



Viridor Limited

Annual Report and Audited Financial Statements

for the Year Ended 31 March 2023

TUESDAY



ACHPSR7D

A04

05/12/2023

#40

COMPANIES HOUSE

Viridor Limited

Contents

Company Information	1
Strategic Report	2 to 15
Directors' Report	16 to 18
Statement of Directors' Responsibilities	19
Independent Auditor's Report	20 to 22
Consolidated Income Statement	23
Consolidated Statement of Comprehensive Income	24
Consolidated Statement of Financial Position	25 to 26
Consolidated Statement of Changes in Equity	27
Company Statement of Changes in Equity	28
Consolidated Statement of Cash Flows	29 to 30
Notes to the Financial Statements	31 to 95

Viridor Limited

Company Information

Directors K Bradshaw
 T Davies
 J Gordon
 N Maddock
 I Wakelin

Company secretary L Hughes

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

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

Viridor Limited

Strategic Report for the Year Ended 31 March 2023

The directors present their strategic report for the year ended 31 March 2023.

PRINCIPAL ACTIVITY

Viridor Limited (“the Company”) and its subsidiary companies (together “the Group” or “Viridor”) manages a substantial proportion of the UK’s waste. Through a fleet of Energy Recovery Facilities (ERF) and plastics recycling and reprocessing plants, 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. The Group also seeks further development opportunities within the waste management sector to support the core strategic objectives.

ERFs are vital in supporting the UK’s ambition to reduce waste in an efficient and effective manner, helping to reduce the impact of waste on climate change. After reducing, reusing and recycling as much as possible, our ERFs across the UK provide the infrastructure to efficiently recover vital energy from residual waste, meaning landfill becomes the last resort.

FINANCIAL HIGHLIGHTS

- The Energy Group (Viridor Energy (Investments One) Limited a standalone sub-group of companies that own 11 established, operational ERF assets across the United Kingdom) continued to deliver outstanding results, with earnings before interest, tax, depreciation and amortisation increasing to £353.7m (2022: £220.2m) driven by improvements in the operational and commercial performance of the ERFs and positive macroeconomic conditions.
- The Energy Group welcomed new minority shareholders with a strong strategic fit during the year. This takes the minority shareholdings from 20% to 30%.
- The advanced polymers reprocessing facility in Avonmouth which officially opened in the prior year has continued to ramp up its operations.
- Following an extensive business review and increasing performance at the Avonmouth polymers facility, we ceased operation at our Skelmersdale polymers facility during the year. This decision is aligned to Viridor’s ambitious polymers strategy and commitment to being a fully circular plastics recycling and reprocessing business by 2025.
- The purchase of control of Thameside Energy Recovery Facility Limited which owns the rights to develop, construct and operate a new 350,000 tonne ERF at Tilbury Docks with expected commercial operation in 2026.
- The Group entered into a joint venture arrangement with Equitix to complete the Westfield ERF in Fife which when operational in 2025 will process 238,000 tonnes of waste a year.
- The UK Government announced that the Runcorn ERF’s carbon capture and storage (CCUS) project has been shortlisted for the final stage in the Government’s industrial carbon capture (ICC) sequencing process. The proposed plant will be one of the first carbon capture projects on an ERF in the world.
- The Group announced a formal offer to acquire Quantafuel ASA and provide additional capital to support Quantafuel’s current development projects. The acquisition completed in May 2023, reflecting Viridor’s ambition to lead innovation in the plastics recycling sector and deliver full circularity in all four major plastics by 2025. Quantafuel’s plastics to liquids process converts waste plastics into a raw material, comparable to virgin fossil fuel derived refined products. This material can be used in the chemicals industry for the production of new plastics.

Viridor Limited

Strategic Report for the Year Ended 31 March 2023 (continued)

FINANCIAL REVIEW

Viridor Limited is delivering sustainable growth in UK recycling and residual waste. With a de-risked infrastructure model, our revenues from operating assets are principally backed by profitable long-term contracts. Viridor is actively seeking opportunities to develop its business including (i) additional facilities in selected regional markets where there is a structural waste processing capacity gap, organic and inorganic expansion of its ERF portfolio, in a UK waste market that remains structurally under-capacity, (ii) pursuing opportunities to de-carbonise its ERF portfolio, (iii) the development of new facilities to process recycled plastics and polymers, (iv) strategically positioning the business to evaluate and embrace new technologies in the recycling and residual waste sectors, each of which is expected to strongly support future earnings growth, (v) extracting plastics from general waste prior to processing by the ERFs.

Revenue

Statutory and Underlying £672.1 m (2022: £555.4 m [restated]) note Prior year adjustments)

Earnings before interest, tax, depreciation, amortisation, impairment and share of profit from joint ventures

Statutory £238.3 m (2022: £236.5 m [restated])

Underlying £274.1 m (2022: £238.5 m [restated])

Profit / loss before tax

Statutory Profit £167.2 m (2022: Loss £46.2 m [restated])

Underlying Profit £202.7 m (2022: Loss £44.2 m [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 7 to the financial statements provides further detail on non-underlying items, which are the difference between statutory and underlying performance measures.

Other key performance indicators:

	Metric	2023	2022
ERF availability	%	92	92
ERF tonnage processed and diverted from landfill	Tonnes	3,395,994	3,201,771
Total plastic input to be treated at plastics recycling facilities (PRF)	Tonnes	86,647	85,826
Plastic received at polymers reprocessing facilities	Tonnes	47,539	33,180
Total scope 1 & 2 emissions	t/CO2e	1,495,517	1,921,955
Carbon intensity	\$1 & \$2 /£100k Revenue	221	246
All injuries (any injury which results from a work-related activity requiring first aid treatment or beyond)	Total number of injuries per 200,000 hours worked	6.21	4.34

Statutory financial performance

Viridor Limited's statutory results showed profit before tax of £167.2 million (2022: £46.2 million loss [restated]). The statutory results include the impact of non-underlying items totalling a net charge before tax of £35.5 million (2022: £2.0 million). The directors believe excluding non-underlying items provides a more useful comparison on business trends and performance.

Underlying financial performance

Viridor Limited's underlying revenues increased by 21.0% to £672.1 million in the period (2022: £555.4 million [restated]). This was ahead of expectations with improvements in the operational and commercial performance of the ERFs, and positive macroeconomic tailwinds, in particular in relation to unhedged electricity revenues left open as part of Viridor's electricity hedging and risk management policy. Viridor Limited's underlying EBITDA was £274.1 million (2022: £238.5 million) an increase of £35.6 million (14.9%).

The share of JV post-tax profit has increased by £7.4 million (107.2%) to £14.3 million this year.

Net finance costs

During the year net finance costs were £3.7 million (2022: £218.9 million) including gains on derivative financial instruments of £18.3 million (2022: £191.4 million losses), service concession arrangement interest receivable of £13.5 million (2022: £13.2 million), interest income on loans to related parties of £42.8 million (2022: £6.8 million) and interest on borrowings of £74.5 million (2022: £46.7 million).

Viridor Limited

Strategic Report for the Year Ended 31 March 2023 (continued)

Non-underlying items

Non-underlying items for the year were a charge of £35.5 million before tax (2022: charge of £2.0 million) and a non-underlying tax charge of £nil million (2022: credit of £41.5 million, was recognised, which also included a non-underlying deferred tax charge of £42.7 million in relation to an enacted change to future tax rates).

Further details are set out in note 7 to the financial statements.

Dividends

Viridor Limited paid dividends of £2,147.2 million during the year (2022: £54.4 million).

Capital investment

Viridor Limited's property, plant & equipment investments in the period was £26.6 million (2022: £89.6 million). The majority of the expenditure during the year relates to the further investment in the Group's ERF portfolio.

Liquidity and debt profile

Cash holdings were £157.5 million (2022: £174.6 million).

During the year, a Term Loan, totalling £75.0m, was agreed. Viridor Limited's lease obligations were £60.9 million (2022: £54.0 million) the reduction is mainly due to the disposal of discontinued operations. The Group's external borrowings are held within the subgroup, Viridor Energy (Investments One) Limited.

The key terms of the Group's borrowing facilities are summarised as follows at 31 March 2023:

	Facility	Maturity	Amount drawn down
Senior:			
Private placement	£1,585m	March 2043	£1,567m
Facility A	£780m	December 2033	£724m
Facility B	£120m	September 2027	£120m
Revolving credit facility	£65m	December 2026	£nil
DSR Revolving credit facility	£65m	December 2026	£nil
Term Loan	£75m	March 2028	£75m

The current financial arrangements include a financial covenant requiring a minimum Debt Service Cover Ratio (DSCR) of 1.05x. The first testing date of the financial covenant was for the twelve months ended 31 March 2023 and then every Half Year thereafter, on a rolling twelve months basis. Further, the Group comfortably exceeded this minimum value at 31 March 2023 and projects to do so for at least the period until 31 March 2025.

The Group defines Net Debt as total borrowings (including current and non-current borrowings as shown in the Consolidated Statement of Financial Position) less cash and cash equivalents.

	31 March 2023 £ m	31 March 2022 £ m
Current borrowings	69.7	57.1
Non-current borrowings	2,448.3	2,431.3
Less: Cash and cash equivalents	(157.5)	(174.6)
Net Debt	<u>2,360.5</u>	<u>2,313.8</u>

Pensions

Viridor has not participated in the Greater Manchester Pension Fund (GMPF) since the exit from the Manchester contract in 2019 and an agreement was reached in the year over the surplus on exit. A settlement loss appears in the income statement, equal to the uncapped surplus, with an offsetting amount in other comprehensive income.

During year ended 31 March 2022, as part of the sale of our collections business and a number of recycling assets to Biffa Waste Services Limited, one of the Group's two defined benefit pension schemes, including full responsibility for the related assets and liabilities, was transferred to Biffa Waste Services Limited. As a result of the transfer the Group recognised a non-underlying settlement loss of £1.8 million, which represented the scheme assets at the date of transfer.

Viridor Limited

Strategic Report for the Year Ended 31 March 2023 (continued)

OWNERSHIP STRUCTURE AND BOARD OF DIRECTORS

Ownership Structure

At 31 March 2023, Viridor Limited was a wholly owned subsidiary of Kohlberg Kravis Roberts & Co. L.P. ("KKR"). KKR are invested through its two investment funds, KKR Global Infrastructure III and KKR Global Impact.

KKR is a leading global investment firm, established in 1976, that offers alternative asset management as well as capital markets and insurance solutions. KKR's Private Equity platform invests in and partners with industry-leading franchises and companies poised for significant improvement or growth that attract high-quality management teams. KKR made its investment into the Group through Planets UK Bidco Limited.

Board of Directors

In October 2020, Kevin Bradshaw was appointed as Group CEO. Kevin brings over 20 years of senior leadership experience to Viridor having previously served as CEO of Northgate plc, CEO of Wyevale Garden Centres, MD of Avis Budget Group UK and MD of Enterprise Information, Reuters. Kevin brings a strong track record of delivering transformation and growth in complex, capital intensive businesses.

In September 2020, Nick Maddock was appointed as Group CFO. Nick was previously Chief Financial Officer of SIG plc, the listed specialist distributor of building materials. Prior to that, Nick was the Chief Financial Officer of the retirement housebuilder, McCarthy & Stone plc, leading the November 2015 IPO on behalf of its private equity investors.

In September 2020, Ian Wakelin was appointed as Chairman. Ian has 25+ years' experience in the waste industry having been Chief Executive Officer of Biffa plc, leading the IPO of the business in 2016. He was previously co-founder and Chief Executive Officer of Greenstar UK, a waste management and recycling business which was acquired by Biffa plc in 2010 and brings a significant expertise in waste management to the company's Board of Directors.

In September 2020, Tara Davies was appointed as Investor Director (Representative of KKR). Tara joined KKR in 2016 and is a Partner, Global Head of Core Infrastructure, and Co-Head of European Infrastructure. Tara is a member of the Infrastructure Investment Committee and Infrastructure Portfolio Management Committee. Tara is currently on the Board of Directors of Telxius, a global tower and cable company based in Spain; X-Elio, a global solar developer based in Spain and John Laing, a global PPP platform. Tara is also Deputy Board Member of Finnish DSO Caruna. Tara also sits on the board of the Global Infrastructure Investor Association, an association that promotes private investment in Infrastructure. Tara has spent over 20 years in the global infrastructure industry working in both Sydney and London.

In September 2020, James Gordon was appointed as Investor Director (Representative of KKR). James joined KKR in 2018 and is a Managing Director in the Energy & Infrastructure team, focusing on investments across EMEA. He currently serves on the Board of Directors of FiberCop S.p.A., ADNOC Oil Pipelines LLC. Prior to joining KKR, James spent over a decade at Macquarie in London, where he was involved in a broad range of infrastructure transactions.

Viridor Limited

Strategic Report for the Year Ended 31 March 2023 (continued)

Section 172(1) 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.

The likely consequences of any decision in the long term

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.

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.

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.

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

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.

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.

The need to act fairly as between members of the company

Relevant decisions of the Board have been discussed at the meetings of the parent company Board.

Viridor Limited

Strategic Report for the Year Ended 31 March 2023 (continued)

OPERATIONS, VISION AND STRATEGY

Our vision is to be the UK's leading innovator of resource recovery and recycling, transforming waste for a climate-positive future. This vision drives our purpose of building a world where nothing goes to waste.

This has been the second full year of ownership by funds advised by KKR. To achieve our vision and purpose, the ongoing strategy is one which is primarily focused on the Energy Recovery Facility (ERF) and Polymer reprocessing businesses. During the year acquisitions have been completed to pursue our vision to expand our ERF fleet, notably the development project of Tilbury in Essex, and the construction project of Westfield in Fife (the latter under a 50/50 joint venture with investment funds managed by Equitix), in addition to expanding our capabilities in plastics recycling and circularity, with the acquisition of Quantafuel ASA announced in February 2023 (control achieved in May 2023). With our shareholders' support we are positioned to invest further and continue to build infrastructure backed by long term contracts.

The ERF fleet continues to perform well and achieved availability of 92% (2022: 92%), including our joint ventures, but excluding Glasgow, as it utilises different technology. Input tonnage for the year was 3,428kt (2022: 3,370kt) and GWh exported were 2,159 (2022: 1,949). These increases were driven by improved efficiencies across the fleet this year.

The Polymer assets achieved availability of 73% (2022: 86%) and output tonnage of 68,759 (2022: 64,717).

Viridor Limited continues to build on our strengths and achievements in sustainability under a unifying framework built on environment, social and governance principles. Our first ESG strategy since our purchase by funds advised by KKR has been launched and can be found on our website www.viridor.co.uk. We report on the ESG strategy delivery progress through an annual ESG report, also available on our website. Our environmental targets are:

1. Decarbonisation

Viridor has published its decarbonisation roadmap, to achieving net zero and set out our 5 key commitments:

- Reduce direct emissions from all our core operations
- Maximise the amount of waste that is recycled
- Capture and store carbon emissions from our strategic sites
- Generate negative emissions by expanding carbon capture to our national network of sites, alongside exploring new products that can be created from CO₂ waste stream
- Supply more homes and businesses with clean heat

By minimising the emissions we generate and capturing the emissions that remain, Viridor can achieve net zero emissions by 2040 - a full decade ahead of the UK emissions target. Decarbonising will require the use of CC technologies and the CCUS infrastructure that the UK Government has initiated around the country and where our facilities are strategically located. In March 2023, UK Government announced that Viridor's Runcorn Energy Recovery Facility's CCUS Project has been shortlisted for the final stage in the Government's industrial carbon capture (ICC) sequencing process.

2. Circularity

Viridor has published its circularity roadmap to achieving a circular plastics economy, where further reprocessing capability available in the UK. This is an expansion on the second step of our Decarbonisation ambition's roadmap, as it is crucial to keep plastics in the economy to achieve decarbonisation. Both circular economy and decarbonisation are interlocked and crucial to achieve a net-zero future by 2040.

Our 5 key commitments on circular economy ambition:

- End plastic waste export
- Drive an infrastructure market for recycling
- Expand operations to hard-to-recycle materials
- Extract plastics from general waste and drive novel reprocessing techniques
- Drive innovation and regulatory improvement to achieve complete plastic circularity

Building from these commitments, Viridor will end our export of plastic waste and focus on reprocessing all four major forms of plastics, working with industry and Government to achieve fully circular recycling for polyethylene terephthalate (PET), high- and low-density polyethylene (HDPE and LDPE) and polypropylene (PP) by 2025. Using CO₂ captured from our ERF plants we will target the end of plastic dependency on fossil fuels by 2040. We are progressing our commitments to plastic recycling through the acquisition of Quantafuel. Quantafuel's plastics to liquids process converts waste plastics into a raw material, comparable to virgin fossil fuel derived refined products. This material can be used in the chemicals industry for the production of new plastics.

As a sector whose economics are driven by policy, there is a critical and valuable role that Governments national and local can play in helping to build this integrated circular economy, spanning the gaps between companies and sectors. Building a world where nothing goes to waste cannot be achieved in isolation.

Viridor Limited

Strategic Report for the Year Ended 31 March 2023 (continued)

MARKETS AND TRENDS

Viridor's Energy From Waste ("ERF") business benefits from strong waste and power market fundamentals.

A structural capacity gap for combustible residual waste in the UK underpins strong demand for ERF processing capacity and gate fees received. Combined with i) a continually rising Landfill Tax (RPI indexed) and ii) largely long-term index linked fuel supply contracts, this means the outlook for Viridor's existing ERF fleet and pipeline remains attractive.

In addition to providing waste processing capacity, Viridor's ERFs provide a reliable source of baseload power supply which complements the increasing share of non-dispatchable capacity on the UK grid. Viridor has benefited from recent elevated power prices and is well placed to continue to do so as trends such as electrification of heat and transport are forecast to increase demand for power in the UK.

Carbon Capture, Usage and Storage (CCUS)

In June 2019, the UK government signed into law a commitment to achieve net zero greenhouse gas emissions by 2050. For the waste sector - currently the UK's 6th largest emitter, deploying CCUS on ERF plants is currently the only viable pathway for decarbonisation of the sector. As such, CCUS is a strategic priority as part of Viridor's plan to become the UK's first net negative waste management company by 2045. Independent research carried out by Eunomia, commissioned by Viridor, shows the pathway for CCUS deployment for the ERF sector. With many ERF incineration plants being of similar design, the reproducibility of CCUS deployment is streamlined. This will enable the industry to transfer learnings between CCUS projects and create a pipeline for baseload CO₂.

Runcorn is the UK's largest ERF processing 950kT of waste annually, producing ~612GWh of power, ~90MWth heat and 940kTpa of CO₂ per year. As one of the largest projects in the HyNet cluster, it will provide critical baseload CO₂ supply to underpin investment in the cluster. We are currently exploring the deployment of CCUS on our other facilities in Scotland and Wales. Viridor is working closely with the government as part of the industrial carbon capture waste expert group, to develop the waste sector business model to ensure the waste sector can deliver CCUS at best value for money in the timetable that Government has set out. During the financial year, Viridor's Runcorn facility was shortlisted for the next stage in the industrial carbon capture (ICC) sequencing process with UK Government, and has been actively participating in this process with a view to securing appropriate revenue support to develop the project towards financial close and commencement of construction.

Ending the UK's reliance on plastic waste export

New independent research conducted by global sustainability activator Anthesis and commissioned by Viridor, has revealed the amount of plastic packaging ending up in household recycling bins is set to increase by 45% by 2035. This increase will be driven by policy reforms designed to drive up stagnating recycling rates. Around 2.3Mt of plastic packaging is currently used in the UK of which only 54% (1.3Mt) is collected for recycling.

As part of our circularity objectives we are committed to ending our export of plastic waste. In March 2022, Viridor's Avonmouth plastics reprocessing centre was officially opened. It is designed to process 80,000 tonnes of plastic every year - more than 1.6 billion plastic bottles, tubs and trays. The plant will enable Viridor to recycle more than 90% of the plastics it previously exported from the UK. We will continue to work with industry and government stakeholders to expand our operations to hard-to-recycle materials, and to extract plastics from general waste and drive novel reprocessing techniques as part of our circularity objectives.

PEOPLE, SOCIAL AND ENVIRONMENTAL

Ensuring everyone gets home safe

Our people are critical to everything we do. Without people, Viridor would simply cease to function. If we are to build a world where nothing goes to waste, we need to create and maintain an environment where our people are safe, well and grow. Looking after people's safety and wellbeing is not just a moral imperative, it is good business. Keeping our people safe and well gives confidence to our colleagues to stay with Viridor, keeps facilities operating, and attracts people to join us. We have already started down the road to health, safety & wellbeing excellence and targeted being the leader in the UK waste industry by 2025. Our support divides into physical and mental health to enable our people to be their best. Our health, safety & wellbeing programme, HomeSafe, is designed to ensure we not only value our own safety and wellbeing, but also take responsibility for the safety and wellbeing of others. As we look ahead, we want to achieve more. We want to continually strive to make our operations and working environments safer and healthier for our colleagues, partners, customers and communities. To do this effectively, HomeSafe must continue to evolve, and as such:

- We have re-defined a clear Safety, Health, Environment, Quality and Security (SHEQS) Purpose, Vision and Mission which is fully aligned to our ESG ambition, through our HomeSafe 22-25 Strategy launched in December 2022. The HomeSafe Strategy includes a series of strategic objectives for SHEQS. To ensure that we achieve our strategic objectives we have a SHEQS Roadmap which identifies annual projects to ensure continual improvement. The progress of these projects is tracked and monitored through our Programme Board meetings which also provides governance.

- During 2022 we revisited the foundations of HomeSafe, looking closely at our shared behaviours and rules to make sure they are fit for our operations. Our Core Expectations, Safety Absolutes and Life Saving Rules remain mostly unchanged, however we have introduced a new layer, our HomeSafe Essentials which focus on the everyday, common causes of harm in our business, and also reach a wider audience including our non-operational workforce.

- The HomeSafe brand has been refreshed to align with wider branding updates, and to ensure HomeSafe remains current, and we also introduced a new 'tag line' of HomeSafe: Every One, Every Day which summarises our purpose, vision, mission and personal commitment to ensure that every one in our organisation goes Home Safe and well at the end of every day.

To ensure that the new HomeSafe Strategy and refresh landed effectively, in February 2022 we commenced a 100 day campaign which aimed to re-launch, refresh and reinvigorate HomeSafe at all of our Operational Sites and Offices. This included a series of townhall and webinar sessions following the campaign themes of Speak Up, Look Out and Talk More. The campaign was supported by resources such as:

- a suite of posters
- nudge stickers
- campaign planner
- resource guide
- a new HomeSafe booklet
- a new HomeSafe toolbox talk suite covering the HomeSafe Essentials
- in 2023 we will be introducing a Conversation cube with 36 interchangeable inserts detailing conversation prompts to reinvigorate safety moments / safety conversations
- refreshed HomeSafe Sharepoint Page
- refreshed Visitor animations
- refreshed life saving rules animations, and

To continue to build on these strong foundations, we have established a HomeSafe Steering Group who will drive the ongoing development of materials, resources and further communications post 100 day campaign.

Viridor Limited

Strategic Report for the Year Ended 31 March 2023 (continued)

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 Limited 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.

Talent and performance

We focus on optimising and broadening colleagues' performance within the company to attract, grow and retain the best talent. Our processes will help us to manage succession; to identify, select, develop and retain people to progress within our business in the following ways:

- Performance appraisal reviews that incorporate 360 feedback - with all performance objectives aligned to strategic goals and set against our business and ESG strategies to ensure that our colleagues are all pulling in the same direction as one team.
- Bonus Incentive Schemes based on high performance - to ensure our colleagues can share the rewards of their hard work.
- Profit Share Scheme to ensure all our colleagues benefit from our collective success.

We will build on this to ensure that we can develop and retain people by addressing the following:

- Identifying our internal emerging talent and supporting their development in the organisation.
- Develop career pathways so everyone in the organisation can design individual development plan for their ambitions.
- Develop succession planning, especially for critical roles, to ensure that we can safely maintain our round-the-clock operations.
- Develop a diversity and inclusion strategy to actively move our colleague population towards a more balanced representation of the diversity of the communities in which we work. Vitally, this will include a strategy on gender pay gap.
- Commit to becoming a living wage employer by financial year 2023/24 ensuring everyone that works for Viridor is paid fairly.

Great place to work

As well as effective communication, we need to create trust and engagement among our colleagues. Without this, our purpose and values will struggle to gain traction needed. In 2021 we carried out our first colleague wide trust and engagement survey since becoming a standalone business. This survey took place after a time of considerable change in the business and forms the baseline against which we will measure our progress. Our target was to be classed as a 'Great place to work' by the end of the financial year 2024, but we have since received this accolade a year early which shows our commitment to our people.

Gender Diversity

At Viridor, we are committed to not only eliminating discrimination but also creating a diverse workforce. We believe that everyone should be treated with equal respect and dignity and should have access to the same opportunities to develop professionally and personally within the Company. We believe a diverse workforce creates a positive and open culture, we celebrate differences and value everyone's contributions to the everyday workings of the Company. We recognise and value each individual's own personal background and skillset and we strive to grow talent and reach full potential.

We measure gender balance from the top down and by function across Viridor. We are adopting some big changes in our policies to help attract and retain our female talent, including the introduction of more progressive family friendly policies which are representative of our business today. Our early careers programme focuses on recruiting a select number of junior talent into our business providing them with a clear development programme, designed around their skillset and personal interests. By recruiting a select number of diverse junior talent we can dedicate the time and resource to developing their careers and create a pipeline of future leaders who will stay with us for the long term.

We remain committed to creating an inclusive workspace and we are focusing on the following action plan:

- Review our Graduate assessment programmes to ensure they are more inclusive and enable female talent to be successful and equally able to progress through different roles.
- Promote our female talent and actively support their growth and development.
- Review the Recruitment process, where possible ensure female representation through all stages, including at interview stage.
- Continue to ensure pay parity is maintained when recruiting new roles across the business.
- Continue to review on gender representation at each level, from the Executive Leadership Team through the organisation, to identify any areas of weakness or potential barriers to progression.

Viridor Limited

Strategic Report for the Year Ended 31 March 2023 (continued)

Number of employees split by gender as at 31 March:

2023	Male		Female		Total	
	No	%	No	%	No	%
Directors	4	0.42%	1	0.1%	5	0.52%
Senior managers	9	0.94%	2	0.21%	11	1.14%
All others	795	82.73%	150	15.61%	945	98.34%
Total	808	84.08%	153	15.92%	961	100%

2022	Male		Female		Total	
	No	%	No	%	No	%
Directors	4	0.32%	1	0.08%	5	0.4%
Senior managers	9	0.72%	2	0.16%	11	0.88%
All others	1,028	82.24%	206	16.48%	1,234	98.72%
Total	1,041	83.28%	209	16.72%	1,250	100%

We define 'Senior manager' as someone who is part of our Executive Leadership Team, reporting to Kevin Bradshaw our Chief Executive Officer. They have responsibility for planning, directing and controlling the activities of the Group, and are an employee of the company.

Social

Our people are not just our employees, they are active members of the communities where we work. Our ambition is for our purpose to be greater than work; carried into wider society. We aim to equip colleagues to carry on building a world where nothing goes to waste within their communities. Through this we support our communities to be part of and share our purpose.

We deliver this through our team of Social Value and Community Benefits Officers, onsite education centres, our digital tools and empowered colleagues. With a large local authority client base, ensuring our activities deliver maximum local social value is a key driver. Site based Social Value and Community Benefits Officers use our dedicated onsite and virtual education centres combined with site tours to support local education and community groups to understand how we manage their waste safely and responsibly operate within strict environmental limits.

Community engagement is achieved in multiple ways, via, using face-to-face, live online sessions and digital tools. These have proved to be highly effective and enabled us to engage with almost 20,000 people in the financial year 2021/22. By offering flexible and hybrid engagement we've increased the number of people reached to 25,000, in 2022/23.

All colleagues are encouraged to take one volunteering day per year, and these have included tree planting, litter picking and beach cleaning.

All Viridor facilities are permitted and monitored by the relevant environmental authorities. For us and our communities, it is critical we operate to the highest standards and continue to improve. In financial year 2022/23 we set a new target for our environmental performance, and make sure that all Viridor sites will achieve an Environmental Agency Permit rating between Bands A and C, inclusive.

Although Viridor considers the inherent risk of encountering issues of modern slavery within its business, supply chains and strategic affiliations to be low, it is nonetheless an issue that the Group and the Directors take very seriously. The Group's full statement under section 54 of the Modern Slavery Act 2015 is published on its website <https://www.viridor.co.uk/>.

Viridor Limited

Strategic Report for the Year Ended 31 March 2023 (continued)

RISK REPORT

Risk management and internal control framework

Viridor Limited 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 Limited manages risk in accordance with 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 Limited 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 Limited'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, Mitigation approach, Net risk after mitigation (High, Medium, or Low) and Net risk change (Increasing, Stable, or Decreasing) and Risk Appetite.

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. Volatility in power prices has a direct impact on the revenues generated by our energy business.	We remain well positioned with long term contracts supporting the ERF business and continual review and negotiation of long term contracts to support feedstock for our Polymers business. Energy risk management, including forward hedges, is undertaken by a highly skilled specialist team in line with the Group's Energy Risk Policy.	High Net Risk Stable Risk Level	We seek to take well-judged and informed decisions while ensuring plans are in place to mitigate the potential impact of macro-economic risks.
Emerging risks	Long-term priorities affected: Leadership in UK waste and Driving sustainable growth.	The pipeline of new technology developments is regularly assessed. Our new ESG strategy launched in 2022 supported by a dedicated ESG team ensures a strong voice in the sector with regular engagement with government and other regulatory bodies.	Medium Net Risk Stable Risk Level	We seek to reduce the impact through regular horizon scanning and supported by a credible and effective ESG strategy and team.

Viridor Limited

Strategic Report for the Year Ended 31 March 2023 (continued)

Law, regulation and finance

Principal Risks	Strategic Impact	Mitigation	Net Risk	Risk Appetite
Compliance with Laws and regulations	Long-term priorities affected: Leadership in UK waste and Leadership in cost base efficiency. Non-compliance may result in financial penalties, a negative impact on our ability to operate effectively and reputational damage.	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. 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.	High Net Risk Increasing Risk Level	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	Long-term priorities affected: A breach of health and safety law could lead to financial penalties, significant legal costs and damage to the Group's reputation.	The effective management of health and safety risks continues to be a priority. Experienced health and safety professionals are providing advice, guidance and support to operational staff.	Medium Net Risk Stable Risk Level	We have no appetite for incidents and have the highest standards of compliance within the Group.
Market risk	Long-term priorities affected: Leadership in cost base and driving sustainable growth.	The Group has entered into interest rate swaps to effectively fix borrowings at fixed rates, to manage the risk of fluctuating interest rates impacting group performance. We have a strong degree of structural protection against inflation, through inflation-linked gate fees.	Low Net Risk Stable Risk Level	We operated a low tolerance for interest rate risk. We protect against inflation through inflation linked gate fees and incremental hedging of our inflation exposure to lock-in long-term rates. Our hedging policies are subject to regular risk committee and treasury review.
Liquidity risk	Long-term priorities affected: All	The Group maintains facilities that are designed to ensure significant available funds for operations, planned expansions and facilities in line with strategic plans, with reasonable headroom for contingencies.	Low Net Risk Stable Risk Level	We have no appetite for liquidity risk and ensure that we always ensure availability of liquidity throughout all business decisions

Viridor Limited

Strategic Report for the Year Ended 31 March 2023 (continued)

Operating performance

Principal Risks	Strategic Impact	Mitigation	Net Risk	Risk Appetite
Poor operating performance due to extreme weather or climate change	Long-term priorities affected: Leadership in UK waste. 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.	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.	Low Net Risk Stable Risk Level	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	Long-term priorities affected: Leadership in UK waste and Driving sustainable growth. Business interruption caused by defects, outages or fire could impact the availability and optimisation of our ERFs and Polymer facilities.	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 92% availability.	Medium Net Risk Stable Risk Level	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	Long-term priorities affected: 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.	The pandemic and Brexit impacted the UK labour market and availability of labour for operational roles remains tight. However our labour turnover has stabilised. Our IIR strategy continues to be embedded and a range of initiatives to support retention taking account of current employment market conditions has been delivered. Succession plans are in place for senior positions.	Medium Net Risk Decreasing Risk Level	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	Long-term priorities affected: Leadership in UK waste. 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.	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).	Medium Net Risk Increasing Risk Level	We seek to minimise the risk of information technology failure and cyber security threats to the lowest level without detrimentally impacting on business operations

Viridor Limited

Strategic Report for the Year Ended 31 March 2023 (continued)

Capital investment

Principal Risks	Strategic Impact	Mitigation	Net Risk	Risk Appetite
Failure or increased cost of capital projects/exposure to contract failures	Long-term priorities affected: Leadership in UK waste and Driving sustainable growth. 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.	All capital projects are subject to a robust business case process which includes challenge and risk modelling over key assumptions. We develop strategic partnerships with constructors and projects are delivered using skilled project management resources complimented by senior oversight and leadership.	High Net Risk Stable Risk Level	Investment activities are taken on an informed basis with risks weighed against appropriate returns.

Forward-looking statements

This strategic report, consisting of pages 2 to 15, 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.

Approved by the board on 31 May 2023 and signed on its behalf by:

Nick Maddock

.....
N Maddock
Director

Lyndi Hughes

.....
L Hughes
Company secretary

Viridor Limited

Directors' Report for the Year Ended 31 March 2023

The Directors present their report and the consolidated financial statements for the year ended 31 March 2023.

The Directors' report is prepared in accordance with the provisions of the Companies Act 2006 and regulations made thereunder. It comprises pages 16 to 18 as well as any matters incorporated by reference. Information regarding Viridor Limited, 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 15 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 23 to the financial statements.

Financial results and dividend

The profit on ordinary activities after charging non-underlying items and taxation was £137.8 million (2022: £65.5 million loss [restated]).

The Directors do not recommend a final dividend (2022: £nil) and £2,147.2 million (2022: £54.4) dividends were paid during the year.

The review of performance on pages 2 to 15 analyses the Group's financial results in more detail and sets out other financial information.

Directors' of the group

The Directors, who held office during the year and up to the date of signing the financial statements were as follows:

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' liabilities

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.

Viridor Limited

Directors' Report for the Year Ended 31 March 2023 (continued)

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 1,014 (2022: 1,856). Details of the related costs can be found in note 15 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 Limited 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 Limited, 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 Limited'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 Limited 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 Limited'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 Limited 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 Limited.

Streamlined Energy and Carbon Reporting (SECR)

The Streamlined Energy and Carbon Report (SECR) is reported within the consolidated financial statements of Planets UK Midea Limited (the largest Group in which this Group's results are consolidated), for the year ended 31 March 2023.

Financial risk management policy

The Group's financial risk management policy is set out at note 4 of the financial statements.

Financial instruments

Details of the Group's financial instruments are provided in note 2 and note 21 of the financial statements.

Political donations

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

Viridor Limited

Directors' Report for the Year Ended 31 March 2023 (continued)

Going concern

At the time of the approving the financial statements the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the period until 31 March 2025 (the period of management's assessment).

When making this assessment, management considers whether the Group will be able to maintain adequate liquidity headroom above the level of its debt service obligations and to operate within the financial covenants applicable to its debt facilities which will be measured at 30 September 2023, 31 March 2024, 30 September 2024 and 31 March 2025.

As of 31 March 2023, the Group had £2.690 billion of committed borrowing facilities, of which £2.486 billion was drawn, £0.204 billion was undrawn. The maturity of these borrowings ranges between September 2027 and March 2043. In addition, Viridor Limited is a guarantor to the Revolving Credit Facility (RCF) in Planets UK Bidco Limited (the immediate parent of the Group) of £0.200 billion of which £0.077 billion was drawn at 31 March 2023. Therefore, in preparing their assessment management has considered the covenants associated with facilities in both Viridor limited and Plants UK Bidco limited for the period until 31 March 2025.

For their assessment, management has prepared two cash flow forecasts - a base case and a downside case which cover the period to 31 March 2025. The downside case adjusts the base case for various scenarios that could result in reducing free cashflow over the period to 31 March 2025. Management has also performed a reverse stress test to identify a scenario which could exhaust available borrowing facilities or breach covenants. As a result of this analysis management do not see a risk of a material loss in revenue should such scenarios occur. A substantial proportion of Group's revenue is contracted revenue with Local Authorities Collected Waste (LACW) and Tier 1 Commercial and Industrial (C&I) customers. Tier 1 relates to investment grade and low risk counterparties. Majority of these contracts are long term and with guaranteed minimum tonnage and substantial termination penalty clauses which make it financially disadvantageous to terminate unilaterally, therefore management consider the risk of a loss of revenue from the termination of key contracts as being low. Management have considered the risk of insolvency of a major customer and a prolonged ERF outage and the impact of these scenarios on the Group's revenue. Management has also analysed the impact of a reduced dividend income to Viridor Limited and has performed a stress test to analyse the impact of no dividend income to Viridor Limited. The analysis demonstrates there is expected to be sufficient cash to continue as a going concern should such events occur.

The base case and the downside case have headroom against debt service obligations and the analysis shows the risk of a breach of covenants is remote. The reverse stress tests demonstrates that all negative events considered would need to occur concurrently for two consecutive years to impact the Group's covenant compliance, management consider that the likelihood of this scenario is remote and improbable.

Therefore, the directors are confident in the ongoing resilience of the Group, and its ability to continue in operation and meet its commitments as they fall due over the going concern period. Accordingly, the directors adopt the going concern basis in preparing the financial statements.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

The auditors Ernst & Young LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Events after the reporting period

Further details of events after the reporting period are set out at note 40 of the financial statements.

Approved by the board on 31 May 2023 and signed on its behalf by:

Nick Maddock

N Maddock
Director

Lyndi Hughes

L Hughes
Company secretary

Viridor Limited

Statement of Directors' Responsibilities

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 Financial Reporting Standards (IFRSs) 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company 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 and directors' report 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 2023 which comprise Consolidated income statement, Consolidated Statement of Comprehensive income, the group and parent company statement of financial position, the group and parent company statement of changes in equity, the group and parent company statement of cash flows, and the related notes 1 to 40 to financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards 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 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards 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 director's 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 until 31 March 2025.

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 this gives rise to 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.

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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRIDOR LIMITED

(continued)

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 and the Directors' Report.

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

- adequate accounting records have not been kept by the 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 Statement of Directors' Responsibilities on page 19, 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.

- 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.
- 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 group's and company's financial statements to material misstatement, including how fraud might occur through inquiry of management and those charged with governance and meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. Through our procedures we determined there to be risks associated with management override of controls and fraud risks in relation to revenue recognition.
- 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. Our procedures involved interviews and enquiries of management and those charged with governance with the assistance of the forensic specialists, and journal entry testing. We incorporated data analytics to sample the entire population of journals to identify specific transactions which did not meet our expectations based on specific criteria as well as manual consolidation journals and journals indicating significant or unusual transactions based on our understanding of the business. These procedures included investigating these transactions to gain understanding, challenging the assumptions, judgements and significant estimates made by management and testing them back to source information.

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

- 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 contracts and power generation, 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.

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 UK adopted International Accounting Standards. Compliance with other operational laws and regulations was covered through our inquiry.

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 16 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.

Ernst & Young LLP

.....
Paul Mapleston (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor

Bristol

31 May 2023
Date:.....

Viridor Limited

Consolidated Income Statement for the Year Ended 31 March 2023

	Note	As restated (note 3)					
		Before non- underlying items	Non- underlying items (Note 7)	Total	Before non- underlying items	Non- underlying items (Note 7)	Total
		2023 £ m	2023 £ m	2023 £ m	2022 £ m	2022 £ m	2022 £ m
Continuing operations							
Revenue	8	672.1	-	672.1	555.4	-	555.4
Other income	10	-	-	-	2.6	-	2.6
Operating costs							
Employment costs	8	(67.9)	(35.8)	(103.7)	(69.6)	(2.0)	(71.6)
Raw materials and consumables used	8	(112.9)	-	(112.9)	(94.9)	-	(94.9)
Other expenses	8	(217.2)	-	(217.2)	(155.0)	-	(155.0)
Profit/(loss) before interest, tax, depreciation, amortisation, impairment and share of profit from joint ventures		274.1	(35.8)	238.3	238.5	(2.0)	236.5
Depreciation and impairment	8	(52.7)	-	(52.7)	(68.1)	-	(68.1)
Amortisation and impairment of intangibles	8	(29.0)	-	(29.0)	(2.6)	-	(2.6)
Operating profit/(loss)		192.4	(35.8)	156.6	167.8	(2.0)	165.8
Finance income		75.5	1.2	76.7	21.8	-	21.8
Finance costs		(79.5)	(0.9)	(80.4)	(240.7)	-	(240.7)
Net finance (cost)/income	11	(4.0)	0.3	(3.7)	(218.9)	-	(218.9)
Share of profit from joint ventures	24	14.3	-	14.3	6.9	-	6.9
Profit/(loss) before tax		202.7	(35.5)	167.2	(44.2)	(2.0)	(46.2)
Taxation (charge)/credit	12	(13.5)	-	(13.5)	2.3	(41.5)	(39.2)
Profit/(loss) for the year from continuing operations		189.2	(35.5)	153.7	(41.9)	(43.5)	(85.4)
Discontinued operations							
(Loss)/profit after tax from discontinued operations	6	(15.9)	-	(15.9)	(18.8)	38.7	19.9
Profit/(loss) for the year		173.3	(35.5)	137.8	(60.7)	(4.8)	(65.5)
Profit/(loss) attributable to:							
Owners of the company				59.7			(46.9)
Non-controlling interests				78.1			(18.6)
				137.8			(65.5)

Viridor Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2023

	Note	As restated (note 3)					
		Before non- underlying items	Non- underlying items (Note 7)	Total	Before non- underlying items	Non- underlying items (Note 7)	Total
		2023 £ m	2023 £ m	2023 £ m	2022 £ m	2022 £ m	2022 £ m
Profit/(loss) for the year		<u>173.3</u>	<u>(35.5)</u>	<u>137.8</u>	<u>(60.7)</u>	<u>(4.8)</u>	<u>(65.5)</u>
Items that will not be reclassified subsequently to profit or loss							
Remeasurements of post employment benefit obligations	31	-	35.5	35.5	1.6	-	1.6
Income tax on items that will not be reclassified	12	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.1</u>	<u>-</u>	<u>0.1</u>
		<u>-</u>	<u>35.5</u>	<u>35.5</u>	<u>1.7</u>	<u>-</u>	<u>1.7</u>
Items that may be reclassified subsequently to profit or loss							
Unrealised gain or loss on cash flow hedges		46.0	-	46.0	(171.3)	-	(171.3)
Share of joint ventures other comprehensive income before tax	24	(2.0)	-	(2.0)	-	-	-
Income tax on items that may be reclassified	12	<u>(11.6)</u>	<u>-</u>	<u>(11.6)</u>	<u>43.9</u>	<u>-</u>	<u>43.9</u>
		<u>32.4</u>	<u>-</u>	<u>32.4</u>	<u>(127.4)</u>	<u>-</u>	<u>(127.4)</u>
Total comprehensive Income/(loss) for the year		<u>205.7</u>	<u>-</u>	<u>205.7</u>	<u>(186.4)</u>	<u>(4.8)</u>	<u>(191.2)</u>
Total comprehensive income attributable to:							
Owners of the company				123.6			(168.1)
Non-controlling interests				<u>82.1</u>			<u>(23.1)</u>
				<u>205.7</u>			<u>(191.2)</u>

Viridor Limited

(Registration number: 02456473)

Consolidated Statement of Financial Position as at 31 March 2023

		Group		Company	
		31 March	31 March	31 March	31 March
		2023	2022	2023	2022
	Note	£ m	£ m	£ m	£ m
Assets					
Non-current assets					
Goodwill	17	303.3	316.6	-	-
Other intangible assets	18	104.9	57.5	-	-
Property, plant and equipment	19	1,326.4	1,351.9	-	-
Right of use assets	20	52.9	45.3	-	-
Deferred tax assets	12	-	-	0.3	-
Derivative financial assets	27	62.0	28.4	-	-
Investments in subsidiaries	23	-	-	2,083.9	2,083.9
Investments in joint ventures	24	73.6	69.2	-	-
Other non-current assets	22	291.5	1,920.4	-	1,315.6
		<u>2,214.6</u>	<u>3,789.3</u>	<u>2,084.2</u>	<u>3,399.5</u>
Current assets					
Inventories	25	48.6	39.4	-	-
Trade and other receivables	26	172.6	254.9	7.3	8.7
Derivative financial assets	27	22.0	4.1	-	-
Current tax asset		-	-	-	6.7
Cash and cash equivalents	28	157.5	174.6	-	-
		<u>400.7</u>	<u>473.0</u>	<u>7.3</u>	<u>15.4</u>
Total assets		<u>2,615.3</u>	<u>4,262.3</u>	<u>2,091.5</u>	<u>3,414.9</u>
Liabilities					
Current liabilities					
Trade and other payables	29	(216.8)	(142.6)	(114.1)	(117.8)
Derivative financial liabilities	27	(67.3)	(127.2)	-	-
Current tax liability		(18.7)	(39.0)	(4.2)	-
Loans and borrowings	30	(69.7)	(57.1)	-	-
Provisions	32	(9.5)	(4.0)	-	-
		<u>(382.0)</u>	<u>(369.9)</u>	<u>(118.3)</u>	<u>(117.8)</u>
Non-current liabilities					
Loans and borrowings	30	(2,448.3)	(2,431.3)	-	-
Derivative financial liabilities	27	(285.9)	(317.9)	-	-
Deferred tax liabilities	12	(58.9)	(63.7)	-	-
Provisions	32	(1.4)	(2.9)	-	-
		<u>(2,794.5)</u>	<u>(2,815.8)</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>(3,176.5)</u>	<u>(3,185.7)</u>	<u>(118.3)</u>	<u>(117.8)</u>
Net (liabilities)/assets		<u>(561.2)</u>	<u>1,076.6</u>	<u>1,973.2</u>	<u>3,297.1</u>

The notes on pages 31 to 95 form an integral part of these financial statements.

Viridor Limited

(Registration number: 02456473)

Consolidated Statement of Financial Position as at 31 March 2023 (continued)

		Group		Company	
		31 March 2023	31 March 2022	31 March 2023	31 March 2022
	Note	£ m	£ m	£ m	£ m
Equity					
Share capital	33	(898.2)	(898.2)	(898.2)	(898.2)
Share premium		(225.5)	(225.5)	(225.5)	(225.5)
Hedging reserve		108.3	138.7	-	-
Retained earnings and other reserves		<u>1,305.1</u>	<u>(321.3)</u>	<u>(849.5)</u>	<u>(2,173.5)</u>
Equity attributable to owners of the company		289.7	(1,306.3)	(1,973.2)	(3,297.2)
Non-controlling interests		<u>271.5</u>	<u>229.7</u>	<u>-</u>	<u>0.1</u>
Total equity		<u>561.2</u>	<u>(1,076.6)</u>	<u>(1,973.2)</u>	<u>(3,297.1)</u>

The profit for the year attributable to ordinary shareholder's equity dealt with in the accounts of the Parent Company is £764.8 million (2022: £2,095.6 million).

Approved by the board on 31 May 2023 and signed on its behalf by:

Nick Maddock

.....
N Maddock
Director

Viridor Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2023

	Attributable to the equity holders of the parent					Non-controlling interests	Total equity
	Share capital	Share premium	Cash flow hedging reserve	Other reserves	Retained earnings		
	£ m	£ m	£ m	£ m	£ m	£ m	£ m
At 1 April 2021 (As restated, per note 3)	898.2	95.2	(11.3)	-	(250.2)	-	731.9
Loss for the year	-	-	-	-	(46.9)	(18.6)	(65.5)
Other comprehensive income	-	-	(127.4)	-	6.2	(4.5)	(125.7)
Total comprehensive income	-	-	(127.4)	-	(40.7)	(23.1)	(191.2)
Dividends	-	-	-	-	(54.4)	-	(54.4)
Other share premium reserve movements	-	130.3	-	-	-	-	130.3
Share based payment transactions	-	-	-	1.1	-	-	1.1
Disposal of non-controlling interest in subsidiaries	-	-	-	-	665.5	(206.6)	458.9
At 31 March 2022	898.2	225.5	(138.7)	1.1	320.2	(229.7)	1,076.6

	Attributable to the equity holders of the parent					Non-controlling interests	Total equity
	Share capital	Share premium	Cash flow hedging reserve	Other reserves	Retained earnings		
	£ m	£ m	£ m	£ m	£ m	£ m	£ m
At 1 April 2022	898.2	225.5	(138.7)	1.1	320.2	(229.7)	1,076.6
Profit for the year	-	-	-	-	59.7	78.1	137.8
Other comprehensive income	-	-	30.4	-	33.5	4.0	67.9
Total comprehensive income	-	-	30.4	-	93.2	82.1	205.7
Dividends	-	-	-	-	(2,088.8)	(58.4)	(2,147.2)
Share based payment transactions	-	-	-	8.9	(2.4)	-	6.5
Disposal of non-controlling interest in subsidiaries	-	-	-	-	362.7	(111.5)	251.2
Acquisition of subsidiary	-	-	-	-	-	46.0	46.0
At 31 March 2023	898.2	225.5	(108.3)	10.0	(1,315.1)	(271.5)	(561.2)

The amount included in the cash flow hedging reserve represents other comprehensive income, net of tax and non-controlling interests.

Included in the movement in other comprehensive income in the cash flow hedging reserve are losses reclassified to the income statement of £4.5m (2022: gains of £0.1m) and fair value gains of £50.5m (2022: losses of £171.2m).

During the year the Group sold a 10% (2022: 20%) stake in its subsidiary, Viridor Energy (Investments) Limited - a holding company for the Group's established Energy Recovery Facility (ERF) business. The total non-controlling interest in Viridor Energy (Investments) Limited is 30% (2022: 20%).

During the year, the Group also acquired control of Thameside Energy Recovery Facility Ltd through a 20% shareholding see note 16. The non-controlling interest in Thameside Energy Recovery Facility is 80%.

Viridor Limited

Company Statement of Changes in Equity for the Year Ended 31 March 2023

	Share capital £ m	Share premium £ m	Retained earnings £ m	Total £ m
At 1 April 2021	898.2	95.2	132.1	1,125.5
Profit for the year	-	-	2,095.6	2,095.6
Total comprehensive income	-	-	2,095.6	2,095.6
Dividends	-	-	(54.3)	(54.3)
Other share premium reserve movements	-	130.3	-	130.3
Share based payment transactions	-	-	0.1	0.1
At 31 March 2022	898.2	225.5	2,173.5	3,297.2
	Share capital £ m	Share premium £ m	Retained earnings £ m	Total £ m
At 1 April 2022	898.2	225.5	2,173.5	3,297.2
Profit for the year	-	-	764.8	764.8
Total comprehensive income	-	-	764.8	764.8
Dividends	-	-	(2,088.8)	(2,088.8)
At 31 March 2023	898.2	225.5	849.5	1,973.2

Viridor Limited

Consolidated Statement of Cash Flows for the Year Ended 31 March 2023

	Note	Group		Company	
		2023	(As restated-note 3)	2023	2022
		£ m	£ m	£ m	£ m
Cash flows from operating activities					
Profit/(loss) for the year from continuing operations		153.7	(85.4)	764.8	2,095.6
(Loss)/profit for the year from discontinued operations	6	(15.9)	19.9	-	-
Adjustments to cash flows from non-cash items:					
Depreciation and amortisation		81.7	70.7	-	-
Depreciation and amortisation (discontinued)		0.9	29.9	-	-
Profit on disposal of property plant and equipment	8	(1.1)	(1.3)	-	-
Profit on disposal of discontinued operations		-	(38.6)	-	-
Trade receivables impairment charge/(credit)	8	0.7	(0.8)	-	-
Finance income (continuing)	11	(76.7)	(21.8)	(27.8)	(13.7)
Finance income (discontinued)		-	(0.7)	-	-
Finance costs	11	80.4	240.7	-	31.1
Finance costs (discontinued)		-	6.2	-	-
Share based payment transactions		6.4	1.1	-	-
Share of profit or loss of equity accounted investees		(14.3)	(6.9)	-	-
Income tax expense		9.9	36.4	1.1	(2.3)
Dividends received		-	-	(747.7)	(2,126.6)
Settlement of pension liabilities	7	35.8	-	-	-
		261.5	249.4	(9.6)	(15.9)
Working capital adjustments:					
Increase in inventories		(9.1)	(5.9)	-	-
Decrease/(increase) in trade and other receivables		34.5	(70.5)	(1.3)	108.3
Increase in trade and other payables		4.0	8.3	1.5	96.4
Increase/(decrease) in provisions		3.9	(16.7)	-	-
(Payment of)/proceeds from derivatives settlement		(82.7)	13.6	-	-
		212.1	178.2	(9.4)	188.8
Cash generated from operations		212.1	178.2	(9.4)	188.8
Income taxes (paid)/received		(27.5)	2.9	9.4	-
		184.6	181.1	-	188.8
Net cash flow from operating activities					

The notes on pages 31 to 95 form an integral part of these financial statements.

Viridor Limited

Consolidated Statement of Cash Flows for the Year Ended 31 March 2023 (continued)

		Group		Company	
			(As restated-note 3)		
	Note	2023 £ m	2022 £ m	2023 £ m	2022 £ m
Cash flows from investing activities					
Interest received		1.8	16.8	-	13.7
Dividends received		17.0	7.0	167.8	2,126.6
Acquisitions of property plant and equipment		(32.7)	(89.1)	-	-
Proceeds from sale of property plant and equipment		2.5	17.9	-	-
Acquisition of intangible assets		(5.0)	(13.9)	-	-
Loans granted to related parties		(215.4)	(1,754.4)	-	-
Repayment of loans by related parties		-	100.9	-	-
Initial investment in joint venture		(9.1)	-	-	-
Proceeds from sale of non-controlling interest		251.2	461.0	-	-
Proceeds on disposal of subsidiaries		55.4	167.9	-	-
Repayment of loans by joint ventures		17.1	-	-	-
Loans granted to joint venture		(63.3)	-	-	-
Acquisition of subsidiary		(12.0)	-	-	-
Net cash flows from investing activities		<u>7.5</u>	<u>(1,085.9)</u>	<u>167.8</u>	<u>2,140.3</u>
Cash flows from financing activities					
Interest paid		(80.4)	(71.7)	-	(31.1)
Proceeds from borrowings (external) net of debt issue costs		75.0	2,444.7	-	-
Repayment of borrowings (external)		(53.5)	(21.1)	-	-
Repayment of other borrowings (related parties)		-	(1,447.2)	-	(2,247.2)
Proceeds from issue of ordinary shares		-	130.3	-	-
Proceeds from derivatives settlement		8.3	1.5	-	-
Payment of principal portion of lease liabilities		(4.1)	(8.9)	-	-
Dividends paid		(226.2)	(54.4)	(167.8)	(54.4)
Advances received from parent undertaking		<u>71.7</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash flows (used in)/from financing activities		<u>(209.2)</u>	<u>973.2</u>	<u>(167.8)</u>	<u>(2,332.7)</u>
Net (decrease)/increase in cash and cash equivalents		(17.1)	68.4	-	(3.6)
Cash and cash equivalents at 1 April		<u>174.6</u>	<u>106.2</u>	<u>-</u>	<u>3.6</u>
Cash and cash equivalents at 31 March		<u>157.5</u>	<u>174.6</u>	<u>-</u>	<u>-</u>

The notes on pages 31 to 95 form an integral part of these financial statements.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England.

The address of its registered office is:

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

These financial statements were authorised for issue by the board on 31 May 2023.

2 Accounting policies

Statement of compliance

The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 the following accounting policy notes) 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.

These financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest 0.1 million, unless otherwise indicated.

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.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

2 Accounting policies (continued)

Discontinued operations

During the year ended 31 March 2023, the polymer recycling facility in Skelmersdale ceased to operate. This has been treated as discontinued with the comparatives being restated.

During the previous year the Group disposed of its Waste cash generating unit (CGU). Accordingly the net results of this CGU are presented within discontinued operations in the Group income statement.

Further information is provided in note 6.

Going concern

At the time of the approving the financial statements the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the period until 31 March 2025 (the period of management's assessment).

When making this assessment, management considers whether the Group will be able to maintain adequate liquidity headroom above the level of its debt service obligations and to operate within the financial covenants applicable to its debt facilities which will be measured at 30 September 2023, 31 March 2024, 30 September 2024 and 31 March 2025.

As of 31 March 2023, the Group had £2.690 billion of committed borrowing facilities, of which £2.486 billion was drawn, £0.204 billion was undrawn. The maturity of these borrowings ranges between September 2027 and March 2043. In addition, Viridor Limited is a guarantor to the Revolving Credit Facility (RCF) in Planets UK Bidco Limited (the immediate parent of the Group) of £0.200 billion of which £0.077 billion was drawn at 31 March 2023. Therefore, in preparing their assessment management has considered the covenants associated with facilities in both Viridor limited and Plants UK Bidco limited for the period until 31 March 2025.

For their assessment, management has prepared two cash flow forecasts - a base case and a downside case which cover the period to 31 March 2025. The downside case adjusts the base case for various scenarios that could result in reducing free cashflow over the period to 31 March 2025. Management has also performed a reverse stress test to identify a scenario which could exhaust available borrowing facilities or breach covenants. As a result of this analysis management do not see a risk of a material loss in revenue should such scenarios occur. A substantial proportion of Group's revenue is contracted revenue with Local Authorities Collected Waste (LACW) and Tier 1 Commercial and Industrial (C&I) customers. Tier 1 relates to investment grade and low risk counterparties. Majority of these contracts are long term and with guaranteed minimum tonnage and substantial termination penalty clauses which make it financially disadvantageous to terminate unilaterally, therefore management consider the risk of a loss of revenue from the termination of key contracts as being low. Management have considered the risk of insolvency of a major customer and a prolonged ERF outage and the impact of these scenarios on the Group's revenue. Management has also analysed the impact of a reduced dividend income to Viridor Limited and has performed a stress test to analyse the impact of no dividend income to Viridor Limited. The analysis demonstrates there is expected to be sufficient cash to continue as a going concern should such events occur.

The base case and the downside case have headroom against debt service obligations and the analysis shows the risk of a breach of covenants is remote. The reverse stress tests demonstrates that all negative events considered would need to occur concurrently for two consecutive years to impact the Group's covenant compliance, management consider that the likelihood of this scenario is remote and improbable.

Therefore, the directors are confident in the ongoing resilience of the Group, and its ability to continue in operation and meet its commitments as they fall due over the going concern period. Accordingly, the directors adopt the going concern basis in preparing the financial statements.

Changes in accounting policy

New standards, interpretations and amendments effective

New standards or interpretations which were mandatory for the first time in the year beginning 1 April 2022 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 2023 are not expected to have a material impact on the Group's net assets or results.

2 Accounting policies (continued)

Revenue recognition

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.

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.

Energy sales

The Group receives revenue from the sale of electricity from 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 energy recovery facilities and multi service contracts including 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.

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 IFRIC 12. 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.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

2 Accounting policies (continued)

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:

- 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.

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 at the end of the 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.

Non-Monetary Government Grants

Viridor receives non-monetary government grants as a result of its business activities, in the form of Renewable Obligation Certificates (ROCs), Renewable Energy Guarantee of Origin (REGOs) and Packaging Recovery Notes (PRNs). These assets are recognised within inventory at nominal value. These assets are traded within the ordinary course of business and are recognised within inventory at nominal value. Income generated from the sale to third parties are recognised within revenue when transferred to the customer.

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.

A contract liability is recognised when consideration is received in advance of the Group performing its performance obligations to customers.

Other income

Other income is derived from activities which do not form part of the ordinary business cycle for Group, 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 virtually certain and the amount can be reliably measured or estimated.

2 Accounting policies (continued)

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

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/liabilities 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 the accounting policy "Impairment of non-financial assets". 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.

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. The asset is amortised straight line over the length of the contract and assessed for impairment whenever there is an indication that the asset may be impaired.

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. Amortisation rates used are between 5% and 10% per annum.

An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss).

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

2 Accounting policies (continued)

Property, plant and equipment

Owned assets

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

Depreciation

Depreciation is charged so as to write off the cost of assets, other than assets under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold buildings	30-50 years
Energy recovery facilities	25-40 years
Short-term leasehold land and buildings	The shorter of their estimated useful economic lives or the finance lease period.
Polymer reprocessing facilities	10-25 years
Fixed and mobile plant, vehicles and computers	3-10 years
Assets classified as construction in progress	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.

An item of property, plant and equipment is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in other operating expenses.

2 Accounting policies (continued)

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.
- the costs of which are charged to the income statement in the period to which they relate.

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.

If a lease liability is terminated or novated to a third party the related right-of-use asset is derecognised. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds, the carrying amount of the asset and the present value of the lease liability) is included in the income statement in other operating expenses.

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. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date, because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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 inflows (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.

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.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

2 Accounting policies (continued)

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.

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/liabilities 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.

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. A perpetual inventory system is used to calculate the weighted average costs. Net realisable value is the estimated selling price less cost to sell.

Non-Monetary Government Grants: Viridor receives non-monetary government grants as a result of its business activities, in the form of Renewable Obligation Certificates (ROCs), Renewable Energy Guarantee of Origin (REGOs) and Packaging Recovery Notes (PRNs). These assets are recognised within inventory at nominal value. These assets are traded within the ordinary course of business and are recognised within inventory at nominal value. Income generated from the sale to third parties are recognised within revenue when transferred to the customer.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

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:

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.

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.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

2 Accounting policies (continued)

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.

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.

Derivative financial instruments and hedging activities

The Group uses derivative financial instruments, principally RPI swaps and interest rate swaps to hedge cash flow risks associated with components of long-term contractual terms linked to a quoted index. The group also uses 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 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 being energy swaps.

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.

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.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

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 reporting date.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

2 Accounting policies (continued)

Tax

The tax expense for the period 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 recognised in the statement of comprehensive income or directly in equity as appropriate.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

All deferred tax assets and liabilities within the same jurisdiction are offset.

Provisions

Provisions are made where there is a present legal or constructive obligation as a result of a past event and it is probable that there will be an outflow of economic benefits to settle this obligation and a reliable estimate of this amount can be made. Where the effect of the time value of money is material the current amount of a provision is the present value of the 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.

Share capital

Ordinary shares are classified as equity.

Dividends

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.

Defined benefit pension obligation

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 pension obligation

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.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

2 Accounting policies (continued)

Share based payments

Certain employees of the Group receive shares in the capital of Planets Topco Limited (an indirect parent company of this Group). The fair value of the employee services required in exchange for the grant is recognised as an expense over the vesting period of the grant. Fair values are calculated using an appropriate pricing model. The grant date fair values of the awards are not remeasured once established. The cumulative fair value of the award is recognised over the vesting period in a share based payment reserve.

Pre-contract and development costs

Pre-contract and development costs are expensed as incurred, except incremental costs of obtaining a contract and certain costs to fulfil a contract in which case they are recognised as an asset which is amortised to the income statement over the life of the contract.

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.

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.

Business combinations

The Group accounts for all business combinations by applying the acquisition method. All acquisition-related costs are expensed.

On acquisition, the assets (including intangible assets), liabilities and contingent liabilities of an acquired entity are measured at their fair values. Non-controlling interests are stated at the non-controlling interests' proportion of the fair values of the assets and liabilities recognised.

If the acquisition does not meet the definition of a business combination, under IFRS 3, the Group elects to apply the concentration test which permits a simplified assessment of whether the acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. In such cases the Group shall identify and recognise the individual identifiable assets acquired and liabilities assumed. The cost of the group shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, the asset or disposal group is available for immediate sale in its present condition, actions required to complete the sale indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn, and there is a commitment to the plan to sell the assets, and the sale is expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

3 Prior year adjustments

Discontinued operations

During the year ended 31 March 2023, operations at the Group's polymer recycling facility in Skelmersdale ceased. As an individual cash generating unit, the operations constitute a separate major line of business localised to one geographical area, and therefore these operations have been treated as discontinued and the comparative year accordingly restated.

This is a presentational change only with the impact being reclassifications of line items in the consolidated income statement and cash generated from operations in the consolidated statement of cash flows. There is no impact on the total loss for the year, the consolidated statement of comprehensive income, the consolidated statement of financial position or the consolidated statement of changes in equity.

	31 March 2022 (as previously reported)	Restatement	31 March 2022 (as restated)
The effect of the prior year adjustment to the income statement is as follows:			
Revenue	556.1	(0.7)	555.4
Other income	2.6	-	2.6
Employment costs	(73.3)	1.7	(71.6)
Raw materials and disposal costs	(100.9)	6.0	(94.9)
Other expenses	(162.5)	7.5	(155.0)
Depreciation and impairment	(75.8)	7.7	(68.1)
Amortisation and impairment of intangibles	(2.6)	-	(2.6)
Net finance costs	(218.9)	-	(218.9)
Share of profit from joint ventures	6.9	-	6.9
Taxation	(36.4)	(2.8)	(39.2)
Discontinued operations	<u>39.3</u>	<u>(19.4)</u>	<u>19.9</u>
Loss for the year	<u>(65.5)</u>	<u>-</u>	<u>(65.5)</u>

Cash Generating Units (CGUs) - disclosure restatement

In the year ended 31 March 2022 when establishing the carrying value of the CGUs for impairment testing under IAS 36, certain recognised liabilities were included within the recoverable amount of the CGUs. In the year ended 31 March 2023, it was determined that those liabilities should not be considered under IAS 36, and therefore have now been excluded from the carrying value of the CGUs.

The impact on the headroom - disclosed in note 17 in the accounts - in the comparative period is to reduce the ERF related headroom to £4.5 billion (2022: £5.8 billion) and the polymer headroom to £15.2 million (2022: £73.1 million).

4 Financial risk review

Group

The financial risk management policies reflect conditions that existed through and at the year ending 31 March 2023.

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.

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, 94% (2022: 97%) 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 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 100% of forecast contractual RPI-linked revenue from local authority customers until 2036, and 85% until 2043. RPI swap contracts effectively fix RPI on between 63%-93% of forecast contractual RPI-linked revenue from all customers over the same period.

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 to manage this risk. There was no material net exposure at the year-end.

Liquidity risk

The Group maintains facilities that are designed to ensure 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. Prior to the payment of dividends in year ended 31 March 2023, a financial covenant was assessed with resulting headroom.

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.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

4 Financial risk review (continued)

The Group was refinanced in the prior year, by £2,485m of external borrowings. During the year, additional financing of £75m was secured.

The 'Viridor Energy' debt is structured in 3 tranches. Each tranche ranks equally in the security package which, along with the revolving credit facility, bonding facility and derivative contracts, is secured over the the majority of the assets of the business.

Facility A, issued by Viridor Energy (Investments Two) Limited and totalling £780.0m, forms an amortising debt, with the final payment due on 1 December 2033. It has an interest rate which is initially SONIA+1.60%, increasing to SONIA+1.70% in 2024 and to SONIA+1.80% in 2028.

Facility B, also issued by Viridor Energy (Investments Two) Limited and totalling £120.0m, has a single repayment due on 18 September 2027. It has a fixed interest rate of 2.703%.

The Private Placement Notes, issued by Viridor Energy Group Limited and listed in Jersey totalled £1,585.0m, forms an amortising debt, with the final payment due on 31 March 2043. The amortisation profile is designed to maintain a forecast debt service coverage ratio when combined with the debts above. It has a fixed interest rate of 2.90%.

During the year a Term Loan, issued by Viridor Energy (Investments Two) Limited (a subsidiary of Viridor Energy (Investments One) Limited) and totalling £75.0m, was agreed. This has a single repayment due on 17 March 2028. It has an interest rate of SONIA+1.40%.

Viridor Energy (Investments Two) Limited also has a general purpose revolving credit facility of £65.0m intended to support liquidity of the Viridor Energy subgroup, and a further debt service reserve facility of £65.0m which is a dedicated revolving credit facility that can only be used to meet its debt service payment obligations. These facilities expire on 1 December 2026. No balances were drawn at 31 March 2023. Drawn facilities bear interest at SONIA+1.25%.

Viridor Limited and its major subsidiaries (but excluding the subgroup headed by Viridor Energy Investments Ltd) are obligors under the £200m Planets UK Bidco Limited revolving credit facility. Contractual arrangements are in place such that Viridor Limited can access this facility when required. £77.0m of this facility was drawn at 31 March 2023. This facility is intended to support liquidity and also to provide short term funding for significant capital projects. Drawn facilities bear interest at SONIA+2.50%.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

4 Financial risk review (continued)

Maturity analysis for financial liabilities and financial assets

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

Group

	Less than 1 year	1-5 years	More than 5 years	Total
	£ m	£ m	£ m	£ m
2023				
Non-derivative liabilities				
Borrowings excluding lease liabilities	70.6	511.9	1,903.0	2,485.5
Interest payments on borrowings	95.9	320.7	486.5	903.1
Lease liabilities including interest	3.7	12.0	45.2	60.9

	Less than 1 year	1-5 years	More than 5 years	Total
	£ m	£ m	£ m	£ m
2022				
Non-derivative liabilities				
Borrowings excluding lease liabilities	53.5	307.9	2,102.5	2,463.9
Interest payments on borrowings	77.2	304.9	533.1	915.2
Lease liabilities including interest	3.4	8.5	42.1	54.0

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 26.

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.

Capital risk management

The Group'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.

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.

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 2023.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

4 Financial risk review (continued)

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 27.

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 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 is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

5 Critical accounting judgements and key sources of estimation uncertainty

The Group's principal accounting policies are set out in note 2. Management is required to exercise significant judgement and make use of estimates and assumptions in the application of these policies. 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.

Taxation

The Group has a current tax payable of £18.7 million (2022: £39.0 million payable).

The Group continues to have a small number of ongoing uncertain tax positions. These relate primarily to the interpretation of tax legislation regarding the treatment of intangible assets arising from accounting for certain of its Energy Recovery Facilities ("ERFs") under IFRIC 12. This is part of the normal course of business and the Group estimates there would be a current tax charge including interest of £25.4m (2022: £8.2m) payable should these issues be concluded in HMRC's favour. This has been provided as at 31 March 2023.

During the year ended 31 March 2023 a number of the Group's ERF enquiries have been closed without adjustment, leaving only the enquiry into Viridor (Glasgow) Limited. The Group is continuing to work towards a resolution to these matters with HMRC.

A further provision of £7.9m (2022: £5.3m) including interest has also been made in respect of historic corporation tax payments which had previously been misallocated in HMRC's COTAX system to entities which no longer form part of the Group. The Group is working with the new owners of the entities in question to reallocate these amounts in HMRC's systems in order to clear the outstanding liabilities of the Group in HMRC's records.

Impairment of goodwill

The Group tests goodwill for impairment of cash generating units annually, or more frequently if there are any indications that impairment may have arisen. The recoverable amount of the CGUs have been assessed using a value in use or fair value less costs to sell. The results of the tests performed during the year identified an impairment of £13.3 million (2022: £nil million). Further information is provided in note 17.

Control over Thameside Energy Recovery Facility Limited

Note 23 describes that Thameside Energy Recovery Facility Limited is a subsidiary of the Group even though the Group holds 20% of the issued share capital.

The Directors assessed whether or not the Group has control over Thameside Energy Recovery Facility Limited, determining that the Group is exposed, and has right, to variable returns, with the power and influence over the entity to affect those returns, by virtue of contractual arrangements within the share purchase agreement. Therefore, the Group has accounted for the entity as a subsidiary.

If the Directors had concluded that the 20% ownership interest was insufficient to give the Group control, Thameside Energy Recovery Facility Limited would instead be accounted as an associate and the Group would have accounted for it using the equity method of accounting.

Service concession arrangements

Consideration from public sector entities for the operation of waste management service concessions are 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 £237.0 million (2022: £233.7 million) and other intangible assets of £28.4 million (2022: £41.7 million) in relation to its service concession arrangements.

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.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

5 Critical accounting judgements and key sources of estimation uncertainty (continued)

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 7.

Impairment of intangible assets

The Group tests intangible assets for impairment (or impairment reversal) for its cash generating units (CGUs) if there are any indications that an impairment may have arisen (or an impairment reversal is required). In particular, the Glasgow CGU was impaired in the year ended 31 March 2021, and given the increase in operating costs as a result of macroeconomic trends, a further impairment test has been performed in the current year. The recoverable amount of the Glasgow CGU has been assessed using a value in use methodology, and the results of this test identified an impairment of £12 million (2022: £nil). Further information is provided in note 18.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

6 Discontinued operations

2023

During the year, the decision was made to close the Polymer Recycling Facility in Skelmersdale, with trade ceasing in January 2023. Accordingly, the current year and prior year's results have been presented as discontinued operations, being a restatement of the comparative income statement and statement of cash flows.

2022

Following a strategic decision to focus on the Group's ERF and polymers recycling businesses, during the year ended 31 March 2022, the Group sold its entire Waste cash generating unit (CGU). This comprised cash generating and profitable recycling, collections, landfill and landfill gas businesses.

Although intra-group transactions have been fully eliminated in the consolidated financial results, management have elected to present the elimination of transactions below as management believes this is useful to the users of the financial statements in assessing the underlying business that has been disposed.

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

	2023	2022
	£ m	£ m
Revenue	21.1	278.8
Elimination of intra-group revenue	(18.0)	(70.3)
Expenses	(28.4)	(256.6)
Elimination of intra-group costs	<u>5.8</u>	<u>26.5</u>
Loss before tax	(19.5)	(21.6)
Gain/(loss) on measurement to fair value less costs to sell of assets held for sale	-	45.0
Tax expense relating to the gain/(loss) on discontinuance	<u>3.6</u>	<u>(3.5)</u>
Net (loss)/gain attributable to discontinued operations	<u>(15.9)</u>	<u>19.9</u>

The discontinued operations results contributed the following to the group cash flow:

	2023	2022
	£ m	£ m
Net cash (outflows)/inflows from operating activities	(18.7)	38.4
Net cash inflows from investing activities	-	145.2
Net cash inflows from financing activities	<u>18.7</u>	<u>14.6</u>
Net cash inflows arising on disposal	<u>-</u>	<u>198.2</u>

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

7 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.

	Note	2023 £ m	2022 £ m
Operating costs			
Employment costs			
Pension settlement (a)		(35.8)	-
Impact of strategic review (b)		-	(2.0)
		<u>(35.8)</u>	<u>(2.0)</u>
Net finance costs			
Pension settlement (a)		<u>0.3</u>	<u>-</u>
Operating loss		(35.5)	(2.0)
Deferred tax change in rate		-	(42.7)
Tax credit/(charge) arising on non-underlying items	12	-	1.2
Discontinued activities			
Gain after tax on disposal of waste cash generating unit (c)		<u>-</u>	<u>38.7</u>
Income statement net non-underlying charge		<u>(35.5)</u>	<u>(4.8)</u>

- (a) Viridor has not participated in the Greater Manchester Pension Fund (GMPF) since the exit from the Manchester contract in 2019 and an agreement was reached in the year over the surplus on exit. A settlement loss of £35.8m appears in the income statement, equal to the uncapped surplus, with an offsetting amount in other comprehensive income.
- (b) The group had undertaken a strategic review of its operations under new ownership in the prior year. This had resulted in employee related charges of £2.0 million.
- (c) During the prior year, the Group completed its strategic programme for the disposal of its Waste business. The profit on disposal before tax was £45.0m and the related tax disposal resulted in a charge of £6.3m.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

8 Revenue and operating costs

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

	UK	Europe	Rest of	
	£ m	£ m	World	Total
			£ m	£ m
31 March 2023				
Waste management services	371.5	-	-	371.5
Energy	222.6	-	-	222.6
Recyclate	54.0	23.0	1.0	78.0
	648.1	23.0	1.0	672.1
				(Restated
				note 3)
				Total
				£ m
31 March 2022				
Waste management services	350.8	-	-	350.8
Energy	106.6	-	-	106.6
Recyclate	60.5	20.8	16.7	98.0
	517.9	20.8	16.7	555.4

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.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

8 Revenue and operating costs (continued)

Continuing operating costs (before non-underlying items)

		(As restated)	
	Note	2023 £ m	2022 £ m
Employment costs	15	<u>67.9</u>	<u>69.6</u>
Raw materials and consumables used		<u>112.9</u>	<u>94.9</u>
Other operating costs			
Profit on disposal of property, plant and equipment		(1.1)	(1.3)
Short-term and low value lease rentals payable		2.9	3.4
Trade receivables charge/(credit)		0.7	(0.8)
Hired and contracted services		100.5	84.4
Other external charges		<u>114.2</u>	<u>69.3</u>
		<u>217.2</u>	<u>155.0</u>
Depreciation of property, plant and equipment		<u>52.7</u>	<u>68.1</u>
Amortisation of intangible assets		<u>29.0</u>	<u>2.6</u>

9 Auditor's remuneration

	2023 £ m	2022 £ m
Audit of these financial statements	0.4	0.4
Audit of the financial statements of subsidiaries	<u>0.6</u>	<u>0.6</u>
	<u>1.0</u>	<u>1.0</u>

10 Other income

The analysis of the group's other operating income for the year is as follows:

	2023 £ m	2022 £ m
Compensation for loss of earnings	-	0.6
Insurance income	<u>-</u>	<u>2.0</u>
	<u>-</u>	<u>2.6</u>

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.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

11 Finance income and costs

Continuing activities

	Note	2023 £ m	2022 £ m
Finance income			
Gain on derivatives at fair value through profit or loss		18.3	-
Other finance income		0.9	0.1
Interest income on loans to related parties	38	42.8	6.8
Retirement benefit obligation	31	1.2	1.7
Interest receivable on service concession arrangements		<u>13.5</u>	<u>13.2</u>
Total finance income		<u>76.7</u>	<u>21.8</u>
Finance costs			
Interest on external borrowings		(74.5)	(27.9)
Interest element of lease rentals		(2.4)	(2.4)
Loss on derivatives at fair value through profit or loss		(2.5)	(191.4)
Other finance costs		(0.1)	-
Interest expense on loans from related parties	38	-	(18.8)
Retirement benefit obligations	31	(0.9)	(1.4)
Borrowing costs included in cost of qualifying asset		<u>-</u>	<u>1.2</u>
Total finance costs		<u>(80.4)</u>	<u>(240.7)</u>
Net finance costs		<u>(3.7)</u>	<u>(218.9)</u>

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

12 Income tax

Tax charged/(credited) in the income statement

	Before non-underlying items	Non-underlying items (Note 7)	Total	Before non-underlying items	Non-underlying items (Note 7)	Total (As restated)
	2023 £ m	2023 £ m	2023 £ m	2022 £ m	2022 £ m	2022 £ m
Current taxation						
UK corporation tax	29.9	-	29.9	40.2	(1.2)	39.0
Deferred taxation						
Deferred tax	(16.4)	-	(16.4)	(42.5)	42.7	0.2
Tax charge/(credit) reported in the income statement	<u>13.5</u>	<u>-</u>	<u>13.5</u>	<u>(2.3)</u>	<u>41.5</u>	<u>39.2</u>

As announced in the Chancellor's Budget on 4 March 2021, the headline rate of corporation tax in the UK increased from 1 April 2023 to 25%. This change was substantively enacted on 24 May 2021, following the third reading in the House of Commons. The effect of the change in rate resulted in an increase to the deferred tax liability, in the year ended 31 March 2022, of £37.6 million. A total of £42.7m was charged to the income statement. This was been recorded as a non-underlying item in the income statement due to its size.

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2022: the same as the standard rate of corporation tax in the UK) of 19% (2022: 19%).

The differences are reconciled below:

	(As restated)	
	2023 £ m	2022 £ m
Profit/(loss) before tax from continuing operations	167.2	(46.2)
(Loss)/profit before tax from discontinued operations	(19.5)	23.4
Profit/(loss) before tax	<u>147.7</u>	<u>(22.8)</u>
Corporation tax at standard rate	28.1	(4.3)
Increase (decrease) from effect of capital allowances depreciation	2.1	(0.8)
Increase from effect of expenses not deductible in determining taxable profit	12.7	3.3
Decrease from effect of joint-venture results reported net of tax	(2.7)	(1.3)
Decrease in current tax from adjustments to prior periods	(4.8)	(1.8)
(Recognition)/derecognition of deferred tax assets	(7.9)	12.3
Deferred tax (credit)/charge relating to changes in tax rates or laws	(23.6)	42.7
Profit on sale of investments	-	(13.7)
Other tax effects for reconciliation between accounting profit/(loss) and tax charge	3.4	2.8
Movement in uncertain tax positions	6.2	-
Total tax charge	<u>13.5</u>	<u>39.2</u>

The average total effective rate for the year, before non-underlying items is 9.2% (2022: -171.9%).

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

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

12 Income tax (continued)

	2023			2022		
	Before tax £ m	Tax charge £ m	Net of tax £ m	Before tax £ m	Tax credit £ m	Net of tax £ m
Amounts recognised directly in other comprehensive income						
Gain or loss on cash flow hedges	46.0	(11.6)	34.4	(171.3)	43.9	(127.4)
Remeasurements of post employment benefit obligations	35.5	-	35.5	1.6	0.1	1.7
Share of associates and joint ventures other comprehensive income	(2.0)	-	(2.0)	-	-	-
	<u>79.5</u>	<u>(11.6)</u>	<u>67.9</u>	<u>(169.7)</u>	<u>44.0</u>	<u>(125.7)</u>

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

12 Income tax (continued)

Deferred tax

Group

Deferred tax assets and liabilities

Deferred tax is provided in full on temporary differences under the liability method using enacted tax rates. 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 deferred tax is expected to be recovered over more than one year. All deferred tax assets within the same jurisdiction are offset.

Deferred tax movement during the year:

	At 1 April 2022 £ m	Income statement £ m	Income statement non- underlying £ m	Other compre- hensive income £ m	At 31 March 2023 £ m
Revenue on service concession arrangements	(44.6)	(0.8)	-	-	(45.4)
Accelerated tax depreciation	(120.5)	(7.4)	-	-	(127.9)
Provisions	0.9	(0.2)	-	-	0.7
Derivatives	81.0	(5.1)	-	(11.6)	64.3
Tax losses carry-forwards	19.4	9.3	-	-	28.7
Pension benefit obligations	0.1	(0.1)	-	-	0.0
Intangibles	-	(3.4)	-	-	(3.4)
Other items	-	1.0	-	-	1.0
Corporate interest restriction	-	23.1	-	-	23.1
Net tax assets/(liabilities)	(63.7)	16.4	-	(11.6)	(58.9)

Deferred tax movement during the prior year:

	At 1 April 2021 £ m	Income statement £ m	Income statement non- underlying £ m	Other compre- hensive income £ m	At 31 March 2022 £ m
Revenue on service concession arrangements	(46.9)	13.3	(11.0)	-	(44.6)
Accelerated tax depreciation	(64.0)	(20.6)	(35.9)	-	(120.5)
Provisions	3.4	(2.7)	0.2	-	0.9
Derivatives	2.6	34.1	0.5	43.8	81.0
Tax losses carry-forwards	3.7	12.2	3.5	-	19.4
Pension benefit obligations	0.1	(0.1)	-	0.1	0.1
Intangibles	-	-	-	-	-
Other items	-	-	-	-	-
Corporate interest restriction	-	-	-	-	-
Net tax assets/(liabilities)	(101.1)	36.2	(42.7)	44.0	(63.7)

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

13 Profit of the parent company

	2023	2022
	£ m	£ m
Profit attributable to owners of the parent dealt with in the financial statements of Viridor Limited	<u>764.8</u>	<u>2,095.6</u>

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

14 Dividends

	Group	
	2023	2022
	£ m	£ m
239.0p per share was paid for the year ended 31 March 2023 (2022: 6.0p per share was paid)	<u>2,147.2</u>	<u>54.4</u>
	<u>2,147.2</u>	<u>54.4</u>

The Company paid £2,088.8m in dividends at 233.0p per share (2022: £54.3m, 6.0p per share).

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

15 Employment costs (before non-underlying items)

The aggregate payroll costs (including directors' and senior management remuneration) were as follows:

	2023 £ m	2022 £ m
Wages and salaries	60.9	85.4
Social security costs	7.2	10.1
Other post-employment benefit costs	2.2	6.2
	70.3	101.7
Employment costs	67.9	69.6
Construction in progress	-	2.6
Discontinued employment costs	2.4	29.5
	70.3	101.7

In addition to the above there are non-underlying employment costs of £35.8 million (2022: £2.0 million costs) as detailed under note 7.

Details of transactions with key management personnel are set out in note 38.

The average number of persons employed by the group (including directors and senior management) during the year, analysed by category was as follows:

	2023 No.	2022 No.
Operations	796	1,611
Administration and support	218	245
	1,014	1,856

16 Business Combinations

During the year, the Group invested £12m to acquire 20% of the total issued share capital of Thameside Energy Recovery Facility Limited. The company holds the rights to develop an ERF in Tilbury, Essex. The acquisition complements the existing knowledge and skills within the Group. The Group will also acquire the remaining 80% of the total issued share capital of Thameside Energy Recovery Facility Limited at a price of £46m, if certain conditions as specified in the Share Purchase and Shareholders' Agreement ("SPA") are met.

The directors have determined that control of Thameside Energy Recovery Facility Limited is held by the Group despite owning 20% of the issued capital of this entity. Based on the contractual arrangement as per the SPA, it is considered as a subsidiary, because the Group is exposed, and has right, to variable returns from this entity and is able to use its power over the entity to affect those returns.

The Group applied the optional concentration test as per IFRS 3 and accounted for the transaction as an asset acquisition as all of the fair value of the gross assets of Thameside Energy Recovery Facility Limited on the date of acquisition is comprised in an intangible asset - development rights (see note 18).

The non-controlling interest for the 80% of the total share capital has been measured at its fair value of £46.0m as at the date of acquisition (see note 35).

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

17 Goodwill

	£ m
Cost	
At 1 April 2021	328.5
Disposals	<u>(11.9)</u>
At 31 March 2022	<u>316.6</u>
At 1 April 2022	316.6
Disposals	<u>(13.3)</u>
At 31 March 2023	<u>303.3</u>
Carrying amount	
At 31 March 2023	<u>303.3</u>
At 31 March 2022	<u>316.6</u>

In the year ended 31 March 2022 when establishing the carrying value of the CGUs for impairment testing under IAS 36, certain recognised liabilities were included within the recoverable amount of the CGUs. In the year ended 31 March 2023, it was determined that those liabilities should not be considered under IAS 36, and therefore have now been excluded from the carrying value of the CGUs.

The goodwill for each Cash Generating Unit (CGU) group is reviewed annually for impairment, or more regularly where there is a triggering event. Goodwill is monitored by management in accordance with the strategy of the business and at the aggregation of CGUs - as follows

	31 March 2023 £ m	31 March 2022 £ m
Runcorn II ERF	55.0	55.0
Avonmouth ERF	52.6	52.6
Ardley ERF	48.0	48.0
Trident Park ERF	43.2	43.2
Other ERF CGUs (2023: 8 CGUs, 2022: 7 CGUs)	102.9	102.9
Polymers (2023: 3 CGUs, 2022: 3 CGUs)	<u>1.6</u>	<u>14.9</u>
	<u>303.3</u>	<u>316.6</u>

The disposals in the prior year related to waste operations. The ongoing strategy is one which is focussed on the ERF and Polymer businesses.

ERF CGUs

The recoverable amount of the ERF business has been assessed based on fair value by reference to transactions selling minority interest stakes in the energy business. The headroom across the CGUs is £4.5 billion (2022: £4.5 billion).

17 Goodwill (continued)

Polymers CGUs

The recoverable amount of the Polymers CGUs has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows for the Avonmouth Polymers CGU have been updated to reflect the challenges resulting from operational ramp up and a theoretical recoverable amount of £116.5m has been determined which is a point in time estimate. The pre-tax discount rate applied to cash flow projections is 9% (2022: 8%) and cash flows beyond the five-year period are extrapolated using a terminal value multiplier. As a result of this analysis, management has recognised an impairment charge of £13.3m in the current year against goodwill relating to the Avonmouth Polymers CGU with a carrying amount of £14.9m as at 31 March 2022. As an impairment loss has been recognised in the current year the recoverable amount is equal to its carrying value at the year end and therefore any negative changes in key assumptions would result in an additional impairment loss.

Key assumptions used in value in use calculations

The calculation of value in use for the Polymers CGU's is most sensitive to the following assumptions:

- **Primary content** - This is the proportion of target material within the infeed.
- **Primary yield** - This is the primary content multiplied by the recovery rate, which indicates what proportion of infeed has made it through to the end of the process becoming recycled polymer offtake.
- **Length of operational ramp up** - This is specific to the Avonmouth CGU which become operational in the year ended March 2022 and continues its ramp up. Management have considered a range of scenarios that could impact the time taken to reach full plant optimisation.
- **Discount rates** – Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

18 Other intangible assets

Group

	Service concession arrangements £ m	Other intangible assets £ m	Total £ m
Cost			
At 1 April 2021	101.1	3.1	104.2
Additions	0.6	13.3	13.9
Disposals	(2.4)	-	(2.4)
At 31 March 2022	99.3	16.4	115.7
At 1 April 2022	99.3	16.4	115.7
Additions	0.6	62.5	63.1
At 31 March 2023	99.9	78.9	178.8
Amortisation			
At 1 April 2021	57.0	-	57.0
Amortisation charge	2.0	0.7	2.7
Amortisation eliminated on disposals	(1.4)	(0.1)	(1.5)
At 31 March 2022	57.6	0.6	58.2
At 1 April 2022	57.6	0.6	58.2
Amortisation charge	1.9	1.8	3.7
Impairment	12.0	-	12.0
At 31 March 2023	71.5	2.4	73.9
Carrying amount			
At 31 March 2023	28.4	76.5	104.9
At 31 March 2022	41.7	15.8	57.5
At 1 April 2021	44.1	3.1	47.2

Service concession arrangements are amortised over the useful life of each contract. The weighted average remaining life is 21 years (2022: 22 years).

Other intangible asset additions include the acquisition of an intangible asset through the Thameside Energy Recovery Facility Ltd acquisition (see Note 16), representing the development rights of an ERF at Tilbury. The asset is not currently being amortised and will be reviewed for impairment when indicators are identified.

Other intangible assets also relate to computer software. Software is amortised over the useful life of the asset.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

18 Other intangible assets (continued)

The carrying values of intangible assets are reviewed when events or changes in circumstance indicate that the carrying amount may not be fully recoverable. This resulted in an impairment of £12.0 million in relation to the Glasgow recycling and renewable energy centre. See note 5.

The recoverable amount of the service concession arrangement within the Glasgow CGU has been determined based on a value in use calculation using cash flow projections from financial budgets over the length of the operating contract. The projected cash flows for the Glasgow CGU have been updated to reflect the challenges resulting from operational ramp up and increased operational costs. The pre-tax discount rate applied to cash flow projections is 6.2% (2022: 6.3%) and cash flows beyond the review period are extrapolated using an appropriate inflation curve. As a result of this analysis, management has recognised an impairment charge of £12.0m in the current year against the service concession arrangement intangible relating to the Glasgow CGU with a carrying amount of £28.4m (2022: £40.4m). As an impairment loss has been recognised in the current year the recoverable amount is equal to its carrying value at the year end and therefore any negative changes in key assumptions would result in an additional impairment loss.

The calculation of value in use is most sensitive to the following assumptions: plant availability, export capacities of the Advance Conversion Facility (ACF) and Anaerobic Digester (AD) and discount rates. Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

19 Property, plant and equipment

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

Groups of assets forming cash generating units are reviewed for indicators of impairment.

Group

	Land and buildings £ m	Fixed and mobile plant, vehicles and computers £ m	Landfill restoration £ m	Assets under construction £ m	Total £ m
Cost					
At 1 April 2021	480.2	1,651.4	111.0	141.3	2,383.9
Additions	-	0.1	0.1	89.4	89.6
Disposals	(469.0)	(293.7)	(111.1)	(15.7)	(889.5)
Transfers/reclassifications	6.3	199.3	-	(205.7)	(0.1)
At 31 March 2022	17.5	1,557.1	-	9.3	1,583.9
At 1 April 2022	17.5	1,557.1	-	9.3	1,583.9
Additions	-	-	-	26.6	26.6
Disposals	(0.2)	(3.6)	-	-	(3.8)
Transfers/reclassifications	-	26.8	-	(26.8)	-
At 31 March 2023	17.3	1,580.3	-	9.1	1,606.7
Depreciation					
At 1 April 2021	416.7	360.1	87.6	-	864.4
Charge for year	1.1	72.8	2.3	-	76.2
Eliminated on disposal	(417.8)	(211.8)	(89.9)	-	(719.5)
Impairment	-	10.9	-	-	10.9
At 31 March 2022	-	232.0	-	-	232.0
At 1 April 2022	-	232.0	-	-	232.0
Charge for the year	-	49.4	-	-	49.4
Eliminated on disposal	-	(1.1)	-	-	(1.1)
At 31 March 2023	-	280.3	-	-	280.3
Carrying amount					
At 31 March 2023	17.3	1,300.0	-	9.1	1,326.4
At 31 March 2022	17.5	1,325.1	-	9.3	1,351.9

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

20 Right of use assets

Group

	Land and buildings £ m	Fixed and mobile plant, vehicles and computers £ m	Total £ m
Cost or valuation			
At 1 April 2021	84.6	23.2	107.8
Additions	0.3	4.8	5.1
Disposals	(33.8)	(20.6)	(54.4)
At 31 March 2022	51.1	7.4	58.5
At 1 April 2022	51.1	7.4	58.5
Additions	8.4	3.7	12.1
Disposals	(0.4)	(1.7)	(2.1)
At 31 March 2023	59.1	9.4	68.5
Depreciation			
At 1 April 2021	8.9	9.7	18.6
Charge for year	3.5	4.3	7.8
Eliminated on disposal	(6.4)	(10.6)	(17.0)
Impairment charge	3.8	-	3.8
At 31 March 2022	9.8	3.4	13.2
At 1 April 2022	9.8	3.4	13.2
Charge for the year	1.6	2.5	4.1
Eliminated on disposal	(0.4)	(1.3)	(1.7)
At 31 March 2023	11.0	4.6	15.6
Carrying amount			
At 31 March 2023	48.1	4.8	52.9
At 31 March 2022	41.3	4.0	45.3

The corresponding lease liabilities are disclosed in note 30.

Short-term and low value lease rentals payable are disclosed in note 8.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

21 Financial instruments by category

Group

					Fair value through income statement	
		Fair value Derivatives used for cash flow hedging £ m	Amortised cost Debt instruments £ m	Trade receivables and trade payables £ m	Derivatives £ m	Total £ m
	Note					
31 March 2023						
Financial assets						
Trade receivables	26	-	96.7	60.9	-	157.6
Other receivables	22, 26	-	237.0	-	-	237.0
Derivative financial instruments	27	84.0	-	-	-	84.0
Cash and cash deposits	28	-	157.5	-	-	157.5
		<u>84.0</u>	<u>491.2</u>	<u>60.9</u>	<u>-</u>	<u>636.1</u>
Financial liabilities						
Borrowings	30	-	(2,518.0)	-	-	(2,518.0)
Trade and other payables	29	-	-	(117.7)	-	(117.7)
Derivative financial instruments	27	(254.2)	-	-	(99.0)	(353.2)
		<u>(254.2)</u>	<u>(2,518.0)</u>	<u>(117.7)</u>	<u>(99.0)</u>	<u>(2,988.9)</u>
					Fair value through income statement	
		Fair value Derivatives used for cash flow hedging £ m	Amortised cost Debt instruments £ m	Trade receivables and trade payables £ m	Derivatives £ m	Total £ m
	Note					
31 March 2022						
Financial assets						
Trade receivables	26	-	1,717.1	82.7	-	1,799.8
Other receivables	22, 26	-	233.7	-	-	233.7
Derivative financial instruments	27	32.5	-	-	-	32.5
Cash and cash deposits	28	-	174.6	-	-	174.6
		<u>32.5</u>	<u>2,125.4</u>	<u>82.7</u>	<u>-</u>	<u>2,240.6</u>
Financial liabilities						
Borrowings	30	-	(2,488.4)	-	-	(2,488.4)
Trade and other payables	29	-	-	(37.4)	-	(37.4)
Derivative financial instruments	27	(248.9)	-	-	(196.2)	(445.1)
		<u>(248.9)</u>	<u>(2,488.4)</u>	<u>(37.4)</u>	<u>(196.2)</u>	<u>(2,970.9)</u>

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

21 Financial instruments by category (continued)

Company

			Amortised cost	Trade	
		Debt	receivables	and trade	
		instruments	payables	payables	Total
	Note	£ m	£ m	£ m	£ m
31 March 2023					
Financial assets					
Trade receivables	22, 26	-	7.3		7.3
		-	7.3		7.3
Financial liabilities					
Trade and other payables	29	-	(101.5)		(101.5)
		-	(101.5)		(101.5)
			Amortised cost	Trade	
		Debt	receivables	and trade	
		instruments	payables	payables	Total
	Note	£ m	£ m	£ m	£ m
31 March 2022					
Financial assets					
Trade receivables	22, 26	1,315.6	8.7		1,324.3
		1,315.6	8.7		1,324.3
Financial liabilities					
Trade and other payables	29	-	(113.9)		(113.9)
		-	(113.9)		(113.9)

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

22 Other non-current assets

	Note	Group		Company	
		31 March 2023 £ m	31 March 2022 £ m	31 March 2023 £ m	31 March 2022 £ m
Amounts due from related parties	38	81.7	1,708.0	-	1,315.6
Service concession arrangements		201.5	201.0	-	-
Other prepayments and accrued income		8.3	11.4	-	-
		291.5	1,920.4	-	1,315.6

Non-current receivables were due:

	Group		Company	
	31 March 2023 £ m	31 March 2022 £ m	31 March 2023 £ m	31 March 2022 £ m
Between 1 and 2 years	44.6	48.3	-	-
Between 2 and 5 years	123.8	128.1	-	-
Over 5 years	123.1	1,744.0	-	1,315.6
	291.5	1,920.4	-	1,315.6

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

	Group		Company	
	31 March 2023 £ m	31 March 2022 £ m	31 March 2023 £ m	31 March 2022 £ m
Amounts owed by related parties	82.6	1,441.4	-	1,102.3
	82.6	1,441.4	-	1,102.3

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% (2022: 12%).

Service concession arrangements

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 2023 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.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

23 Investments in subsidiaries

Subsidiaries	£ m
Company	
Cost	
At 1 April 2021	1,953.6
Additions	<u>130.3</u>
At 31 March 2022	<u>2,083.9</u>
At 1 April 2022	<u>2,083.9</u>
At 31 March 2023	<u>2,083.9</u>
Carrying amount	
At 31 March 2023	<u><u>2,083.9</u></u>
At 31 March 2022	<u><u>2,083.9</u></u>

In June 2021, Viridor Waste Limited (a wholly owned subsidiary of the Company) issued a £1 ordinary share to the Company for consideration of £130.3 million.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

23 Investments in subsidiaries (continued)

Details of the subsidiaries as at 31 March 2023 are as follows:

Name of subsidiary	Principal activity	Country	Proportion of ownership interest and voting rights	
			2023	2022
Viridor Waste Limited *	Holding Company	England	100.0%	100.0%
Viridor Enviroscot Limited **	Dormant	Scotland	70.0%	80.0%
Raikes Lane Limited	Dormant	England	100.0%	100.0%
Viridor Waste (Greater Manchester) Limited	Dormant	England	100.0%	100.0%
Viridor Resource Management Limited ***	Marketing and export of recycled materials	England	100.0%	100.0%
Viridor Energy (Investments) Limited	Holding company	England	70.0%	80.0%
Viridor Energy (Investments One) Limited	Holding company	England	70.0%	80.0%
Viridor Energy (Investments Two) Limited	Financing company	England	70.0%	80.0%
Viridor Energy Investment Holding plc****	Dormant	England	70.0%	80.0%
Viridor (Martock) Limited	Dormant	England	100.0%	100.0%
Viridor Energy Group Limited****	Financing company	Jersey	70.0%	80.0%
Viridor Energy (Developments) Limited	Holding company	England	100.0%	100.0%
Viridor Polymer Holding Limited	Holding company	England	100.0%	100.0%
Viridor Energy Holding Limited	Holding company	England	100.0%	100.0%
Viridor Energy Holding (One) Limited	Holding company	England	100.0%	100.0%
Viridor Waste (HP) Holding Limited	Waste management services	England	100.0%	100.0%
Viridor Tees Valley Limited	Dormant	England	100.0%	100.0%
Viridor Energy (Developments One) Limited	Holding company	England	100.0%	-%
Viridor Energy (Developments Two) Limited	Holding company	England	100.0%	-%
Viridor DKY Holding Limited	Dormant	England	80.0%	-%
Viridor DKY One Limited	Dormant	England	80.0%	-%
Thameside Energy Recovery Facility Limited	Energy from waste	England	20.0%	-%
Viridor Waste (Atherton) Holdings Limited	Dormant	England	70.0%	80.0%
Viridor Waste (Atherton) Limited	Dormant	England	70.0%	80.0%
Viridor Energy Limited	Waste management activities	England	70.0%	80.0%
Viridor Avonmouth Waste Services Limited	Energy from waste	England	70.0%	80.0%

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

23 Investments in subsidiaries (continued)

Name of subsidiary	Principal activity	Country	Proportion of ownership interest and voting rights	
			2023	2022
Viridor Exeter Waste Services Limited	Energy from waste	England	70.0%	80.0%
Viridor Dunbar Waste Services Limited**	Energy from waste	Scotland	70.0%	80.0%
Viridor Oxfordshire Limited	Energy from waste	England	70.0%	80.0%
Viridor Trident Park Limited	Energy from waste	England	70.0%	80.0%
Viridor EfW (Runcorn) Limited	Energy from waste	England	70.0%	80.0%
Viridor Peterborough Limited	Operation of energy from waste facility under contract	England	70.0%	80.0%
Viridor (Glasgow) Limited **	Energy from waste	Scotland	70.0%	80.0%
Viridor South London Limited	Energy from waste	England	70.0%	80.0%
Viridor Clyde Valley Limited **	Energy from waste	Scotland	70.0%	80.0%
Viridor Polymer Recycling Limited	Recycling of waste plastic materials	England	100.0%	100.0%
Viridor Avonmouth Polymers Recycling Limited	Dormant	England	100.0%	100.0%
Harald Norway Bidco AS^*	Dormant	Norway	100.0%	-%

* indicates direct investment of the company.

The registered address for the companies above is Viridor House, Priory Bridge Road, Taunton, Somerset, TA1 1AP except for the following:

** The registered address for these companies is C/O Shepherd & Wedderburn LLP, 9 Haymarket Square, Edinburgh, Scotland, EH3 8FY.

*** The registered address for this company is First Floor Offices, Riverside House, Sir Thomas Longley Road, Medway City, Rochester, ME2 4FN.

**** The registered address for this company is 2nd Floor Sir Walter Raleigh House, 48-50 Esplanade, St Helier, Jersey, JE2 3QB.

^ The registered address for this company is C/o Intertrust (Norway) AS Wergelandsveien 7 0167 OSLO.

The voting rights are the same as the proportion of ownership in all companies except Thameside Energy Recovery Facility Limited where they are 100%.

All shares in issue are ordinary shares.

The subsidiaries that were not owned in the previous year are newly incorporated companies.

During the year the Group sold a 10% stake in its subsidiary Viridor Energy (Investments) Limited - a Holding company for the Group's established Energy Recovery Facility (ERF) operations. The total non-controlling interest in Viridor Energy (Investments) Limited is 30% (2022: 20%).

The introduction of minority partners are not expected to impact upon the Group's operations or strategic direction.

Viridor Limited**Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)****24 Investments in joint ventures**

Joint ventures	£ m
Group	
Cost	
At 1 April 2021	69.3
Share of total comprehensive income	6.9
Dividends received	<u>(7.0)</u>
At 31 March 2022	<u>69.2</u>
At 1 April 2022	69.2
Additions	9.1
Share of total comprehensive income	12.3
Dividends received	<u>(17.0)</u>
At 31 March 2023	<u>73.6</u>
Carrying amount	
At 31 March 2023	<u>73.6</u>
At 31 March 2022	<u>69.2</u>

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

24 Investments in joint ventures (continued)

Details of the group joint ventures as at 31 March 2023 are as follows:

Name of Joint-ventures	Principal activity	Country	Proportion of ownership interest and voting rights held	
			2023	2022
Lakeside Energy from Waste Holdings Limited	Energy from waste	England	50%	50%
INEOS Runcorn (TPS) Holdings Limited	Energy from waste	England	40%	40%
Ford Energy from Waste Limited	Dormant	England	50%	50%
Equitix Westfield Midco Limited	Energy from waste	Guernsey	50%	0%

- **Lakeside Energy from Waste Holdings Limited**

Share capital in issue:

1,000,000 A Ordinary shares

1,000,000 B Ordinary shares

Viridor Energy Limited owns 100% of the B Ordinary shares which equates to a 50% interest in the joint venture.

The registered office of Lakeside Energy from Waste Holdings Limited is: Thames House, Oxford Road, Benson, Oxfordshire, OX10 6LX.

- **INEOS Runcorn (TPS) Holdings Limited**

Share capital in issue:

1,000 A Ordinary shares

186,750 B1 Ordinary shares

62,250 B2 Ordinary shares

Viridor Energy Limited owns 40% of the A Ordinary shares and 100% of the B1 Ordinary shares. The Group's economic interest is 75.0% as returns from the investment are based on holdings of B1 and B2 ordinary shares.

The registered office of INEOS Runcorn (TPS) Holdings Limited is: PO Box 9, Runcorn Site Hq, South Parade, Runcorn, Cheshire, WA7 4JE.

- **Ford Energy from Waste Limited**

Share capital in issue:

2 Ordinary shares

Viridor Energy (Developments) Limited owns 50% of the ordinary shares which equates to a 50% interest in the joint venture.

The registered office of Ford Energy from Waste Limited is: Thames House, Oxford Road, Benson, Oxfordshire, OX10 6LX.

- **Equitix Westfield Midco Limited**

Share capital in issue:

4,585,968 A Ordinary shares

1 B Ordinary shares

1 C Ordinary shares

Viridor Energy (Developments One) Limited owns 50% of the A ordinary shares and 100% of the C ordinary shares which equates to a 50% interest in the joint venture.

The registered office of Equitix Westfield Midco Limited is: PO Box 119, Martello Court, Admiral Park, St Peter Port, Guernsey, GY1 3HB.

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

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

24 Investments in joint ventures (continued)

Summarised information for the Group's joint ventures:

31 March 2023

	Lakeside Energy from Waste Holdings Limited £ m	INEOS Runcorn (TPS) Holdings Limited £ m	Equitix Westfield Midco Limited £ m	Total £m
Summarised balance sheet				
Non-current assets	83.6	167.6	123.3	374.5
Current assets - Cash	18.0	12.6	6.1	36.7
Current assets - Other	12.1	11.2	17.2	40.5
Current liabilities - Financial liabilities	-	-	(130.2)	(130.2)
Current liabilities - Other	(2.3)	(8.8)	(9.4)	(20.5)
Non-current liabilities - Financial liabilities	(58.3)	(35.9)	-	(94.2)
Non-current liabilities - Other	(27.0)	(72.6)	(13.1)	(112.7)
Net assets	<u>26.1</u>	<u>74.1</u>	<u>(6.1)</u>	<u>94.1</u>
Group's economic interest in JV	50.0%	75.0%	50.0%	
Group's share in equity	13.1	55.6	(3.0)	65.7
Goodwill	-	-	7.9	7.9
Group's carrying amount of investment	<u>13.1</u>	<u>55.6</u>	<u>4.9</u>	<u>73.6</u>

31 March 2022

	Lakeside Energy from Waste Holdings Limited £ m	INEOS Runcorn (TPS) Holdings Limited £ m	Total £
Summarised balance sheet			
Non-current assets	91.6	171.3	262.9
Current assets - Cash	23.9	17.5	41.4
Current assets - Other	10.8	10.4	21.2
Current liabilities - Other	(4.9)	(7.6)	(12.5)
Non-current liabilities - Financial liabilities	(69.9)	(52.7)	(122.6)
Non-current liabilities - Other	(34.2)	(58.1)	(92.3)
Net assets	<u>17.3</u>	<u>80.8</u>	<u>98.1</u>
Group's economic interest in JV	50.0%	75.0%	
Group's share in equity	<u>8.6</u>	<u>60.6</u>	<u>69.2</u>

Included in the Group's prior year carrying amount of investments in joint ventures is a fair value adjustment of £nil.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

24 Investments in joint ventures (continued)

31 March 2023

	Lakeside Energy from Waste Holdings Limited £ m	INEOS Runcorn (TPS) Holdings Limited £ m	Equitix Westfield Midco Limited £ m
Summarised statement of comprehensive income/(loss)			
Revenue	79.7	47.6	-
EBITDA	63.4	26.7	(4.6)
Depreciation and amortisation	(8.5)	(10.5)	-
Other net interest charge	(1.4)	(4.2)	0.3
Pre tax profit/(loss)	53.5	12.0	(4.3)
Income tax expense	(10.6)	(18.6)	0.2
Other comprehensive income	-	-	(3.9)
Total comprehensive income/(loss)	42.9	(6.6)	(8.0)
Dividends paid by joint venture	(12.0)	-	-

31 March 2022

	Lakeside Energy from Waste Holdings Limited £ m	INEOS Runcorn (TPS) Holdings Limited £ m
Summarised statement of comprehensive income/(loss)		
Revenue	52.0	45.1
EBITDA	24.4	25.3
Depreciation and amortisation	(8.5)	(10.5)
Other net interest charge	(0.8)	(7.7)
Pre tax profit	15.1	7.1
Income tax expense	(6.6)	(3.6)
Total comprehensive income	8.5	3.5
Dividends paid by joint venture	(14.0)	-

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 assets/liabilities.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

25 Inventories

	Group		Company	
	31 March 2023 £ m	31 March 2022 £ m	31 March 2023 £ m	31 March 2022 £ m
Raw materials and consumables	<u>48.6</u>	<u>39.4</u>	<u>-</u>	<u>-</u>

26 Trade and other receivables

	Note	Group		Company	
		31 March 2023 £ m	31 March 2022 £ m	31 March 2023 £ m	31 March 2022 £ m
Current					
Trade receivables		49.2	74.0	1.3	-
Allowance for expected credit losses		<u>(0.1)</u>	<u>(0.9)</u>	<u>-</u>	<u>-</u>
Net trade receivables		49.1	73.1	1.3	-
Receivables from related parties	38	11.8	9.6	6.0	8.7
Loans receivable from related parties	38	15.0	9.1	-	-
Accrued income		46.4	39.4	-	-
Service concession arrangements		35.5	32.7	-	-
Other receivables and prepayments		<u>14.8</u>	<u>91.0</u>	<u>-</u>	<u>-</u>
		<u>172.6</u>	<u>254.9</u>	<u>7.3</u>	<u>8.7</u>

Prior year other receivables included £60.0m receivable for the sale of the landfill and landfill gas business which completed on 31 March 2022 (note 6). This was fully settled during the financial year ending 31 March 2023.

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.

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.

Age of trade receivables that are past due but not impaired

	Group	
	31 March 2023 £ m	31 March 2022 £ m
Not past due	45.2	57.9
Past due 1 to 30 days	3.0	8.1
Past due 31 to 120 days	0.1	5.8
Past due more than 120 days	<u>0.7</u>	<u>1.3</u>
	<u>49.0</u>	<u>73.1</u>

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.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

27 Derivative financial instruments

	Group	
	31 March 2023	31 March 2022
	£ m	£ m
Non-current financial assets		
Derivatives used for cash flow hedging	<u>62.0</u>	<u>28.4</u>
	Group	Group
	31 March 2023	31 March 2022
	£ m	£ m
Current financial assets		
Derivatives used for cash flow hedging	<u>22.0</u>	<u>4.1</u>
	Group	Group
	31 March 2023	31 March 2022
	£ m	£ m
Non-current financial liabilities		
Derivatives used for cash flow hedging	(238.8)	(245.0)
Derivatives not used in a hedge accounting relationship	<u>(47.1)</u>	<u>(72.9)</u>
	<u>(285.9)</u>	<u>(317.9)</u>
	Group	Group
	31 March 2023	31 March 2022
	£ m	£ m
Current financial liabilities		
Derivative used for cash flow hedging	(15.4)	(3.9)
Derivatives not used in a hedge accounting relationship	<u>(51.9)</u>	<u>(123.3)</u>
	<u>(67.3)</u>	<u>(127.2)</u>

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

	Group	
	31 March 2023	31 March 2022
	£ m	£ m
Assets		
Derivatives used for cash flow hedging		
Within one year	22.0	4.1
One to two years	16.8	9.1
Two to five years	28.3	13.0
After five years	<u>16.9</u>	<u>6.3</u>
	<u>84.0</u>	<u>32.5</u>

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

27 Derivative financial instruments (continued)

Liabilities	Group	
	31 March 2023 £ m	31 March 2022 £ m
Derivatives used for cash flow hedging		
Within one year	(15.1)	3.9
One to two years	(17.4)	9.1
Two to five years	(52.9)	35.0
After five years	(168.5)	200.9
	(254.2)	248.9

The Group's financial risks and risk management policies are set out in note 4. 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 (2022: £nil).

During the year a £4.5 million charge (2022: £0.1 million credit) was recognised in profit and loss relating to cash flow hedges previously recognised through other comprehensive income and recorded in the hedging reserve. A £50.5 million credit (2022: £171.2 million charge) was recognised as other comprehensive 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 2023, 94% (2022: 97%) of Group net borrowings were at fixed rate. At 31 March 2023, the Group had interest rate swaps to swap from floating to fixed rate and hedge financial liabilities with a notional value of £664 million (2022: £702 million) and a weighted average maturity of 3.6 years (2022: 4.0 years). The weighted average interest rate of the swaps for their nominal amount was 0.93% (2022: 0.93%).

RPI swaps are used to manage the inflation risk embedded in certain long-term contracts. As of 31 March 2023, the Group had RPI swaps to swap from RPI to fixed rate and hedge future cash flows with a notional value of £1,660 million (2022: £1,747 million) and a weighted average maturity of 8.61 years (2022: 7.57 years). The weighted average annual RPI value of the swaps for their nominal amount was 3.11% (2022: 3.11%).

Fair value measurement

The group uses a valuation methodology to estimate fair values, as explained in note 4.

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.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

28 Cash and cash equivalents

	Group		Company	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	£ m	£ m	£ m	£ m
Cash at bank	<u>157.5</u>	<u>174.6</u>	<u>-</u>	<u>-</u>

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

29 Trade and other payables

		Group		Company	
		31 March 2023	31 March 2022	31 March 2023	31 March 2022
	Note	£ m	£ m	£ m	£ m
Trade payables		20.8	24.1	3.3	2.4
Contract liabilities		5.1	0.2	-	-
Amounts due to related parties	38	96.9	13.3	98.2	111.5
Social security and other taxes		18.8	14.0	9.1	1.7
Accruals and other payables		<u>75.2</u>	<u>91.0</u>	<u>3.5</u>	<u>2.2</u>
		<u>216.8</u>	<u>142.6</u>	<u>114.1</u>	<u>117.8</u>

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:

	Group	
	31 March 2023	31 March 2022
	£ m	£ m
At 1 April	0.2	10.3
Revenue recognised in the year	(0.2)	(10.1)
Consideration received in advance of completion of performance obligations	<u>5.1</u>	<u>-</u>
At 31 March	<u>5.1</u>	<u>0.2</u>

All current contract liabilities are expected to be satisfied and revenue recognised within the financial year ending 31 March 2024.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

30 Loans and borrowings

		Group		Company	
	Note	31 March 2023 £ m	31 March 2022 £ m	31 March 2023 £ m	31 March 2022 £ m
Current loans and borrowings					
External borrowings		66.0	47.7	-	-
Lease liabilities		3.7	3.4	-	-
Amounts due to related parties	38	-	6.0	-	-
		<u>69.7</u>	<u>57.1</u>	<u>-</u>	<u>-</u>
Non-current loans and borrowings					
External borrowings		2,387.4	2,380.7	-	-
Lease liabilities		57.2	50.6	-	-
Amounts due to related parties	38	3.7	-	-	-
		<u>2,448.3</u>	<u>2,431.3</u>	<u>-</u>	<u>-</u>
Total borrowings		2,518.0	2,488.4	-	-
Cash and cash deposits	28	(157.5)	(174.6)	-	-
Net borrowings		<u>2,360.5</u>	<u>2,313.8</u>	<u>-</u>	<u>-</u>

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

The terms and conditions associated with the external borrowings are disclosed in note 4.

The maturity of non-current borrowings was:

	Group 2023		
	Leases £ m	Other £ m	Total £ m
Between 1 and 2 years	4.4	68.3	72.7
Between 2 and 5 years	7.6	432.9	440.5
Over 5 years	45.2	1,889.9	1,935.1
	<u>57.2</u>	<u>2,391.1</u>	<u>2,448.3</u>

	Group 2022		
	Leases £ m	Other £ m	Total £ m
Between 1 and 2 years	3.1	70.4	73.5
Between 2 and 5 years	5.4	228.2	233.6
Over 5 years	42.2	2,082.0	2,124.2
	<u>50.7</u>	<u>2,380.6</u>	<u>2,431.3</u>

The weighted average maturity of non-current borrowings was 17 years (2022: 18 years).

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

30 Loans and borrowings (continued)

The fair values of non-current borrowings were:

Group	Note	31 March 2023		31 March 2022	
		Book Value £ m	Fair Value £ m	Book Value £ m	Fair Value £ m
External borrowings		2,387.4	2,184.0	2,380.6	2,465.3
Lease liabilities		57.2	57.2	50.7	50.7
Amounts due to related parties	38	3.7	3.7	-	-
		<u>2,448.3</u>	<u>2,244.9</u>	<u>2,431.3</u>	<u>2,516.0</u>

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:

Group	1 April 2022	Cash flows	Accrued interest	Other	31 March 2023
	£ m	£ m	£ m	£ m	£ m
Current lease liabilities	3.5	(4.1)	0.1	4.2	3.7
Non-current lease liabilities	50.7	-	2.3	4.2	57.2
Current external borrowings	47.7	(53.5)	0.2	71.6	66.0
Non-current external borrowings	2,380.6	75.0	-	(68.2)	2,387.4
Current parent company loans	6.0	(2.3)	-	(3.7)	-
Non-current parent company loans	-	-	-	3.7	3.7
	<u>2,488.5</u>	<u>15.1</u>	<u>2.6</u>	<u>11.8</u>	<u>2,518.0</u>

Group	1 April 2021	Cash flows	Accrued interest	Other	31 March 2022
	£ m	£ m	£ m	£ m	£ m
Current lease liabilities	10.4	(11.9)	0.3	4.7	3.5
Non-current lease liabilities	86.5	-	2.0	(37.8)	50.7
Current external borrowings	-	-	-	47.7	47.7
Non-current external borrowings	-	2,463.9	-	(83.3)	2,380.6
Current parent company loans	10.2	-	-	(4.2)	6.0
Non-current parent company loans	1,453.2	(1,447.2)	-	(6.0)	-
	<u>1,560.3</u>	<u>1,004.8</u>	<u>2.3</u>	<u>(78.9)</u>	<u>2,488.5</u>

The 'Other' column includes the disposal of liabilities relating to discontinued activities (see note 6), the netting of balances payable against balances receivable, the effect of reclassification of non-current portion of borrowings and debt issue cost movements within external borrowings.

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

The group's exposure to market and liquidity risks, including maturity analysis, relating to loans and borrowings is disclosed in note 4 "Financial risk review".

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

31 Pension and other schemes

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

Viridor has not actively participated in the Greater Manchester Pension Fund (GMPF) since the exit from the Manchester contract in 2019 and an agreement was reached in the year over the surplus on exit. A settlement loss of £35.8 million appears in the income statement, equal to the uncapped surplus, with an offsetting amount in other comprehensive income.

Prior to the settlement agreement the assets of the pension schemes were held in separate trustee administered funds. The trustees of the funds were required to act in the best interest of the funds' beneficiaries. The appointment of schemes' trustees was determined by the schemes' trust documentation.

Defined contribution pension scheme

Pension costs for the defined contribution scheme was £2.2 million (2022: £6.2 million) of which £0.4 million was accrued at 31 March 2023 (2022: £0.8 million).

Defined benefit pension schemes

During 2022, as part of the sale of our collections business and a number of recycling assets to Biffa Waste Services Limited, one of the Group's two defined benefit pension schemes, including full responsibility for the related assets and liabilities, was transferred to Biffa Waste Services Limited. As a result of the transfer the Group recognised a settlement loss of £1.8 million, which represented the scheme assets at the date of transfer.

The disclosures below reflect the single scheme in which the Group participated at the settlement date (2022: reporting date).

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the settlement date (2022: statement of financial position date) were as follows:

	31 March 2023 %	31 March 2022 %
Discount rate	5.30	2.70
Future salary increases	3.20	3.50
Future pension increases	3.20	3.50
Inflation	3.80	4.10

Post retirement mortality assumptions

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

	31 March 2023 Years	31 March 2022 Years
Future UK pensioners at retirement age - male	21.50	21.50

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

31 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position were as follows:

	31 March 2023 £ m	31 March 2022 £ m
Fair value of scheme assets	-	88.6
Present value of scheme liabilities	-	(65.1)
Surplus of funded plans	-	23.5
Impact of minimum funding asset ceiling	-	(23.5)
Defined benefit pension scheme surplus/(deficit)	-	-

Scheme assets

Changes in the fair value of scheme assets are as follows:

	31 March 2023 £ m	31 March 2022 £ m
Fair value at start of year	88.6	89.5
Interest income	1.2	1.7
Return on plan assets, excluding amounts included in interest income/(expense)	(12.8)	5.7
Service cost effect of settlement	(77.0)	-
Employer contributions	-	0.1
Assets distributed on settlements	-	(8.4)
Fair value at end of year	-	88.6

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	31 March 2023 £ m	31 March 2022 £ m
Present value at start of year	88.6	89.5
Service cost effect of settlement	(41.2)	-
Current service cost	-	0.1
Actuarial gains and losses arising from changes in financial assumptions	(24.8)	(2.2)
Actuarial gains and losses arising from experience adjustments	-	(0.9)
Interest cost	0.9	1.4
Liabilities extinguished on settlements	-	(6.6)
Changes in the effect of limiting a net defined benefit asset to the asset ceiling	(23.5)	7.3
Present value at end of year	-	88.6

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

31 Pension and other schemes (continued)

Effect of asset ceiling

At 31 March 2022, the Group's pension scheme was 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'.

A reconciliation of the effect of the asset ceiling was as follows:

	31 March 2023 £ m	31 March 2022 £ m
Opening balance	23.5	16.2
Interest cost	0.3	0.3
Disposal of scheme in surplus	(35.8)	(0.9)
Actuarial gains	12.0	7.9
Closing balance	<u>-</u>	<u>23.5</u>

Risks

Through the defined benefit pensions plan, the Group was exposed to a number of risks, of which the most financially significant were likely to be:

Investment risk

Lower than expected investment returns

Salary risk

Higher than expected actual inflation and salary increase experience

Life expectancy risk

Members living for longer than expected

Net deficit

The risk that movements in the Plan's liabilities were not met by corresponding movements in the value of assets

Sensitivity analysis

The sensitivity analysis 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 2022 were as follows:

	Change in assumption	Impact on schemes' liabilities
Rate of increase in pensionable pay	+/-0.5%	-
Rate of increase for current and future pensions	+/-0.5%	+/-8.4%
Rate used to discount schemes' liabilities	+/-0.5%	-/+8.4%
Inflation	+/-0.5%	+/-8.4%
Life expectancy	+/-1 year	+/-4.5%

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

31 Pension and other schemes (continued)

Asset investment strategies

In conjunction with its investment advisers, the trustees invested 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 reviewed their investment strategy in light of revised terms and nature of the liabilities.

The major categories of scheme assets were as follows:

	31 March 2023 £ m	31 March 2022 £ m
Equity instruments	-	61.1
Debt instruments	-	14.2
Property	-	7.1
Other	-	6.2
	-	88.6

Other assets at 31 March 2022 represented holdings of low risk assets including gilts and cash.

Other relevant matters

The liabilities of the defined benefit schemes were 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 were expected to be settled primarily in the period between 15 and 40 years from the balance sheet date.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

32 Other provisions

Group

	Other provisions £ m	Total £ m
At 1 April 2022	6.9	6.9
Additional provisions	4.0	4.0
At 31 March 2023	<u>10.9</u>	<u>10.9</u>
Non-current liabilities	<u>1.4</u>	<u>1.4</u>
Current liabilities	<u>9.5</u>	<u>9.5</u>

Other provisions

Other provisions include amounts provided during the year in respect of the indemnification in relation to and the conduct of proceedings relating to the incidents, occurring in the year ended 31 March 2020, at Bovey Tracey and Earls Barton. It also includes amounts provided by the Group in relation to nuisance claims and potential claims under sale and purchase agreements which are considered to be the best estimate of the amounts that might be finally settled. The expected cash outflow is within the next 12 months and there is no disclosure of the assumptions on the basis that further disclosure could be detrimental to the Group. Other provisions also include provisions for dilapidations.

33 Share capital

Allotted, called up and fully paid shares

	31 March 2023		31 March 2022	
	No. m	£ m	No. m	£ m
Ordinary shares of £1 each	<u>898.2</u>	<u>898.2</u>	<u>898.2</u>	<u>898.2</u>

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

34 Share-based payments

Management Equity Plan

Scheme details and movements

Executive directors and senior management receive B ordinary shares of £0.01 in the capital of Planets Topco Limited. The B shares as a class comprise a non-voting 6.64% interest in the ordinary equity of Planets Topco Limited and they rank pari passu with the ordinary A shares. The shares can be subscribed by means of a management loan.

The vesting period is the time between the service commencement date and the vesting date, which is considered when there is a change of control transaction or the transfer of at least 50% of the Viridor Limited group. The scheme is equity settled with no choice or history of cash settlement.

Subscription monies received are held in a bare trust on behalf of Planets Topco Limited.

The movements in the number of shares granted during the year were as follows:

	31 March 2023	31 March 2022
	Number	Number
At 1 April	64,891.0	30,987.0
Granted during the period	-	33,904.0
Forfeited during the period	(4,150.0)	-
At 31 March	<u>60,741.0</u>	<u>64,891.0</u>

The movements in the weighted average exercise price of shares granted during the year were as follows:

	31 March 2023	31 March 2022
	£	£
At 1 April	91.74	90.36
Granted during the period	-	93.00
At 31 March	<u>91.74</u>	<u>91.74</u>

Fair value of options granted

The fair value of the shares is estimated at the grant date using a Monte Carlo option pricing/valuation model, taking into account the terms and conditions on which the shares were granted. There were no new shares granted during the year, (2022: fair value £655.1) and the main inputs are set out in the table below.

	31 March 2023	31 March 2022
Expected volatility (%)	-	22.00
Option life in years	-	5.10
Risk-free interest rate (%)	<u>-</u>	<u>0.70</u>

The charge for the year is £7.1m (2022: £4.3m).

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

35 Non-controlling interests

During the year the group sold a 10% (2022: 20%) stake in its subsidiary Viridor Energy (Investments) Limited - a holding company for the Group's established Energy Recovery Facility (ERF) business. The total non-controlling interest in Viridor Energy (Investments) Limited is 30% (2022: 20%).

Viridor Energy (Investments) Limited owns Viridor Energy (Investment One) Limited. Viridor Energy (Investments One) Limited prepares consolidated group accounts, and by virtue of this holding, Viridor Limited sold a non-controlling interest in this sub group. The information relating to the consolidated Viridor Energy (Investments One) Limited group, for the period after the non-controlling interest arose, is reported below.

During the year, the Group made an investment of £12m for acquisition of 20% of the total issued share capital of Thameside Energy Recovery Facility Limited. The Group would also purchase the remaining 80% of the total issued share capital of Thameside Energy Recovery Facility Limited at a price of £46m, on meeting certain conditions as specified in the Share Purchase and Shareholders' Agreement ("SPA").

	Viridor Energy (Investments One) Limited Group 31 March 2023 £m 30%	Thameside Energy Recovery Facility Limited 31 March 2023 £m 80%	Viridor Energy (Investments) Limited 31 March 2023 £m 30%	Total 31 March 2023 £m
NCI percentage				
Non-current assets	1,643.1	57.5	-	1,700.6
Current assets	287.7	-	-	287.7
Non-current liabilities	(2,782.5)	-	-	(2,782.5)
Current liabilities	(206.8)	-	-	(206.8)
Net (liabilities)/assets	(1,058.5)	57.5	-	(1,001.0)
Net assets attributable to NCI	(317.5)	46.0	-	(271.5)
Revenue	599.8	-	-	599.8
Profit/(loss)	254.6	-	-	254.6
OCI	34.5	-	-	34.5
Total comprehensive income	289.1	-	-	289.1
Profit/(loss) allocated to NCI	78.1	-	-	78.1
OCI allocated to NCI	4.0	-	-	4.0
Total comprehensive income allocated to NCI	82.1	-	-	82.1
Cash flows from operating activities	208.4	-	-	208.4
Cash flows from investing activities	7.4	-	-	7.4
Cash flows from financing activities	(251.6)	-	-	(251.6)
Net decrease in cash and cash equivalents	(35.8)	-	-	(35.8)
Dividends to NCI	-	-	58.4	58.4

It is not possible to calculate the profit and OCI allocated to NCI by applying the NCI % this is due to the increases in non-controlling interest ownership occurring part way through both years.

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

35 Non-controlling interests (continued)

	Viridor Energy (Investments One) Limited Group 31 March 2022 £m 20%	Total 31 March 2022 £m
NCI percentage		
Non-current assets	1,628.7	1,628.7
Current assets	320.6	320.6
Non-current liabilities	(310.9)	(310.9)
Current liabilities	(2,786.5)	(2,786.5)
Net liabilities	<u>(1,148.1)</u>	<u>(1,148.1)</u>
Net assets attributable to NCI	<u>(229.7)</u>	<u>(229.7)</u>
Revenue	<u>470.2</u>	<u>470.2</u>
Profit/(loss)	(116.3)	(116.3)
OCI	(127.6)	(127.6)
Total comprehensive expense	<u>(243.9)</u>	<u>(243.9)</u>
Profit/(loss) allocated to NCI	(18.6)	(18.6)
OCI allocated to NCI	(4.5)	(4.5)
Total comprehensive income allocated to NCI	<u>(23.1)</u>	<u>(23.1)</u>
Cash flows from operating activities	203.0	203.0
Cash flows from investing activities	159.9	159.9
Cash flows from financing activities	(256.4)	(256.4)
Net increase in cash and cash equivalents	<u>106.5</u>	<u>106.5</u>

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

36 Contingent liabilities

Group

Other contractual and litigation uncertainties

A possible obligation exists relating to a potential claim for construction related activity at a plant. There is no disclosure of the assumptions for the contingent liability on the basis that further disclosure could be detrimental to the Group.

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 2023 of the following subsidiaries, since these companies qualify for exemption:

- Viridor Waste Limited
- Viridor Energy (Investments) Limited
- Viridor Waste (HP) Holding Limited
- Viridor Waste (Greater Manchester) Limited
- Raikes Lane Limited
- Viridor Energy Holding Limited
- Viridor Energy Holding (One) Limited
- Viridor Energy (Developments) Limited
- Viridor Polymer Holding Limited
- Viridor Resource Management Limited
- Viridor Polymer Recycling Limited
- Viridor Energy (Developments One) Limited
- Viridor Energy (Developments Two) Limited
- Thameside Energy Recovery Facility Limited

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

37 Commitments

Group

Capital commitments

The total amount contracted for but not provided in the financial statements was £nil million (2022: £1 million).

38 Related party transactions

Key management personnel

Key management have been determined to be the Executive Leadership Team (ELT) by virtue of their authority and responsibility for planning, directing and controlling the activities of the Group. This includes statutory directors of the Group (together referred to as "directors").

Payments to directors:	2023	2022
	£ m	£ m
Short-term employee benefits	5.9	3.5
Post-employment benefits	<u>0.1</u>	<u>0.1</u>
	<u>6.0</u>	<u>3.6</u>

The cost of share-based payments represents the amount charged to the income statement.

During the year nine key management personnel were members of the Group's defined contribution pension scheme (2022: nine).

In respect of the highest paid director:

	2023	2022
	£ m	£ m
Total amount of emoluments and amounts (excluding shares) receivable under long term incentive schemes	<u>1.4</u>	<u>1.0</u>

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

38 Related party transactions (continued)

During the year, the Group companies entered into transactions with related parties who are not members of the Group. The related party categorisation is based upon the the relationship that existed as at 31 March ["Parent" relates to both direct and indirect parent companies].

Income and receivables from related parties

Related party sales of goods and services are undertaken at normal commercial terms and conditions that would also be available to unrelated third parties.

The 'Parent' provision of loan finance receivables represents loans due for repayment by 2032. Interest is charged at 2.5% + Sonia.

The provision of joint venture finance receivables represent loans due for repayment through to 2034. Interest is charged at an average rate of 12% (2022: 12%).

Group

		Total £ m	Parent £ m	Joint ventures £ m
2023	Note			
Income statement transactions:				
Sale of goods and services		31.2	-	31.2
Income from provision of loan finance		42.8	38.8	4.0
		<u>74.0</u>	<u>38.8</u>	<u>35.2</u>
Statement of financial position balances:				
Current				
Amounts receivable from parent - trading balance	26	<u>11.8</u>	-	<u>11.8</u>
Amount receivable from parent - provision of loan finance	26	<u>15.0</u>	-	<u>15.0</u>
Non-current				
Amount receivable from parent - provision of loan finance	29	<u>81.7</u>	-	<u>81.7</u>
2022	Note	Total £ m	Parent £ m	Joint ventures £ m
Income statement transactions:				
Sale of goods and services		28.5	-	28.5
Income from provision of loan finance		6.8	-	6.8
		<u>35.3</u>	-	<u>35.3</u>
Statement of financial position balances:				
Current				
Amounts receivable from related party - trading balance	26	<u>9.6</u>	-	<u>9.6</u>
Amounts receivable from related party - provision of loan finance	26	<u>9.1</u>	-	<u>9.1</u>
Non-current				
Amount receivable from related party - provision of loan finance	22	<u>1,708.0</u>	<u>1,669.8</u>	<u>38.2</u>

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

38 Related party transactions (continued)

Expenditure with and payables to related parties

Group

Related party expenditure in relation to goods and services are undertaken at normal commercial terms and conditions that would also be available to unrelated third parties.

Charges for management services are provided at cost.

2023	Note	Total £ m	Parent £ m	Joint ventures £ m
Income statement transactions:				
Purchase of goods		22.1	-	22.1
Rendering of services		5.7	5.7	-
Dividends paid		2,088.8	2,088.8	-
		<u>2,116.6</u>	<u>2,094.5</u>	<u>22.1</u>
Statement of financial position balances:				
Current				
Amounts payable to related party - trading balance	29	<u>96.9</u>	<u>93.9</u>	<u>3.0</u>
Non-current				
Amounts payable to related party - provision of loan finance	30	<u>3.7</u>	<u>3.7</u>	<u>-</u>
2022	Note	Total £ m	Parent £ m	Joint ventures £ m
Income statement transactions:				
Purchase of goods		20.2	-	20.2
Dividends paid		54.4	54.4	-
Payments for provision of loan finance		18.8	18.8	-
		<u>93.4</u>	<u>73.2</u>	<u>20.2</u>
Statement of financial position balances:				
Current				
Amounts payable to related party - trading balance	29	<u>13.3</u>	<u>9.6</u>	<u>3.7</u>
Amounts payable to related party - provision of loan finance	30	<u>6.0</u>	<u>6.0</u>	<u>-</u>

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

38 Related party transactions (continued)

Income and receivables from related parties - Company

Related party sales of goods and services are undertaken at normal commercial terms and conditions that would also be available to unrelated third parties.

The 'Parent' provision of loan finance receivables represents loans due for repayment by 2032. Interest is charged at 2.5% + Sonia.

2023	Note	Total £ m	Parent £ m	Subsidiary £ m
Income statement transactions:				
Dividends received		747.7	-	747.7
Income from provision of loan finance	11	27.8	27.8	-
		<u>775.5</u>	<u>27.8</u>	<u>747.7</u>
Statement of financial position balances:				
Current				
Amounts receivable from related party - trading balance	26	6.0	6.0	-
		<u>6.0</u>	<u>6.0</u>	<u>-</u>
2022	Note	Total £ m	Parent £ m	Subsidiary £ m
Income statement transactions:				
Dividends received		2,126.6	-	2,126.6
Income from provision of loan finance	11	13.7	13.7	-
		<u>2,140.3</u>	<u>13.7</u>	<u>2,126.6</u>
Statement of financial position balances:				
Current				
Amounts receivable from related party - trading balance	26	8.7	3.9	4.8
		<u>8.7</u>	<u>3.9</u>	<u>4.8</u>
Non-current				
Amount receivable from related party - provision of loan finance	22	1,315.6	1,315.4	0.2
		<u>1,315.6</u>	<u>1,315.4</u>	<u>0.2</u>

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

38 Related party transactions (continued)

Expenditure with and payables to related parties - Company

Related party expenditure in relation to goods and services are undertaken at normal commercial terms and conditions that would also be available to unrelated third parties.

The provision of loan finance payables relate to the provision of funding from fellow subsidiaries of Planets UK Midco Limited to support capital projects across the Group. Interest is charged at fixed rates between 1.1% and 6.75% and the loans are due for final repayment between 31/03/2036 and 31/03/2045.

2023	Note	Total £ m	Parent £ m	Subsidiary £ m
Income statement transactions:				
Rendering of services		5.7	5.7	-
Dividends paid		2,088.8	2,088.8	-
		<u>2,094.5</u>	<u>2,094.5</u>	<u>-</u>
Statement of financial position balances:				
Current				
Amounts payable to related party - trading balance	29	<u>98.2</u>	<u>-</u>	<u>98.2</u>
		<u>98.2</u>	<u>-</u>	<u>98.2</u>
		<u>98.2</u>	<u>-</u>	<u>98.2</u>
2022	Note	Total £ m	Parent £ m	Subsidiary £ m
Income statement transactions:				
Dividends paid		54.4	54.4	-
Payment for provision of loan finance	11	31.1	31.1	-
		<u>85.5</u>	<u>85.5</u>	<u>-</u>
Statement of financial position balances:				
Current				
Amounts payable to related party - trading balance	29	<u>111.5</u>	<u>-</u>	<u>111.5</u>
		<u>111.5</u>	<u>-</u>	<u>111.5</u>
		<u>111.5</u>	<u>-</u>	<u>111.5</u>

Viridor Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

39 Parent and ultimate parent undertaking

The company's immediate parent is Planets UK Bidco Limited.

The most senior parent entity producing publicly available financial statements is Planets UK Midco Limited. These financial statements are available upon request from 11th floor, 200 Aldersgate Street, London, United Kingdom, EC1A 4HD.

The ultimate controlling party is KKR Planets Aggregator L.P. by virtue of its shareholding in Planets Topco Limited.

40 Non adjusting events after the financial period

Acquisition

In February 2023 Viridor announced a formal offer to acquire Quantafuel ASA. This reflects Viridor's ambition to lead innovation in the plastics recycling sector and deliver full circularity in all four major plastics by 2025. Quantafuel's plastics to liquids process converts waste plastics into a raw material, comparable to virgin fossil fuel derived refined products. This material can be used in the chemicals industry for the production of new plastics.

The initial percentage of voting equity interests acquired was 80.8%, control was gained on 30 April 2023 and the consideration was 6.38 NOK per share.

Due to the proximity of the completion of the acquisition to the authorisation of these financial statements, the initial accounting (including identification of assets and liabilities acquired) is not yet complete, and further disclosures are required under IFRS 3 will be presented in the 31 March 2024 financial statements.