

Registered Number: 1196767

VIRIDOR WASTE WOOTTON LIMITED

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



VIRIDOR WASTE WOOTTON LIMITED

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

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VIRIDOR WASTE WOOTTON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2005

The Directors present their report and the audited financial statements for the year ended 31 March 2005.

RESULTS AND DIVIDENDS

The trading results are set out in the accompanying financial statements. The loss after taxation and dividends of the Company for the year to 31 March 2005 of £57,000 (2004 £411,000 profit) has been transferred from reserves.

An interim dividend of 2.01p per ordinary share was paid on 8 December 2004 (totalling £70,350) (2004 nil).

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

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

Following the closure of the Company's landfill site in July 2001, the Company is investigating other operating opportunities in the waste management business. The profit arising in 2005 derives from share of profits arising on land subject to rolling planning consents at the Company's Grange Park site.

DIRECTORS AND DIRECTORS' INTERESTS

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

M Hellings

B S Hurley

J R Cardwell

D B Robertson

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

Of the Directors holding office at 31 March 2005, Messrs M Hellings and D B Robertson are Directors of Viridor Waste Limited and their interests in the Ordinary shares of Pennon Group Plc are disclosed in the financial statements of Viridor Waste Limited.

VHRIDOR WASTE WOOTTON LIMITED

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

The interests in the Ordinary shares of Pennon Group Plc of the other Directors holding office at the end of the year were as follows:

	<u>Ordinary shares</u> <u>of £1.11 each</u>		<u>1 April</u> <u>2004</u>	<u>Options over Ordinary shares</u>			<u>31 March</u> <u>2005</u>
	<u>31 March 2005</u>	<u>1 April 2004</u>		<u>Exercised</u> <u>in period</u>	<u>Granted</u> <u>in period</u>	<u>Lapsed</u> <u>in period</u>	
J R Cardwell	734*	-	-	-	-	-	-
B S Hurley	7,784*	2,783*	1,812	792	-	-	1,020

*In addition Mr B S Hurley had a contingent interest on 1 April 2004 in 13,589 shares and on 31 March 2005 in 15,876 shares and Mr J R Cardwell had a contingent interest in 10,910 shares on 31 March 2005, representing the maximum number of shares to which they would become entitled under the Pennon Group Restricted Share Plan if all the relevant criteria are met. During the year, all the shares awarded to Directors under the 2000 and 2001 awards vested on 27 May 2004 and 13 September 2004, respectively. Fifty per cent of the shares awarded in 2002 to Directors vested because the performance condition has been partially met.

At 1 April 2004, Messrs Cardwell and Hurley also had conditional interests in 4,519 and 4,387 shares respectively and on 31 March 2005 in 6,991 and 6,805 shares respectively under the terms of the Pennon Group Annual Incentive Bonus Plan, representing the maximum number of shares to which they would usually become entitled if they remain employed by the Pennon Group for a further three years from the date of the awards. All the shares awarded to Directors under the 2002 awards have vested as the criterion has been met.

During the year the Directors received dividends on the above shares in accordance with the conditions of the Pennon Group Restricted Share Plan and the Pennon Group Annual Incentive Bonus Plan.

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

ENVIRONMENTAL

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

PAYMENTS TO SUPPLIERS

The Company has a variety of payment terms with its suppliers. For the year ending 31 March 2006 the payment terms for its business transactions will continue to be settled when agreeing the other terms negotiated with its suppliers. The Company endeavours to make payment in line with those agreed terms, subject to the terms and conditions being met by the supplier. The average creditor days for the year ended 31 March 2005 was 4.

VIRIDOR WASTE WOOTTON LIMITED

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

AUDITORS

In accordance with Section 386 of the Companies Act 1985, the Company passed an elective resolution on 10 February 2004, whereby it dispensed with the obligation to appoint auditors annually. PricewaterhouseCoopers LLP have indicated their willingness to continue as auditors.

ANNUAL GENERAL MEETING

In accordance with Sections 252 and 366A of the Companies Act 1985, the Company passed elective resolutions on 16 November 1992, whereby it dispensed with the laying of accounts and reports before the Company in general meetings, and dispensed with the holding of annual general meetings.

By Order of the Board



M L HEELEY
Secretary

23 NOVEMBER 2005

VIRIDOR WASTE WOOTTON LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the Auditors' Statement of Auditors' Responsibilities set out on page 5, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the financial statements.

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The Directors consider that in preparing the financial statements on pages 6 to 15, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and hence to prevent and detect fraud and other irregularities.

VIRIDOR WASTE WOOTTON LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VIRIDOR WASTE WOOTTON LIMITED

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention and the accounting policies, set out on pages 8 and 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

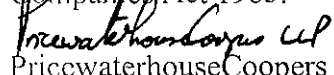
BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants
and Registered Auditors

31 Great George Street
BRISTOL
BS1 5QD

23 November 2005

VIRIDOR WASTE WOOTTON LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2005

	Notes	2005 £000	2004 £000
Turnover	2	-	86
Operating costs	3	30	1
		<hr/>	<hr/>
Operating profit	2	30	87
Net interest payable	4	(17)	(1)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2	13	86
Tax on profit on ordinary activities	5	-	325
		<hr/>	<hr/>
Profit on ordinary activities after taxation		13	411
Dividends	6	(70)	-
		<hr/>	<hr/>
(Loss)/profit on ordinary activities after taxation transferred (from)/to reserves	15	(57)	411
		<hr/>	<hr/>

A statement of movements in reserves is given in note 15.

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

The notes on pages 8 to 15 form part of these financial statements.

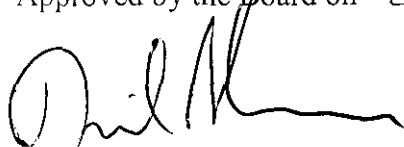
VRIDOR WASTE WOOTTON LIMITED

BALANCE SHEET as at 31 March 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Tangible assets	8	8	-
Other investments	9	225	225
		<hr/>	<hr/>
		233	225
Current assets			
Debtors: amounts falling due after more than one year	10	3,463	3,463
Debtors: amounts falling due within one year	11	1,320	838
Cash at bank and in hand		139	860
		<hr/>	<hr/>
		4,922	5,161
Current liabilities			
Creditors: amounts falling due within one year	12	(6)	(14)
		<hr/>	<hr/>
Net current assets		4,916	5,147
		<hr/>	<hr/>
Total assets less current liabilities		5,149	5,372
Provisions for liabilities and charges	13	(1,017)	(1,183)
		<hr/>	<hr/>
Net assets		4,132	4,189
		<hr/>	<hr/>
Capital and reserves			
Called-up share capital	15	3,500	3,500
Profit and loss account	16	632	689
		<hr/>	<hr/>
Shareholders' funds	17	4,132	4,189
		<hr/>	<hr/>

The notes on pages 8 to 15 form part of these financial statements.

Approved by the Board on 23 November 2005 and signed on its behalf by:



D B ROBERTSON
Director

NOTES TO THE FINANCIAL STATEMENTS

1. **Accounting policies**

a Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain short leasehold property and in compliance with all applicable accounting standards and with the Companies Act 1985.

b Turnover

Turnover, excluding Value Added Tax, represents the income receivable in the ordinary course of business for services provided.

c Cash flow statement

The Company is exempt from the requirement to prepare a cash flow statement. It is a wholly owned subsidiary and its ultimate parent company Pennon Group Plc prepares a consolidated cash flow statement including the cash flows of Viridor Waste Wootton Limited.

d Tangible fixed assets and depreciation

(i) Landfill sites

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

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

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

(ii) Planning and development costs

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

(iii) Other assets (including plant, equipment and vehicles).

Other assets are stated at cost less accumulated depreciation. Other assets are depreciated evenly over their estimated economic lives, which are principally as follows:

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (cont'd)

d Tangible fixed assets and depreciation (cont'd)

Buildings	Over the period of the lease
Fixed plant, machinery and equipment	10 years
Office equipment, furniture and fittings	4 – 10 years
Vehicles, mobile plant and computers	3 – 10 years

e Fixed asset investments

Fixed asset investments are stated at cost less provisions for diminution in value.

f Taxation

Tax payable on profits for the year is provided at current rates. Tax deferred or accelerated as a result of timing differences between the treatment of certain items for taxation and for accounting purposes is provided in full. Where the effect of the time value of money is material the current amount of the reversals of tax deferred is discounted to its present value. The unwinding of the discount to present value is included in the tax charge.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be suitable taxable profits against which the deferred tax asset can be recovered in future periods.

g Landfill restoration and environmental costs

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

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

2. Segmental information

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

NOTES TO THE FINANCIAL STATEMENTS

3. Operating costs

	2005 £000	2004 £000
Auditors' remuneration	1	1
Other external income	(31)	(2)
Landfill restoration and environmental costs	-	(47)
Rates	-	47
	<u>(30)</u>	<u>(1)</u>

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

Other external income arises from share of profits arising on land subject to rolling planning consents at the Company's Grange Park site.

4. Net interest payable

	2005 £000	2004 £000
Interest receivable:		
Bank interest	28	46
Unwinding of discount in provisions (note 12)	(45)	(47)
	<u>(17)</u>	<u>(1)</u>

5. Tax on profit on ordinary activities

	2005 £000	2004 £000
(a) <u>Analysis of charge in year</u>		
<i>Current tax</i>		
UK corporation tax at 30%		
- prior year	-	(21)
Amounts receivable in respect of tax losses surrendered to Pennon Group companies in respect of:		
- prior years	-	(304)
	<u>-</u>	<u>(325)</u>
Total current tax (note b)	<u>-</u>	<u>(325)</u>

NOTES TO THE FINANCIAL STATEMENTS5. Tax on profit on ordinary activities (cont'd)(b) Factors affecting tax charge for the year

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

	2005 £000	2004 £000
Profit on ordinary activities before tax	13	86
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK (30%)	4	26
<i>Effects of:</i>		
Depreciation for year above capital allowances	(2)	(3)
Other timing differences	(24)	(71)
Adjustments to tax charge in respect of previous years	-	(325)
Group relief charged at less than full rate	22	48
Current tax charge for year (note a)	-	(325)

6. Dividends

	2005 £000	2004 £000
Interim dividend of £0.0201 per Ordinary Share (2004 £nil)	70	-
Total dividends paid	70	-

7. Directors' emoluments

The Directors received no emoluments for their services to the company in the year (2004: nil)

NOTES TO THE FINANCIAL STATEMENTS

8. Tangible fixed assets

	Short term leasehold property £000	Plant and equipment £000	Total £000
Cost or valuation:			
At 1 April 2004	1,369	-	1,369
Additions	8	-	8
	<hr/>	<hr/>	<hr/>
At 31 March 2005	1,377	-	1,377
	<hr/>	<hr/>	<hr/>
Depreciation:			
At 1 April 2004	1,369	-	1,369
	<hr/>	<hr/>	<hr/>
At 31 March 2005	1,369	-	1,369
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31 March 2005	8	-	8
	<hr/>	<hr/>	<hr/>
At 31 March 2004	-	-	-
	<hr/>	<hr/>	<hr/>

Following the acquisition of the Company on 12 December 1997 certain short leasehold property was revalued by the Directors at £923,000 based on the market value (existing use basis) of the properties and reducing its net book value by £293,000. The Company has followed the transitional provisions of Financial Reporting Standard 15 'Tangible Fixed Assets' and has not adopted a policy of revaluation. Accordingly, these valuations will not be updated. If these leasehold assets had not been revalued they would have been included at their historic cost value as follows:

	Assets included at valuation		Historic cost	
	2005 £000	2004 £000	2005 £000	2004 £000
Short leasehold property:				
Cost or valuation	1,377	1,369	2,481	2,473
Accumulated depreciation	(1,369)	(1,369)	(2,473)	(2,473)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value	8	-	8	-
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS9. Other investments

	2005 £000	2004 £000
Monies on deposit	225	225

These are amounts held on deposit, which are not under the Company's control but which are ultimately payable to the Company pending completion of obligations arising from its operations under leases and other agreements.

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

	2005 £000	2004 £000
Amounts owed by fellow subsidiary	3,463	3,463

11. Debtors: amounts falling due within one year

	2005 £000	2004 £000
Trade debtors	1	11
Amounts owed by fellow subsidiary undertakings	1,316	804
Prepayments and accrued income	1	2
Corporation tax	-	21
Other taxation and social security	2	-
	1,320	838

12. Creditors: amounts falling due within one year

	2005 £000	2004 £000
Trade creditors	2	5
Amounts owed to parent undertakings	-	5
Amounts owed to fellow subsidiary undertakings	4	4
	6	14

NOTES TO THE FINANCIAL STATEMENTS

13. Provisions for liabilities and charges

	At 1 April 2004 £000	Charged against profits £000	Utilised in year £000	At 31 March 2005 £000
Landfill restoration and environmental provisions	1,183	45	(211)	1,017
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Environmental and landfill restoration provisions will be utilised over the period 2004 to 2031. The provisions have been established assuming current waste management technology based upon estimated costs at future prices, which have been discounted to present value. Included in the amount charged against profit is the unwinding of discount in provisions of £45,000 (2004 £47,000).

14. Deferred tax asset

	2005 £000	2004 £000
Depreciation in excess of capital allowances	7	10
Other timing differences	71	94
	<u> </u>	<u> </u>
Deferred tax asset	78	104
	<u> </u>	<u> </u>

Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that there will be suitable taxable profits against which the deferred tax asset can be recovered in future periods. The Company's landfill site closed in July 2001 and while future expenditure on landfill restoration will be eligible for tax relief the Company will receive no value for these allowances in accordance with the Pennon Group policy for group relief payments and hence the deferred tax asset has not been recognised.

15. Called-up share capital

	2005 £000	2004 £000
Authorised		
4,000,000 Ordinary shares of £1 each	4,000	4,000
	<u> </u>	<u> </u>
	2005 £000	2004 £000
Allotted, called-up and fully paid		
3,500,011 Ordinary shares of £1 each	3,500	3,500
	<u> </u>	<u> </u>