group</b> |             | <b>Company</b> |             |
|----------------------------------------------------------------|--------------|-------------|----------------|-------------|
|                                                                | <b>2021</b>  | <b>2020</b> | <b>2021</b>    | <b>2020</b> |
|                                                                | <b>£m</b>    | <b>£m</b>   | <b>£m</b>      | <b>£m</b>   |
| <b>Derivatives not used in a hedge accounting relationship</b> |              |             |                |             |
| Current liabilities                                            | 0.6          | -           | -              | -           |
| Non-current liabilities                                        | 0.8          | -           | -              | -           |
|                                                                | 1.4          | -           | -              | -           |

**Derivatives used for cash flow hedging**

|                         |      |   |   |   |
|-------------------------|------|---|---|---|
| Current liabilities     | 1.5  | - | - | - |
| Non-current liabilities | 43.8 | - | - | - |
|                         | 45.3 | - | - | - |

The periods for which the cash flow hedges are expected to affect future profits and losses are as follows:

|                                               | <b>2021</b> | <b>2020</b> | <b>2021</b> | <b>2020</b> |
|-----------------------------------------------|-------------|-------------|-------------|-------------|
|                                               | <b>£m</b>   | <b>£m</b>   | <b>£m</b>   | <b>£m</b>   |
| <b>Derivatives used for cash flow hedging</b> |             |             |             |             |
| Within one year                               | 1.5         | -           | -           | -           |
| One to two years                              | 2.0         | -           | -           | -           |
| Two to five years                             | 8.7         | -           | -           | -           |
| After five years                              | 33.1        | -           | -           | -           |
|                                               | 45.3        | -           | -           | -           |

The Group's financial risks and risk management policies are set out in note 3. The fair value of derivatives is split between current and non-current assets or liabilities based on the maturity of the cash flows. The ineffective portion recognised in the income statement arising from hedging relationships was £nil (2020 £nil).

During the year a £0.1 million credit (2020 £0.1 million charge) was recognised in profit and loss relating to cash flow hedges previously recognised through other comprehensive income and recorded in the hedging reserve. A £13.4 million charge (2020 £0.1million credit) was recognised as another comprehensive loss/income for cash flow hedges that may be classified subsequently to profit and loss.

Interest rate swaps and fixed rate borrowings are used to manage the mix of fixed and floating rates to ensure at least 85% of Group net borrowings are at fixed rate. At 31 March 2021, 99% of Group net borrowings were at fixed rate. At 31 March 2021, the Group had interest rate swaps to swap from floating to fixed rate and hedge financial liabilities with a notional value of £2,058 million and a weighted average maturity of 6.9 years (2020 £nil). The weighted average interest rate of the swaps for their nominal amount was 0.53% (2020 N/A).

RPI swaps are used to manage the inflation risk embedded in certain long-term contracts. As of 31 March 2021, the Group had RPI swaps to swap from RPI to fixed rate and hedge future cash flows with a notional value of £1,178 million and a weighted average maturity of 7.1 years (2020 £nil). The weighted average annual RPI value of the swaps for their nominal amount was 2.97% (2020 N/A).

**Notes to the financial statements (continued)****22. Derivative financial instruments (continued)****Valuation hierarchy**

The group uses a valuation methodology to estimate fair values, as explained in note 3.

**Level 2 inputs**

|                                                         | <b>Group</b>       |                    | <b>Company</b>     |                    |
|---------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                         | <b>2021<br/>£m</b> | <b>2020<br/>£m</b> | <b>2021<br/>£m</b> | <b>2020<br/>£m</b> |
| <b>Assets</b>                                           |                    |                    |                    |                    |
| Derivatives used for cash flow hedging                  | -                  | 0.1                | -                  | -                  |
| <b>Liabilities</b>                                      |                    |                    |                    |                    |
| Derivatives used for cash flow hedging                  | 45.3               | -                  | -                  | -                  |
| Derivatives not used in a hedge accounting relationship | 1.4                | -                  | -                  | -                  |
|                                                         | <b>46.7</b>        | <b>-</b>           | <b>-</b>           | <b>-</b>           |

The amounts above are at the fair value of financial instruments using level 2 inputs that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair values of these instruments are based on the market value of equivalent instruments at the balance sheet date.

**23. Cash and cash equivalents**

|                                    | <b>Note</b> | <b>Group</b>       |                    | <b>Company</b>     |                    |
|------------------------------------|-------------|--------------------|--------------------|--------------------|--------------------|
|                                    |             | <b>2021<br/>£m</b> | <b>2020<br/>£m</b> | <b>2021<br/>£m</b> | <b>2020<br/>£m</b> |
| Cash at bank and in hand           |             | 106.2              | 32.0               | 3.6                | 1.3                |
| Other deposits                     |             | -                  | 1.3                | -                  | -                  |
| Total cash and short-term deposits | 35          | 106.2              | 33.3               | 3.6                | 1.3                |

Cash at bank has an average maturity of one working day.

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

For the purpose of the cash flow statement cash and cash equivalents comprise:

|                          | <b>Group</b>       |                    | <b>Company</b>     |                    |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
|                          | <b>2021<br/>£m</b> | <b>2020<br/>£m</b> | <b>2021<br/>£m</b> | <b>2020<br/>£m</b> |
| Cash at bank and in hand | 106.2              | 32.0               | 3.6                | 1.3                |
|                          | <b>106.2</b>       | <b>32.0</b>        | <b>3.6</b>         | <b>1.3</b>         |

**Notes to the financial statements (continued)****24. Trade and other payables – current**

|                                                | Note | Group        |              | Company     |          |
|------------------------------------------------|------|--------------|--------------|-------------|----------|
|                                                |      | 2021         | 2020         | 2021        | 2020     |
|                                                |      | £m           | £m           | £m          | £m       |
| Trade payables                                 |      | 21.1         | 43.1         | -           | -        |
| Contract liabilities                           |      | 10.3         | 9.7          | -           | -        |
| Amounts owed to parent undertaking             | 39   | -            | 9.9          | -           | -        |
| Amounts owed to fellow subsidiary undertakings | 39   | -            | 1.4          | 9.5         | -        |
| Amounts owed to joint ventures                 | 39   | 4.3          | 2.8          | -           | -        |
| Other tax and social security                  |      | 48.6         | 32.6         | 2.6         | -        |
| Accruals and other payables                    |      | 70.9         | 53.6         | 5.6         | -        |
|                                                |      | <b>155.2</b> | <b>153.1</b> | <b>17.7</b> | <b>-</b> |

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

Contract liabilities are recognised when consideration is received in advance of the Group performing its obligations to customers. The movement in the contract liabilities was:

|                                                                            | 2021        | 2020       |
|----------------------------------------------------------------------------|-------------|------------|
|                                                                            | £m          | £m         |
| At 1 April                                                                 | 9.7         | 8.3        |
| Revenue recognised in the year                                             | (9.7)       | (8.3)      |
| Consideration received in advance of completion of performance obligations | 10.3        | 9.7        |
| At 31 March                                                                | <b>10.3</b> | <b>9.7</b> |

All current contract liabilities are expected to be satisfied and revenue recognised within the financial year ending 31 March 2022.



**Notes to the financial statements (continued)****25. Current tax assets/(liabilities)**

|             | <b>Group</b> |              | <b>Company</b> |               |
|-------------|--------------|--------------|----------------|---------------|
|             | <b>2021</b>  | <b>2020</b>  | <b>2021</b>    | <b>2020</b>   |
|             | <b>£m</b>    | <b>£m</b>    | <b>£m</b>      | <b>£m</b>     |
| Current tax | <b>0.4</b>   | <b>(0.9)</b> | <b>4.4</b>     | <b>(43.1)</b> |

**26. Borrowings**

|                                        |             | <b>Group</b> |             | <b>Company</b> |             |
|----------------------------------------|-------------|--------------|-------------|----------------|-------------|
|                                        | <b>Note</b> | <b>2021</b>  | <b>2020</b> | <b>2021</b>    | <b>2020</b> |
|                                        |             | <b>£m</b>    | <b>£m</b>   | <b>£m</b>      | <b>£m</b>   |
| <b>Current</b>                         |             |              |             |                |             |
| Lease liabilities                      |             | <b>10.4</b>  | 19.0        | -              | -           |
| Amounts owed to parent undertaking     |             | <b>10.2</b>  | -           | -              | -           |
| Amounts owed to subsidiary undertaking |             | -            | -           | <b>31.3</b>    | -           |
| Total current borrowings               | 35          | <b>20.6</b>  | 19.0        | <b>31.3</b>    | -           |

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

|                                    |             | <b>Group</b>   |             | <b>Company</b> |             |
|------------------------------------|-------------|----------------|-------------|----------------|-------------|
|                                    | <b>Note</b> | <b>2021</b>    | <b>2020</b> | <b>2021</b>    | <b>2020</b> |
|                                    |             | <b>£m</b>      | <b>£m</b>   | <b>£m</b>      | <b>£m</b>   |
| <b>Non-current</b>                 |             |                |             |                |             |
| Amounts owed to parent undertaking | 39          | <b>1,453.2</b> | 1,199.5     | <b>1,260.8</b> | 1,183.5     |
| Lease liabilities                  |             | <b>86.5</b>    | 229.4       | -              | -           |
| Total non-current borrowings       | 35          | <b>1,539.7</b> | 1,428.9     | <b>1,260.8</b> | 1,183.5     |

|                  |  |                |         |                |         |
|------------------|--|----------------|---------|----------------|---------|
| Total borrowings |  | <b>1,560.3</b> | 1,447.9 | <b>1,292.1</b> | 1,183.5 |
|------------------|--|----------------|---------|----------------|---------|

The carrying amounts of the Group's borrowings are denominated in £ sterling.

The maturity of non-current borrowings was:

|                       |  | <b>Group</b>   |             | <b>Company</b> |             |
|-----------------------|--|----------------|-------------|----------------|-------------|
|                       |  | <b>2021</b>    | <b>2020</b> | <b>2021</b>    | <b>2020</b> |
|                       |  | <b>£m</b>      | <b>£m</b>   | <b>£m</b>      | <b>£m</b>   |
| Between 1 and 2 years |  | <b>13.9</b>    | 89.8        | -              | 70.8        |
| Between 2 and 5 years |  | <b>10.5</b>    | 271.5       | -              | 225.3       |
| Over 5 years          |  | <b>1,515.3</b> | 1,067.6     | <b>1,260.8</b> | 887.4       |
|                       |  | <b>1,539.7</b> | 1,428.9     | <b>1,260.8</b> | 1,183.5     |

The weighted average maturity of non-current borrowings was 15 years (2020: 11 years).

**Notes to the financial statements (continued)****26. Borrowings (continued)**

The fair values of non-current borrowings were:

|                                    | 2021             |                  | 2020             |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
|                                    | Book value<br>£m | Fair value<br>£m | Book value<br>£m | Fair value<br>£m |
| <b>Group</b>                       |                  |                  |                  |                  |
| Amounts owed to parent undertaking | 1,453.2          | 1,904.3          | 1,199.5          | 1,181.7          |
| <b>Company</b>                     |                  |                  |                  |                  |
| Amounts owed to parent undertaking | 1,260.8          | 1,695.4          | 1,183.5          | 1,162.9          |

The fair values of non-current borrowings are calculated by discounting expected future cash flows at prevailing interest rates

The changes in borrowings from financing activities were

|                                                                                 | 1 April<br>2020 | Cash<br>flows | Accrued<br>interest | Other         | 31 March<br>2021 |
|---------------------------------------------------------------------------------|-----------------|---------------|---------------------|---------------|------------------|
| Current lease liabilities                                                       | 19.0            | (23.5)        | 0.3                 | 14.6          | 10.4             |
| Non-current lease liabilities                                                   | 229.4           | -             | 6.0                 | (148.9)       | 86.5             |
| Current interest bearing loans and borrowings (excluding lease liabilities)     | -               | -             | -                   | 10.2          | 10.2             |
| Non-current interest bearing loans and borrowings (excluding lease liabilities) | 1,199.5         | 40.0          | 43.1                | 170.6         | 1,453.2          |
| <b>Total liabilities from financing activities</b>                              | <b>1,447.9</b>  | <b>16.5</b>   | <b>49.4</b>         | <b>46.5</b>   | <b>1,560.3</b>   |
|                                                                                 | 1 April<br>2019 | Cash<br>flows | Accrued<br>interest | Other         | 31 March<br>2020 |
| Current lease liabilities                                                       | 10.8            | (23.1)        | 0.3                 | 31.0          | 19.0             |
| Non-current lease liabilities                                                   | 147.5           | -             | 6.2                 | 75.7          | 229.4            |
| Current interest bearing loans and borrowings (excluding lease liabilities)     | 91.7            | (8.9)         | 0.3                 | (83.1)        | -                |
| Non-current interest bearing loans and borrowings (excluding lease liabilities) | 1,017.7         | 190.7         | 41.7                | (50.6)        | 1,199.5          |
| <b>Total liabilities from financing activities</b>                              | <b>1,267.7</b>  | <b>158.7</b>  | <b>48.5</b>         | <b>(27.0)</b> | <b>1,447.9</b>   |

The 'Other' column includes the settlement of liabilities by the Parent on behalf of the Company, the netting of balances payable against balances receivable, and the effect of reclassification of non-current portion of borrowings.

The Group classifies interest paid as cash flows from operating activities.

**Notes to the financial statements (continued)****27. Other non-current liabilities**

|                      | <b>Group</b> |             | <b>Company</b> |             |
|----------------------|--------------|-------------|----------------|-------------|
|                      | <b>2021</b>  | <b>2020</b> | <b>2021</b>    | <b>2020</b> |
|                      | <b>£m</b>    | <b>£m</b>   | <b>£m</b>      | <b>£m</b>   |
| Contract liabilities | <b>6.3</b>   | 6.9         | -              | -           |
| Other payables       | <b>6.8</b>   | 7.5         | -              | -           |
|                      | <b>13.1</b>  | 14.4        | -              | -           |

Other payables include deferred income resulting from the fair value of liabilities recognised at acquisition.

Contract liabilities are recognised when consideration is received in advance of the Group performing its obligations to customers. The movement in the non-current contract liabilities was:

|                                                                            | <b>2021</b>  | <b>2020</b> |
|----------------------------------------------------------------------------|--------------|-------------|
|                                                                            | <b>£m</b>    | <b>£m</b>   |
| At 1 April                                                                 | <b>6.9</b>   | -           |
| Consideration received in advance of completion of performance obligations | -            | 6.9         |
| Non-current contract liability becoming current                            | <b>(0.6)</b> | -           |
| At 31 March                                                                | <b>6.3</b>   | 6.9         |

Non-current contract liabilities are expected to be satisfied and revenue recognised on the following profile:

|               | <b>2021</b> | <b>2020</b> |
|---------------|-------------|-------------|
|               | <b>£m</b>   | <b>£m</b>   |
| 1 to 5 years  | <b>4.0</b>  | 4.3         |
| After 5 years | <b>2.3</b>  | 2.6         |
| At 31 March   | <b>6.3</b>  | 6.9         |

**Notes to the financial statements (continued)****28. Retirement benefit obligations**

The following amounts refer only to the Group. The Company has no employees.

The Group participates in both defined contribution and defined benefit pension schemes.

The Group also operates defined benefit schemes relating to employment rights in its wholly owned subsidiaries, Viridor Waste (Somerset) Limited and Viridor Waste (Greater Manchester) Limited.

The assets of the pension schemes are held in separate trustee administered funds. The trustees of the funds are required to act in the best interest of the funds' beneficiaries. The appointment of schemes' trustees is determined by the schemes' trust documentation.

**Defined contribution schemes**

From 1 July 2020, following internal consultations, contributions to the incumbent Pennon Group Defined Contribution Pension Scheme (PGDCPS) ceased and were replaced for eligible members by the Viridor Pension Savings Plan (VPSP), a defined contribution master trust. The entire value of the pension savings within the PGDCPS were transferred to the VPSP in September 2020 with all costs of transfer borne by the new scheme provider or Pennon Group plc where appropriate.

Pension costs for defined contribution schemes were £7.9million (2020: £6.6 million) of which £0.8 million was accrued at 31 March 2021 (2020: £0.6 million).

**Defined benefit schemes**

During the year, as part of the Group's acquisition by KKR, a significant proportion of the Group's four defined benefit pension schemes, including full responsibility for the related assets and liabilities, were transferred to Pennon Group plc. The schemes are deemed to be of similar characteristics and risk profiles. The disclosures below are an aggregation of the schemes in which the Group participated at the reporting date, calculated using a weighted average where appropriate.

**Assumptions**

The principal actuarial assumptions at 31 March were:

|                                                  | 2021<br>% | 2020<br>% |
|--------------------------------------------------|-----------|-----------|
| Rate of increase in pensionable pay              | 3.1       | 2.4       |
| Rate of increase for current and future pensions | 3.0       | 2.0       |
| Rate used to discount schemes' liabilities       | 2.0       | 2.3       |
| Inflation                                        | 3.6       | 2.7       |

**Mortality**

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience. The mortality assumption uses a scheme-specific calculation based on CMI 2018 actuarial tables with an allowance for future longevity improvement.

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is projected at:

|        | 2021 | 2020 |
|--------|------|------|
| Male   | 22.4 | 22.4 |
| Female | 24.1 | 24.4 |

The average life expectancy in years of a pensioner retiring at age 65, 15 years after the balance sheet date is projected at:

|        | 2021 | 2020 |
|--------|------|------|
| Male   | 21.5 | 24.1 |
| Female | 25.6 | 26.5 |

**Notes to the financial statements (continued)****28. Retirement benefit obligations (continued)**

The amounts recognised in the balance sheet were:

|                                               | 2021<br>£m | 2020<br>£m |
|-----------------------------------------------|------------|------------|
| Present value of financial obligations        | (73.1)     | (243.4)    |
| Fair value of plan assets                     | 89.4       | 242.4      |
| Surplus/(deficit) of funded plans             | 16.3       | (1.0)      |
| Impact of minimum funding asset ceiling       | (16.3)     | (14.1)     |
| Net liability recognised in the balance sheet | -          | (15.1)     |

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

|                                                                           | 2021                                    |                                          |               | 2020                                    |                                          |               |
|---------------------------------------------------------------------------|-----------------------------------------|------------------------------------------|---------------|-----------------------------------------|------------------------------------------|---------------|
|                                                                           | Present<br>value of<br>obligation<br>£m | Fair<br>value<br>of plan<br>assets<br>£m | Total<br>£m   | Present<br>value of<br>obligation<br>£m | Fair<br>value of<br>plan<br>assets<br>£m | Total<br>£m   |
| <b>At 1 April</b>                                                         | <b>(257.5)</b>                          | <b>242.4</b>                             | <b>(15.1)</b> | <b>(276.2)</b>                          | <b>241.5</b>                             | <b>(34.7)</b> |
| Current service cost                                                      | (0.5)                                   | -                                        | (0.5)         | (2.2)                                   | -                                        | (2.2)         |
| Past service cost and gains on settlements                                | -                                       | -                                        | -             | 2.1                                     | -                                        | 2.1           |
| Effect of settlements*                                                    | 219.0                                   | (186.5)                                  | 32.5          | -                                       | -                                        | -             |
|                                                                           | 218.5                                   | (186.5)                                  | 32.0          | (0.1)                                   | -                                        | (0.1)         |
| <b>Net interest:</b>                                                      |                                         |                                          |               |                                         |                                          |               |
| Interest cost on defined benefit obligation                               | (2.2)                                   | -                                        | (2.2)         | (6.5)                                   | -                                        | (6.5)         |
| Interest income on plan assets                                            | -                                       | 2.5                                      | 2.5           | -                                       | 5.9                                      | 5.9           |
|                                                                           | (2.2)                                   | 2.5                                      | 0.3           | (6.5)                                   | 5.9                                      | (0.6)         |
| <b>Remeasurements:</b>                                                    |                                         |                                          |               |                                         |                                          |               |
| Gain/(loss) on plan assets excluding amounts included in interest expense | -                                       | 29.6                                     | 29.6          | -                                       | (5.5)                                    | (5.5)         |
| Gain/(loss) from changes in demographic assumptions                       | 1.4                                     | -                                        | 1.4           | (0.3)                                   | -                                        | (0.3)         |
| (Loss)/gain from change in financial assumptions                          | (54.8)                                  | -                                        | (54.8)        | 14.5                                    | -                                        | 14.5          |
| Experience gains/(losses)                                                 | 5.1                                     | -                                        | 5.1           | (3.8)                                   | -                                        | (3.8)         |
| Change in asset ceiling                                                   | (2.1)                                   | -                                        | (2.1)         | 6.5                                     | -                                        | 6.5           |
|                                                                           | (50.4)                                  | 29.6                                     | (20.8)        | 16.9                                    | (5.5)                                    | 11.4          |
| <b>Cashflows:</b>                                                         |                                         |                                          |               |                                         |                                          |               |
| Employer contributions                                                    | -                                       | 0.8                                      | 0.8           | -                                       | 8.9                                      | 8.9           |
| Special employer contribution from Pennon Group plc **                    | -                                       | 2.8                                      | 2.8           | -                                       | -                                        | -             |
| Plan participants contributions                                           | -                                       | -                                        | -             | (0.2)                                   | 0.2                                      | -             |
| Benefit paid including expenses                                           | 2.1                                     | (2.1)                                    | -             | 8.6                                     | (8.6)                                    | -             |
|                                                                           | 2.1                                     | 1.5                                      | 3.6           | 8.4                                     | 0.5                                      | 8.9           |
| <b>At 31 March</b>                                                        | <b>(89.5)</b>                           | <b>89.5</b>                              | <b>-</b>      | <b>(257.5)</b>                          | <b>242.4</b>                             | <b>(15.1)</b> |

\* During the year, as part of the Group's acquisition by KKR, a significant proportion of the Group's four defined benefit pension schemes, including full responsibility for the related assets and liabilities, were transferred to Pennon Group plc. As a result of the transfer the Group recognised a non-underlying settlement gain of £32.5m, which represented the sum of the respective scheme deficits at the date of transfer.

\*\* As part of the transaction noted above, Pennon Group plc contributed a one-off lump payment to a scheme of £2.8m.

Further details of these non-underlying items are set out in note 5 to the financial statements.

**Notes to the financial statements (continued)****28. Retirement benefit obligations (continued)**

At 31 March 2021, the Group has two pension schemes (2020: one scheme) both of which are in surplus. However, this surplus is deemed irrecoverable in accordance with IFRIC 14 'The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

Changes in the effect of the asset ceiling during the year were:

|                                          | 2021 | 2020  |
|------------------------------------------|------|-------|
|                                          | £m   | £m    |
| Irrecoverable asset at start of the year | 14.1 | 20.6  |
| Interest on irrecoverable surplus        | 0.3  | 0.6   |
| Actuarial (losses)/gains                 | 1.9  | (7.1) |
|                                          | 16.3 | 14.1  |

**Risks**

Through Viridor's defined benefit pension plans, it is exposed to a number of risks, of which the most financially significant are likely to be:

- Higher than expected actual inflation and salary increase experience,
- Lower than expected investment returns,
- The risk that movements in the Plan's liabilities are not met by corresponding movements in the value of assets, and
- Members living for longer than expected

The sensitivity analysis below is intended to provide an indication of the impact on Plan's liabilities of the risks highlighted and were calculated using approximate methods taking into account the duration of the plans liabilities:

The sensitivities regarding the principal actuarial assumptions at 31 March 2021 were:

|                                                  | Change in assumption | Impact on schemes' liabilities |
|--------------------------------------------------|----------------------|--------------------------------|
| Rate of increase in pensionable pay              | +/-0.5%              | +/-0.3%                        |
| Rate of increase for current and future pensions | +/-0.5%              | +/-8.0%                        |
| Rate used to discount schemes' liabilities       | +/-0.5%              | +/-7.8%                        |
| Inflation                                        | +/-0.5%              | +/-8.5%                        |
| Life expectancy                                  | +/-1 year            | +/-4.5%                        |

**Notes to the financial statements (continued)****28. Retirement benefit obligations (continued)****Asset Investment Strategies**

In conjunction with its investment advisers, the trustees invest the vast majority of the Section's assets in a mixture of equities, diversified growth seeking assets, multi credit and liability driven investments, in order to strike a balance between:

- Maximising the returns on the assets, and
- Minimising the risks associated with the lower than expected returns on the assets.

The trustees regularly review their investment strategy in light of revised terms and nature of the liabilities. The current benchmark is to hold around 45% growth, 45% matching assets and 10% income-generating assets.

Viridor Group's share of schemes' assets at the balance sheet date were:

|                    | 2021                              |                                       |        | 2020                              |                                       |        |
|--------------------|-----------------------------------|---------------------------------------|--------|-----------------------------------|---------------------------------------|--------|
|                    | Quoted prices in active market £m | Prices not quoted in active market £m | Fund % | Quoted prices in active market £m | Prices not quoted in active market £m | Fund % |
| Equities           | 53.1                              | -                                     | 59     | 68.1                              | -                                     | 28     |
| Government bonds   | -                                 | -                                     | -      | 6.7                               | -                                     | 3      |
| Other bonds        | 19.4                              | -                                     | 22     | 95.2                              | -                                     | 31     |
| Diversified growth | 1.7                               | -                                     | 2      | 50.1                              | -                                     | 29     |
| Property           | 7.4                               | -                                     | 8      | 10.8                              | -                                     | 4      |
| Other              | 7.9                               | -                                     | 9      | 11.5                              | -                                     | 5      |
|                    | 89.5                              | -                                     | 100    | 242.4                             | -                                     | 100    |

Other assets at 31 March 2021 represented principally cash contributions received from the Group towards the year-end which were invested during the subsequent financial year.

**Other relevant matters**

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

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

During the year, the Group made deficit recovery contributions of £nil (2020: £2.3 million). The Group monitors funding levels on an annual basis and expects to pay total contributions of around £0.3 million during the year ended 31 March 2022.

**Notes to the financial statements (continued)****29. Deferred tax**

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

|                                                                |      | 2021  | 2020  |
|----------------------------------------------------------------|------|-------|-------|
|                                                                | Note | £m    | £m    |
| Liabilities at 1 April                                         |      | 106.9 | 75.3  |
| Charged to the income statement                                |      | 4.8   | 20.8  |
| Credited to other comprehensive income                         |      | (6.1) | (0.6) |
| Change of rate in income statement - non-underlying            | 9    | -     | 10.5  |
| Other non-underlying (credits)/charges in the income statement |      | (4.5) | 0.9   |
| Liabilities at 31 March                                        |      | 101.1 | 106.9 |

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.

The majority of the Company's deferred tax asset is expected to be recovered over more than one year. All deferred tax assets and liabilities within the same jurisdiction are offset.

The movements in deferred tax assets and liabilities were:

| Deferred tax liabilities/(assets)             | Accelerated tax depreciation | Fair Value adjustments | Revenue on service concession arrangements | Derivatives | Total  |
|-----------------------------------------------|------------------------------|------------------------|--------------------------------------------|-------------|--------|
|                                               | £m                           | £m                     | £m                                         | £m          | £m     |
| At 1 April 2019                               | 31.4                         | 1.1                    | 48.1                                       | -           | 80.6   |
| Charged/(credited) to the income statement    | 16.8                         | (1.1)                  | 2.1                                        | -           | 17.8   |
| Non-underlying charge to the income statement | 5.6                          | -                      | 5.5                                        | -           | 11.1   |
| Credited to other comprehensive income        | (1.4)                        | -                      | -                                          | -           | (1.4)  |
| At 31 March 2020                              | 52.4                         | -                      | 55.7                                       | -           | 108.1  |
| Charged/(credited) to the income statement    | 13.5                         | -                      | 0.5                                        | (0.2)       | 13.8   |
| Non-underlying credit to the income statement | (1.9)                        | -                      | (9.3)                                      | -           | (11.2) |
| Credited to other comprehensive income        | -                            | -                      | -                                          | (2.4)       | (2.4)  |
| At 31 March 2021                              | 64.0                         | -                      | 46.9                                       | (2.6)       | 108.3  |



**Notes to the financial statements (continued)****29. Deferred tax (continued)**

| <b>Deferred tax liabilities/(assets)</b>               | <b>Long term liabilities and accruals</b> | <b>Retirement benefit obligations</b> | <b>Share based payments</b> | <b>Tax losses</b> | <b>Total</b> |
|--------------------------------------------------------|-------------------------------------------|---------------------------------------|-----------------------------|-------------------|--------------|
|                                                        | <b>£m</b>                                 | <b>£m</b>                             | <b>£m</b>                   | <b>£m</b>         | <b>£m</b>    |
| At 1 April 2019                                        | 2.0                                       | (5.7)                                 | (0.4)                       | (1.2)             | (5.3)        |
| Charged/(credited) to the income statement             | 3.0                                       | 0.2                                   | (0.1)                       | (0.1)             | 3.0          |
| Non-underlying charge/(credit) to the income statement | (0.6)                                     | 1.1                                   | -                           | (0.2)             | 0.3          |
| Charged/(credited) to other comprehensive income       | -                                         | 1.3                                   | (0.5)                       | -                 | 0.8          |
| At 31 March 2020                                       | 4.4                                       | (3.1)                                 | (1.0)                       | (1.5)             | (1.2)        |
| Charged/(credited) to the income statement             | (7.8)                                     | -                                     | 1.0                         | (2.2)             | (9.0)        |
| Non-underlying charge to the income statement          | -                                         | 6.7                                   | -                           | -                 | 6.7          |
| Charged/(credited) to other comprehensive income       | -                                         | (3.7)                                 | -                           | -                 | (3.7)        |
| Transfer to/(from) deferred tax assets                 | -                                         | -                                     | -                           | -                 | -            |
| <b>At 31 March 2021</b>                                | <b>(3.4)</b>                              | <b>(0.1)</b>                          | <b>-</b>                    | <b>(3.7)</b>      | <b>(7.2)</b> |
| <b>Net deferred tax liability:</b>                     |                                           |                                       |                             |                   |              |
| At 31 March 2020                                       |                                           |                                       |                             |                   | 106.9        |
| <b>At 31 March 2021</b>                                |                                           |                                       |                             |                   | <b>101.1</b> |

The deferred tax asset in respect of long term liabilities and accruals has been restated as a liability at 31 March 2019 and 31 March 2020 as a consequence of the accounting error (see note 2.5).

**Notes to the financial statements** (continued)**29. Deferred tax** (continued)

The deferred tax (credited)/charged/ to other comprehensive income and equity during the year was:

|                                                    | <b>2021</b>  | 2020      |
|----------------------------------------------------|--------------|-----------|
|                                                    | <b>£m</b>    | <b>£m</b> |
| Actuarial gain/(losses) on defined benefit schemes | <b>(3.7)</b> | 1.3       |
| Transition to IFRS 16 on 01 April 2019             | -            | (1.4)     |
| Net fair value gain/(losses) on cash flow hedges   | <b>(2.4)</b> | -         |
| Deferred tax on other comprehensive income         | <b>(6.1)</b> | (0.1)     |
| Share-based payments                               | -            | (0.5)     |
|                                                    | <b>(6.1)</b> | (0.6)     |

Capital allowances are available when a business incurs qualifying expenditure on capital items such as infrastructure assets. Capital allowances provide tax relief on these items in place of accounting depreciation which is not tax deductible. Over the period of ownership of an asset, cumulative depreciation and capital allowances will equalise. Capital allowance rates are set by the UK Government and every business receives the same rate of allowance. Capital allowance rates vary from 3% up to 100% in certain instances, with most items qualifying at either 6% or 18% per annum.

The different treatment of property, plant and equipment for tax and accounting purposes means that the taxable income of the Group is not the same as the profit reported in the financial statements. The adjustments for this are reflected in the current tax reconciliation.

Short term temporary differences arise on items such as environmental provisions, retirement benefit obligations and revenue on service concession arrangements because the treatment of such items is different for tax and accounting purposes. These differences reverse over future years following that in which they arise, as is reflected in the deferred tax charge in these financial statements.

Where interest charges or other finance costs are capitalised in the accounts, tax relief is given as the charges are incurred.

Derivatives reflect the fair value movements on treasury derivatives. These balances will crystallise when the items either mature or are terminated

Tax losses relate to taxable trading losses, typically arising in the construction phase of individual companies.

**Notes to the financial statements (continued)****30. Provisions**

|                                            | <b>Environmental<br/>and landfill<br/>restoration<br/>£m</b> | <b>Other<br/>provisions<br/>£m</b> | <b>Total<br/>£m</b> |
|--------------------------------------------|--------------------------------------------------------------|------------------------------------|---------------------|
| <b>Group</b>                               |                                                              |                                    |                     |
| At 1 April 2020 (Restated per note 2.5)    | 149.8                                                        | 36.2                               | 186.0               |
| Charged/(credited) to the income statement | 5.7                                                          | (0.9)                              | 4.8                 |
| Utilised during year                       | (12.6)                                                       | (0.7)                              | (13.3)              |
| Capitalised during the year                | -                                                            | 2.8                                | 2.8                 |
| <b>At 31 March 2021</b>                    | <b>142.9</b>                                                 | <b>37.4</b>                        | <b>180.3</b>        |

The amount charged to the income statement includes £5.4million (2020: £6.0 million - restated) charged to finance costs as the unwinding of discounts in provisions. The analysis of provisions between current and non-current is:

|             | <b>2021<br/>£m</b> | <b>2020<br/>£m</b> |
|-------------|--------------------|--------------------|
|             |                    | Restated           |
| Current     | <b>49.2</b>        | 26.7               |
| Non-current | <b>131.1</b>       | 159.3              |
|             | <b>180.3</b>       | 186.0              |

**Environmental and landfill restoration provisions**

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 previous year has been restated due to an accounting error as detailed under note 2.5.

A discount rate of 4.22% (2020: 4.22%) and an inflation rate of 2.0% (2020: 2.0%) have been applied to the aftercare provision and a discount rate of 2.92% (2020: 2.92%) and an inflation rate of 2.0% (2020: 2.0%) to the restoration provision.

**Other Provisions**

As a waste operator the Company is required to sample waste products to ensure the appropriate level of landfill tax is paid. HMRC has been investigating administrative errors in the testing regime (for example, applying the wrong test or insufficient frequency of testing). HMRC has issued assessments on the basis that this led to the incorrect amount of landfill tax being paid. The provision represents the full amount of assessed landfill tax. The expected timing of any resulting outflows is within the next 12 months, depending on the timing of the HMRC investigation and subsequent appeals.

Provisions exist for potential prosecutions by the Health & Safety Executive in respect of two incidents on separate Viridor sites that sadly both resulted in the fatalities of an external worker. Viridor has considered the nature and events of the incidents, as well as the sentencing guidelines for breaches of health and safety legislation when calculating the potential outflow of economic benefits. The timing of the cash flow is heavily dependent on the legal proceedings and may potentially have an effect between 1-3 years.

Other provisions also include underperforming contracts of £2.4 million (2020: £4.1 million), which are provided for at the net present value of the operating losses of the underperforming contracts and are to be utilised over the remaining period of the contract to which they relate. The weighted average contract life of underperforming contracts is 2 years (2020: 3 years). Included in other provisions are amounts provided by the Group in relation to nuisance claims made against the Group and other claims received which are considered by the Directors and the management of the Group to be the best estimate of the amounts that might be finally settled. Further disclosures have not been provided as they are considered seriously prejudicial.

**Notes to the financial statements (continued)****31. Share capital**

| Ordinary shares of £1 each | Authorised, Allotted, called up<br>and fully paid<br>(Group and Company)<br>£m |
|----------------------------|--------------------------------------------------------------------------------|
| At 31 March 2019           | 898.2                                                                          |
| At 31 March 2020           | 898.2                                                                          |
| <b>At 31 March 2021</b>    | <b>898.2</b>                                                                   |

**Employee share schemes**

The group operates an equity settled share based compensation plan. Upon acquisition by KKR in July 2020 it was planned that £6m of B Ordinary shares in Planets Topco Limited would be allocated to senior management. The B Ordinary shares rank pari passu with other Ordinary shares except they don't have voting rights. During the year two senior managers subscribed for these shares at market value which was funded personally. The personal funding included a loan from the Viridor Group which bears interest at a market rate.

As a result of the KKR acquisition in the year Viridor employees are no longer participants in the equity settled share-based payment plans for shares in Pennon plc.

**32. Share premium account**

|                         | £m          |
|-------------------------|-------------|
| At 31 March 2019        | 95.2        |
| At 31 March 2020        | 95.2        |
| <b>At 31 March 2021</b> | <b>95.2</b> |

**Notes to the financial statements (continued)****33. Retained earnings and other reserves**

|                                                       | <b>Hedging<br/>reserve</b> | <b>Group<br/>Retained<br/>earnings</b> | <b>Total</b>   | <b>Company<br/>Retained<br/>earnings</b> |
|-------------------------------------------------------|----------------------------|----------------------------------------|----------------|------------------------------------------|
|                                                       | <b>£m</b>                  | <b>£m</b>                              | <b>£m</b>      | <b>£m</b>                                |
| At 31 March 2019                                      | (0.4)                      | (304.8)                                | <b>(305.2)</b> | 135.6                                    |
| Restatement due to accounting error (note 2.5)        | -                          | 46.6                                   | <b>46.6</b>    | -                                        |
| Transition to IFRS 16                                 | -                          | (6.2)                                  | <b>(6.2)</b>   | -                                        |
| As at April 2019                                      | (0.4)                      | (264.4)                                | <b>(264.8)</b> | 135.6                                    |
| Profit for the year (restated as per note 2.5)        | -                          | 71.5                                   | <b>71.5</b>    | 62.2                                     |
| Other comprehensive income for the year               | 0.1                        | 9.8                                    | <b>9.9</b>     | -                                        |
| Dividends paid                                        | -                          | (85.9)                                 | <b>(85.9)</b>  | (85.9)                                   |
| Capital contribution received                         | -                          | 11.4                                   | <b>11.4</b>    | 125.2                                    |
| Capital contribution issued                           | -                          | -                                      | -              | (125.2)                                  |
| Credited to equity in respect of share-based payments | -                          | 1.5                                    | <b>1.5</b>     | -                                        |
| At 31 March 2020                                      | (0.3)                      | (256.1)                                | <b>(256.4)</b> | 111.9                                    |
| Profit for the year                                   | -                          | 21.3                                   | <b>21.3</b>    | 20.2                                     |
| Other comprehensive loss for the year                 | (27.0)                     | -                                      | <b>(27.0)</b>  | -                                        |
| Credited to equity in respect of share-based payments | -                          | 0.6                                    | <b>0.6</b>     | -                                        |
| <b>At 31 March 2021</b>                               | <b>(27.3)</b>              | <b>(234.2)</b>                         | <b>(261.5)</b> | <b>132.1</b>                             |

In making decisions about the levels of dividends to be proposed the Directors take steps to check that retained earnings reflect realised profits and are therefore distributable within the requirements of the Companies Act 2006.

**Notes to the financial statements (continued)****34. Analysis of cash flows given in the cash flow statement**

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

**Cash generated from/(used in) operations**

| <b>Continuing operations</b>                                                            | <b>Group</b> |              | <b>Company</b> |                |
|-----------------------------------------------------------------------------------------|--------------|--------------|----------------|----------------|
|                                                                                         | <b>2021</b>  | <b>2020</b>  | <b>2021</b>    | <b>2020</b>    |
|                                                                                         | <b>£m</b>    | <b>£m</b>    | <b>£m</b>      | <b>£m</b>      |
|                                                                                         |              | Restated     |                |                |
| Profit for the year                                                                     | 21.3         | 75.3         | 20.2           | 62.2           |
| <b>Adjustments for:</b>                                                                 |              |              |                |                |
| Employee share schemes                                                                  | 1.0          | 1.0          | -              | -              |
| Profit on disposal of property, plant and equipment                                     | 3.7          | (2.1)        | -              | -              |
| Depreciation and impairment charge                                                      | 91.9         | 82.3         | -              | -              |
| Amortisation of intangible assets                                                       | 2.5          | 4.0          | -              | -              |
| Non-underlying pension scheme past service cost                                         | -            | (4.9)        | -              | -              |
| Finance income                                                                          | (23.6)       | (28.4)       | (16.8)         | (70.7)         |
| Finance costs                                                                           | 55.1         | 52.4         | 37.4           | 37.9           |
| Share of post-tax profit from joint venture                                             | (16.0)       | (14.8)       | -              | -              |
| Dividends receivable                                                                    | -            | -            | (50.0)         | (35.6)         |
| Impairment of intangible assets                                                         | 46.9         | -            | -              | -              |
| Transfer of pension liabilities to Pennon                                               | (35.3)       | -            | -              | -              |
| Taxation                                                                                | 3.4          | 22.4         | (4.4)          | 6.2            |
| <b>Changes in working capital (excluding the effect of acquisition of subsidiaries)</b> |              |              |                |                |
| Increase in inventories                                                                 | (7.1)        | (5.9)        | -              | -              |
| (Increase)/decrease in trade and other receivables                                      | (3.6)        | 23.6         | (59.7)         | (204.3)        |
| Increase/(decrease) in trade and other payables                                         | 43.0         | (30.4)       | 19.5           | -              |
| (Decrease)/increase in provisions                                                       | (13.6)       | 7.4          | -              | -              |
| Decrease in retirement benefit obligations                                              | (0.4)        | (3.9)        | -              | -              |
| <b>Cash generated from/(used in) operations</b>                                         | <b>169.2</b> | <b>178.0</b> | <b>(53.8)</b>  | <b>(204.3)</b> |

**Total interest paid**

|                                                                                      | <b>Group</b> |             | <b>Company</b> |             |
|--------------------------------------------------------------------------------------|--------------|-------------|----------------|-------------|
|                                                                                      | <b>2021</b>  | <b>2020</b> | <b>2021</b>    | <b>2020</b> |
|                                                                                      | <b>£m</b>    | <b>£m</b>   | <b>£m</b>      | <b>£m</b>   |
| Interest paid in operating activities                                                | 4.7          | 31.5        | -              | 37.9        |
| Interest paid in investing activities<br>(purchase of property, plant and equipment) | 0.1          | 8.6         | -              | -           |
| <b>Total interest paid</b>                                                           | <b>4.8</b>   | <b>40.1</b> | <b>-</b>       | <b>37.9</b> |

**Notes to the financial statements (continued)****35. Net borrowings**

|                                 |              | <b>Group</b>     |             | <b>Company</b>   |                  |
|---------------------------------|--------------|------------------|-------------|------------------|------------------|
|                                 |              | <b>2021</b>      | <b>2020</b> | <b>2021</b>      | <b>2020</b>      |
|                                 | <b>Notes</b> | <b>£m</b>        | <b>£m</b>   | <b>£m</b>        | <b>£m</b>        |
| Cash and cash deposits          | 23           | <b>106.2</b>     | 33.3        | <b>3.6</b>       | 1.3              |
| <b>Borrowings – current</b>     |              |                  |             |                  |                  |
| Leases                          |              | <b>(10.4)</b>    | (19.0)      | -                | -                |
| Parent company loans            |              | <b>(10.2)</b>    | -           | -                | -                |
| Subsidiary undertaking loans    |              | -                | -           | <b>(31.3)</b>    | -                |
| Total current borrowings        | 26           | <b>(20.6)</b>    | (19.0)      | <b>(31.3)</b>    | -                |
| <b>Borrowings – non-current</b> |              |                  |             |                  |                  |
| Parent company loans            |              | <b>(1,453.2)</b> | (1,199.5)   | <b>(1,260.8)</b> | (1,183.5)        |
| Leases                          |              | <b>(86.5)</b>    | (229.4)     | -                | -                |
| Total non-current borrowings    | 26           | <b>(1,539.7)</b> | (1,428.9)   | <b>(1,260.8)</b> | (1,183.5)        |
| <b>Total net borrowings</b>     |              |                  |             |                  |                  |
|                                 |              | <b>(1,454.1)</b> | (1,414.6)   | <b>(1,288.5)</b> | <b>(1,182.2)</b> |

**Notes to the financial statements** (continued)**36. Subsidiary and joint venture undertakings at 31 March 2021****Subsidiaries**

| <b>Subsidiary</b>                                            | <b>Trading/<br/>Dormant</b> | <b>Principal activity</b>                             | <b>Country of<br/>incorporation</b> |
|--------------------------------------------------------------|-----------------------------|-------------------------------------------------------|-------------------------------------|
| <b>Viridor Waste Limited</b> (only directly held subsidiary) | Trading                     | Holding Company                                       | England                             |
| <b>Viridor Waste Management Limited</b>                      | Trading                     | Holding company and waste management activities       | England                             |
| Viridor Enviroscot Limited                                   | Trading                     | Waste management                                      | Scotland                            |
| Viridor Waste Kent Limited                                   | Trading                     | Waste management                                      | England                             |
| Viridor Waste (Landfill Restoration) Limited                 | Trading                     | Restoration of landfill sites                         | England                             |
| Viridor Waste (Thames) Limited                               | Trading                     | Waste management                                      | England                             |
| Thames Incineration and Recycling Limited                    | Dormant                     |                                                       | England                             |
| Thames Incineration Services Limited                         | Dormant                     |                                                       | England                             |
| Thames Tankering Services Limited                            | Dormant                     |                                                       | England                             |
| Thames Waste Limited                                         | Dormant                     |                                                       | England                             |
| <b>Viridor Waste (Greater Manchester) Limited</b>            | Trading                     | Provision of waste management services under contract | England                             |
| Raikes Lane Limited                                          | Trading                     | Energy from waste                                     | England                             |
| Greater Manchester Sites Limited                             | Dormant                     |                                                       | England                             |
| Waste Treatment Limited                                      | Dormant                     |                                                       | England                             |
| Viridor Waste (Somerset) Limited                             | Trading                     | Waste management                                      | England                             |
| <b>Viridor Resource Management Limited</b>                   | Trading                     | Marketing and export of recycled materials            | England                             |
| Viridor Resource (Peterborough) Limited                      | Dormant                     |                                                       | England                             |
| Viridor Resource Transport Limited                           | Dormant                     |                                                       | England                             |
| Viridor (Community Recycling MKH) Limited                    | Dormant                     |                                                       | England                             |
| Viridor (Community Recycling MK) Limited                     | Dormant                     |                                                       | England                             |



**Notes to the financial statements (continued)****36. Subsidiary and joint venture undertakings at 31 March 2021 (continued)****Subsidiaries (continued)**

| <b>Subsidiary</b>                                   | <b>Trading/<br/>Dormant</b> | <b>Principal activity</b> | <b>Country of<br/>incorporation</b> |
|-----------------------------------------------------|-----------------------------|---------------------------|-------------------------------------|
| <b>Viridor Waste Limited (continued)</b>            |                             |                           |                                     |
| <b>Viridor Waste Management Limited (continued)</b> |                             |                           |                                     |
| Viridor (Lancashire) Limited                        | Trading                     | Waste management          | England                             |
| Basecall Limited                                    | Dormant                     |                           | England                             |
| Viridor Waste (East Anglia) Limited                 | Dormant                     |                           | England                             |
| Handside Limited                                    | Dormant                     |                           | England                             |
| Hodgejoy Recycling Limited                          | Dormant                     |                           | England                             |
| Lavelle & sons Limited                              | Dormant                     |                           | England                             |
| Parkwood Group Limited                              | Dormant                     |                           | England                             |
| Industrial Waste Disposals (Sheffield) Limited      | Dormant                     |                           | England                             |
| Parkwood Environmental Limited                      | Dormant                     |                           | England                             |
| Parkwood Recycling Limited                          | Dormant                     |                           | England                             |
| Sheffield Waste Disposal Company Limited            | Dormant                     |                           | England                             |
| Viridor Waste (Sheffield) Limited                   | Dormant                     |                           | England                             |
| Pearsons Group Holdings Limited                     | Dormant                     |                           | England                             |
| Viridor Waste (Thetford) Limited                    | Dormant                     |                           | England                             |
| Roseland Plant Co. Limited                          | Dormant                     |                           | England                             |
| Viridor (Cheshire) Limited                          | Dormant                     |                           | England                             |
| Viridor (Martock) Limited                           | Dormant                     |                           | England                             |
| Viridor Electrical Recycling (Holdings) Limited     | Dormant                     |                           | Scotland                            |
| Viridor Electrical Recycling (Limited)              | Dormant                     |                           | Scotland                            |
| Shore Recycling (Ozone) Limited                     | Dormant                     |                           | England                             |
| Viridor Glass Recycling Limited                     | Dormant                     |                           | England                             |
| Viridor London Recycling Limited                    | Dormant                     |                           | England                             |
| Viridor New England (EfW) Limited                   | Dormant                     |                           | England                             |

**Notes to the financial statements (continued)****36. Subsidiary and joint venture undertakings at 31 March 2021 (continued)**

| <b>Subsidiaries (continued)</b>                     |                             |                                                       |                                     |
|-----------------------------------------------------|-----------------------------|-------------------------------------------------------|-------------------------------------|
| <b>Subsidiary</b>                                   | <b>Trading/<br/>Dormant</b> | <b>Principal activity</b>                             | <b>Country of<br/>incorporation</b> |
| <b>Viridor Waste Limited (continued)</b>            |                             |                                                       |                                     |
| <b>Viridor Waste Management Limited (continued)</b> |                             |                                                       |                                     |
| Viridor Waste (Adapt) Limited                       | Dormant                     |                                                       | England                             |
| Viridor Waste (Bristol Holdings) Limited            | Dormant                     |                                                       | England                             |
| Viridor Waste (Bristol) Limited                     | Dormant                     |                                                       | England                             |
| City Reclamation Services Limited                   | Dormant                     |                                                       | England                             |
| Viridor Waste (Corby) Limited                       | Dormant                     |                                                       | England                             |
| Corby Skip Hire Limited                             | Dormant                     |                                                       | England                             |
| Oakley Recycling Limited                            | Dormant                     |                                                       | England                             |
| Oakley Skip Hire Limited                            | Dormant                     |                                                       | England                             |
| Viridor Waste (Earls Barton) Limited                | Dormant                     |                                                       | England                             |
| Viridor Waste (Bury) Limited                        | Dormant                     |                                                       | England                             |
| Viridor Waste (Medway) Holdings Limited             | Dormant                     |                                                       | England                             |
| Viridor Waste (Allwaste Disposal) Limited           | Dormant                     |                                                       | England                             |
| Viridor Waste (Medway) Limited                      | Dormant                     |                                                       | England                             |
| Viridor Waste (Wastenot Recycling) Limited          | Dormant                     |                                                       | England                             |
| Viridor (Erith) Limited                             | Dormant                     |                                                       | England                             |
| Viridor (Winsford) Limited                          | Dormant                     |                                                       | England                             |
| Viridor Waste (Atherton) Holdings Limited           | Dormant                     |                                                       | England                             |
| Viridor Waste (Atherton) Limited                    | Dormant                     |                                                       | England                             |
| Viridor Waste (Electrical 1) Limited                | Dormant                     |                                                       | Scotland                            |
| Viridor Waste (Electrical 2) Limited                | Dormant                     |                                                       | England                             |
| Limone Waste Limited                                | Trading                     | Waste management                                      | England                             |
| Syracuse Waste Limited                              | Trading                     | Waste management                                      | England                             |
| Viridor Waste (Collections) Limited                 | Dormant                     |                                                       | England                             |
| Viridor Waste (West Sussex) Limited                 | Trading                     | Provision of waste management services under contract | England                             |
| <b>Viridor Waste Exeter Limited</b>                 | Trading                     | Waste management                                      | England                             |
| Dragon Waste Limited                                | Trading                     | Provision of waste management services under contract | England                             |
| Astley Minerals Limited                             | Dormant                     |                                                       | England                             |
| Pilsworth Forest (1996) Limited                     | Dormant                     |                                                       | England                             |
| Pilsworth Forest Limited                            | Dormant                     |                                                       | England                             |
| Tokenmarch Limited                                  | Dormant                     |                                                       | England                             |
| Viridor Waste Wooton Limited                        | Dormant                     |                                                       | England                             |

**Notes to the financial statements (continued)****36. Subsidiary and joint venture undertakings at 31 March 2021 (continued)****Subsidiaries (continued)**

| <b>Subsidiary</b>                            | <b>Trading/<br/>Dormant</b> | <b>Principal activity</b>                              | <b>Country of<br/>incorporation</b> |
|----------------------------------------------|-----------------------------|--------------------------------------------------------|-------------------------------------|
| <b>Viridor Waste Limited (continued)</b>     |                             |                                                        |                                     |
| <b>Viridor Waste Disposal Limited</b>        | Dormant                     |                                                        | England                             |
| WWM (Scotland) Limited                       | Dormant                     |                                                        | Scotland                            |
| <b>Viridor Waste Hampshire Limited</b>       | Dormant                     |                                                        | England                             |
| <b>Viridor Waste Suffolk Limited</b>         | Dormant                     |                                                        | England                             |
| <b>Viridor Energy Limited</b>                | Trading                     | Holding company and waste management activities        | England                             |
| Viridor Polymer Recycling Limited            | Trading                     | Recycling of waste plastic materials                   | England                             |
| Viridor EfW (Runcorn) Limited                | Trading                     | Energy from waste                                      | England                             |
| Viridor Oxfordshire Limited                  | Trading                     | Energy from waste                                      | England                             |
| Viridor Peterborough Limited                 | Trading                     | Operation of energy from waste facility under contract | England                             |
| Viridor South London Limited                 | Trading                     | Energy from waste                                      | England                             |
| Viridor Trident Park Limited                 | Trading                     | Energy from waste                                      | England                             |
| Viridor (Glasgow) Limited                    | Trading                     | Energy from waste                                      | Scotland                            |
| Viridor Clyde Valley Limited                 | Trading                     | Waste management                                       | Scotland                            |
| Viridor Avonmouth Polymers Recycling Limited | Dormant                     |                                                        | England                             |
| Viridor Avonmouth Waste Services Limited     | Trading                     | Waste management                                       | England                             |
| Viridor Dunbar Waste Services Limited        | Trading                     | Waste management                                       | Scotland                            |
| Viridor Exeter Waste Services Limited        | Trading                     | Waste management                                       | Scotland                            |

The Company holds the entire issued share capital of Viridor Waste Limited.

All shares in issue are ordinary shares.

Except for Dragon waste Limited (with a minority holding 19% of the Ordinary shares), the subsidiaries are wholly owned.

The registered address for the companies above is Peninsula House, Rydon Lane, Exeter, EX2 7HR except for the following:

The registered address for Viridor Enviroscot Limited, Viridor (Glasgow) Limited, Viridor Clyde Valley Limited, Viridor Electrical Recycling (Holdings) Limited, Viridor Electrical Recycling Limited, WWM (Scotland) Limited and Viridor Waste (Electrical 1) Limited, is 1 Exchange Crescent, Conference Square, Edinburgh, EH3 8UL.

The registered address for Viridor Resource Management Limited is First Floor Offices, Riverside House, Sir Thomas Longley Road, Medway City, Rochester, ME2 4FN.

**Notes to the financial statements (continued)****36. Subsidiary and joint venture undertakings at 31 March 2021 (continued)****Joint ventures**

All joint ventures and the subsidiary undertakings of Lakeside Energy from Waste Holdings Limited, INEOS Runcorn (TPS) Holdings Limited Shelford Composting Limited and Ford Energy From Waste Limited are incorporated and registered in England which is also their country of operation.

|                                                                                                                                                                   | Share capital<br>in issue   | Percentage<br>held | Principal<br>activity |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|--------------------|-----------------------|
| <b>Joint ventures</b>                                                                                                                                             |                             |                    |                       |
| <b>Lakeside Energy from Waste Holdings Limited</b>                                                                                                                | 1,000,000 A Ordinary shares | –                  |                       |
|                                                                                                                                                                   | 1,000,000 B Ordinary shares | 100%               |                       |
| Lakeside Energy from Waste Limited                                                                                                                                |                             |                    | Waste<br>management   |
| Shares in Lakeside Energy from Waste Holdings Limited are held by Viridor Energy Limited.                                                                         |                             |                    |                       |
| <b>Shelford Composting Limited</b>                                                                                                                                | 50 A Ordinary shares of £1  | –                  |                       |
|                                                                                                                                                                   | 50 B Ordinary shares of £1  | 100%               | Dormant               |
| Shares in Shelford Composting Limited are held by Viridor Waste Kent Limited.                                                                                     |                             |                    |                       |
| <b>INEOS Runcorn (TPS) Holdings Limited</b>                                                                                                                       | 1,000 A Ordinary shares     | 40%                |                       |
|                                                                                                                                                                   | 186,750 B1 Ordinary shares  | 100%               |                       |
|                                                                                                                                                                   | 62,250 B2 Ordinary shares   | –                  |                       |
| INEOS Runcorn (TPS) Limited                                                                                                                                       |                             |                    | Waste<br>management   |
| Shares in INEOS Runcorn (TPS) Holdings Limited are held by Viridor Energy Limited.                                                                                |                             |                    |                       |
| The Group's economic interest in INEOS Runcorn (TPS) Holdings Limited is 75.0% as returns from the investment are based on holdings of B1 and B2 Ordinary shares. |                             |                    |                       |
| <b>Ford Energy from Waste Limited</b>                                                                                                                             | 2 Ordinary shares of £1     | 50%                | Waste<br>management   |
| Shares in Ford Energy from Waste Limited are held by Viridor Energy Limited.                                                                                      |                             |                    |                       |

The registered office of Lakeside Energy from Waste Holdings Limited and Lakeside Energy from Waste Limited is:

Thames House, Oxford Road, Benson, Oxfordshire, OX10 6LX.

The registered office of Shelford Composting Limited is:

900 Pavilion Drive, Northampton NN4 7RG.

The registered office of INEOS Runcorn (TPS) Holdings Limited and INEOS Runcorn (TPS) Limited is:

PO Box 9, Runcorn Site Hq, South Parade, Runcorn, Cheshire, WA7 4JE.

The registered office of Ford Energy from Waste Limited is:

Thames House, Oxford Road, Benson, Oxfordshire, OX10 6LX.

**Notes to the financial statements (continued)****37. Contingencies****Contingent liabilities**

|                   | <b>Group</b> |              | <b>Company</b> |             |
|-------------------|--------------|--------------|----------------|-------------|
|                   | <b>2021</b>  | <b>2020</b>  | <b>2021</b>    | <b>2020</b> |
|                   | <b>£m</b>    | <b>£m</b>    | <b>£m</b>      | <b>£m</b>   |
| Performance bonds | <b>160.5</b> | <b>230.2</b> | <b>-</b>       | <b>-</b>    |

Guarantees in respect of performance bonds are entered into in the normal course of business. No liability is expected to arise in respect of the guarantees.

**Other contractual and litigation uncertainties**

The group establishes provisions in connection with contracts and litigation where it has a present legal obligation as a result of past events and where it is more likely than not an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

**Guarantees**

In connection with the application of the audit exemption provided by Section 479A, under Section 479C of the Companies Act 2006 the Company has guaranteed all the outstanding liabilities as at 31 March 2021 of the following subsidiaries, since these companies qualify for exemption:

Viridor Waste Limited  
 Viridor (Lancashire) Limited  
 Viridor Oxfordshire Limited  
 Viridor Waste Exeter Limited  
 Viridor EFW (Runcorn) Limited  
 Viridor Polymer Recycling Limited  
 Viridor Clyde Valley Limited  
 Viridor Glasgow Limited  
 Viridor Trident Park Limited  
 Viridor South London Limited  
 Viridor Enviroscot Limited  
 Viridor Peterborough Limited  
 Viridor Waste (Thames) Limited  
 Viridor Waste (Landfill Restoration) Limited  
 Viridor Waste Kent Limited  
 Raikes Lane Limited  
 Viridor Avonmouth Waste Services Limited  
 Viridor Energy Limited  
 Viridor Exeter Waste Services Limited  
 Viridor Dunbar Waste Services Limited  
 Limone Waste Limited  
 Syracuse Waste Limited

**Notes to the financial statements (continued)****38. Capital commitments**

|                         | <b>Group</b> |             | <b>Company</b> |             |
|-------------------------|--------------|-------------|----------------|-------------|
|                         | <b>2021</b>  | <b>2020</b> | <b>2021</b>    | <b>2020</b> |
|                         | <b>£m</b>    | <b>£m</b>   | <b>£m</b>      | <b>£m</b>   |
| Contracted not provided | <b>73.4</b>  | 98.6        | -              | -           |

**39. Related-party transactions****Group**

During the year, Viridor group companies entered into the following transactions with related parties who are not members of the Viridor group:

|                                              | <b>2021</b>   | <b>2020</b> |
|----------------------------------------------|---------------|-------------|
|                                              | <b>£m</b>     | <b>£m</b>   |
| <b>Sales of goods and services</b>           |               |             |
| Parent undertakings                          | <b>7.9</b>    | -           |
| Fellow subsidiaries of parent undertakings   | -             | 0.5         |
| INEOS Runcorn (TPS) Limited                  | <b>14.8</b>   | 18.2        |
|                                              | <b>22.7</b>   | 18.7        |
| <b>Purchase of goods and services</b>        |               |             |
| Fellow subsidiaries of parent undertakings   | -             | (6.2)       |
| Parent undertakings                          | <b>(7.9)</b>  | (9.4)       |
| Lakeside Energy from Waste Limited           | <b>(12.4)</b> | (12.8)      |
| INEOS Runcorn (TPS) Limited                  | <b>(8.5)</b>  | (8.3)       |
|                                              | <b>(28.8)</b> | (36.7)      |
| <b>Income from provision of loan finance</b> |               |             |
| Parent undertakings                          | <b>0.2</b>    | -           |
| Lakeside Energy from Waste Holdings Limited  | <b>1.0</b>    | 1.1         |
| INEOS Runcorn (TPS) Holdings Limited         | <b>4.3</b>    | 6.1         |
|                                              | <b>5.5</b>    | 7.2         |
| <b>Payment for provision of loan finance</b> |               |             |
| Parent undertakings                          | <b>39.5</b>   | (41.7)      |
| <b>Dividends received</b>                    |               |             |
| Lakeside Energy from Waste Holdings Limited  | <b>7.5</b>    | 6.0         |
| Shelford Composting Limited                  | <b>0.4</b>    | -           |
|                                              | <b>7.9</b>    | 6.0         |
| <b>Dividends paid</b>                        |               |             |
| Parent undertakings                          | -             | (85.9)      |

**Notes to the financial statements (continued)****39. Related-party transactions (continued)**

The parent undertaking was Pennon Group plc at the prior year-end. The parent undertaking at 31 March 2021 was Planets UK Bidco Limited following the sale of Viridor Limited to Kohlberg Kravis Roberts & Co.L.P. (KKR) during 2020. Details of the sale are given within strategic report on page 2.

Sales and purchases of goods and services with fellow subsidiaries of Planets UK Bidco Limited are undertaken at normal commercial terms and conditions that would also be available to unrelated third parties. Services supplied by Planets UK Bidco Limited are provided at cost.

Sales and purchases of goods and services with joint venture undertakings are undertaken at normal commercial terms and conditions that would also be available to unrelated third parties.

**Year end balances**

| <b>Group</b>                                                                  | <b>2021<br/>£m</b> | <b>2020<br/>£m</b> |
|-------------------------------------------------------------------------------|--------------------|--------------------|
| <b>Receivables due from related parties for the provision of loan finance</b> |                    |                    |
| Lakeside Energy from Waste Holdings Limited                                   | 7.4                | 7.1                |
| INEOS Runcorn (TPS) Holdings Limited                                          | 52.5               | 59.5               |
| Ford Energy from Waste Limited                                                | 0.8                |                    |
|                                                                               | <b>60.7</b>        | <b>66.6</b>        |
| <b>Receivables due from related parties – trading balance</b>                 |                    |                    |
| Parent undertakings                                                           | 81.8               | 0.3                |
| Fellow subsidiaries of parent undertakings                                    | -                  | 2.6                |
| Lakeside Energy from Waste Limited                                            | -                  | 0.9                |
| INEOS Runcorn (TPS) Limited                                                   | 2.1                | 1.2                |
|                                                                               | <b>83.9</b>        | <b>5</b>           |
| <b>Total</b>                                                                  | <b>144.6</b>       | <b>71.6</b>        |
| <b>Payables due to related parties for the provision of loan finance</b>      |                    |                    |
| Parent undertakings                                                           | 1,463.4            | 1,199.5            |
| <b>Payables due to related parties – trading balance</b>                      |                    |                    |
| Parent undertakings                                                           | -                  | 9.9                |
| Fellow subsidiaries of parent undertakings                                    | -                  | 1.4                |
| Lakeside Energy from Waste Limited                                            | 1.5                | 1.1                |
| INEOS Runcorn (TPS) Limited                                                   | 2.8                | 1.7                |
|                                                                               | <b>4.3</b>         | <b>14.1</b>        |
| <b>Total</b>                                                                  | <b>1,467.7</b>     | <b>1,213.6</b>     |

**Notes to the financial statements (continued)****39. Related-party transactions (continued)**

Interest on the parent company loans is charged at fixed rates on loan balances; £1,446.4 million at 3.75% and £17.0 million at 6.0% (2020: £591.8 million at 1.0% and £16.0 million at 6.0% with interest on the balance charged at Libor + 260 basis points). The loans are due for repayment in 2035.

The receivables from joint venture and associated undertakings which total £59.0 million (2020: £66.6 million) represent loans due for repayment through to 2035. Interest is charged at an average rate of 12.3% (2020: 12.3%).

**Company**

During the year, the Company entered into the following transactions with subsidiary undertakings and its parent undertaking.

|                                                                               | 2021<br>£m | 2020<br>£m |
|-------------------------------------------------------------------------------|------------|------------|
| <b>Dividends</b>                                                              |            |            |
| Dividends paid to parent undertakings                                         | -          | (85.9)     |
| Dividends received from subsidiary undertakings                               | 50.0       | 35.6       |
| <b>Income from provision of loan finance</b>                                  |            |            |
| Subsidiary undertakings                                                       | 16.6       | 70.6       |
| Parent undertakings                                                           | 0.2        | -          |
| <b>Payment for provision of loan finance</b>                                  |            |            |
| Subsidiary undertakings                                                       | (0.1)      | -          |
| Parent undertakings                                                           | (37.3)     | (37.9)     |
| <b>Year end balances:</b>                                                     | 2021<br>£m | 2020<br>£m |
| <b>Receivables due from related parties for the provision of loan finance</b> |            |            |
| Subsidiary undertakings                                                       | 385.8      | 1,918.9    |
| Parent undertakings                                                           | 81.3       | -          |
| <b>Payables due to related parties for the provision of loan finance</b>      |            |            |
| Subsidiary undertakings                                                       | (40.8)     | -          |
| Parent undertakings                                                           | (1,260.8)  | (1,183.5)  |

Interest on the parent company loans is charged at fixed rates on loan balances; £1,243.8 million at 3.75% and £17.0 million at 6.0% (2020: £591.8 million at 1.0% and £16.0 million at 6.0%). The loans are due for repayment in 2035.

Interest is charged to subsidiaries on long term loans and working capital finance at a fixed rate of 1.1% (2020: 3.95%).



## **Notes to the financial statements (continued)**

### **40. Ultimate controlling party**

The Company is a wholly owned subsidiary of Planets UK Bidco Limited, established by funds advised by Kohlberg Kravis Roberts & Co.L.P. (KKR). KKR are the ultimate controlling party.

### **41. Events after the reporting period**

#### **Sale of Collections business and certain recycling assets and activities**

On 21 May 2021 we announced the agreement to sell our collections business and a number of recycling assets to Biffa. This disposal was completed on 31 August 2021. Initial consideration received was £122.1m.

As part of the sale mechanism, the shares in the following Viridor Group companies were transferred to Biffa plc: Viridor Waste (West Sussex) Limited, Syracuse Waste Limited, Viridor Waste (Corby) Limited, Lavelle & Sons Limited and Viridor Waste (Earls Barton) Limited.

#### **Settlement of intercompany balances and dividend payment**

On 1 June 2021 there was a settlement of the net balances between companies in the Viridor group and the immediate parent company, Planets UK Bidco Limited of £15.6m and a dividend payment of £54.4m.