

SAFEWASTE LIMITED

Registered Number 2485860

REPORT AND ACCOUNTS

YEAR ENDED 31 MARCH 2001



SAFEWASTE LIMITED

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SAFEWASTE LIMITED DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 31 March 2001.

PRINCIPAL ACTIVITY

The principal activity of the Company continues to be the operation of landfill sites, recycling and the provisions of skip hire services.

TRADING RESULTS AND DIVIDENDS

The profit on ordinary activities before taxation for the year ended 31 March 2001 was £167,000 (2000: £270,000). The Directors recommended that no dividend be paid in respect of the year ended 31 March 2001 (2000:£nil). The profit transferred to reserves for the year was £108,000 (2000: £231,000).

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who held office during the year were as follows:-

M C E Averill
D J Downes
J R Meredith
M J Clarke

None of the Directors had a direct interest in the share capital of the Company. Messrs Averill, Downes and Meredith are also Directors of Shanks Group plc and accordingly their interests in the share capital of that company are disclosed in its accounts. The interests of Mr M J Clarke in the share capital of Shanks Group plc are disclosed in the accounts of Shanks Waste Services Limited. The Directors had no interests in the shares of any other company in the Group.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

SAFEWASTE LIMITED
DIRECTORS' REPORT - continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EMPLOYMENT POLICIES

There is a continuing commitment in the Company to provide employees with information and undertake consultation on matters of concern to them with a view to ensuring an awareness of the financial and economic factors affecting the performance of the Company. The procedures adopted involve both formal and informal meetings with employees or their representatives.

Options have been granted under the Shanks Savings-Related Share Option and Executive Share Options Schemes.

It is the continuing policy of the Company to provide employment for disabled people and employees who become disabled provided it is practical to offer suitable work. The training, career development and promotion of disabled employees are undertaken whenever possible, in accordance with the needs of the individuals concerned.

AUDITORS

A resolution to re-appoint PricewaterhouseCoopers as auditors of the Company will be proposed at the Annual General Meeting.

By Order of the Board



D J Downes
DIRECTOR
30 May 2001

Registered Office:
Dunedin House
Auckland Park
Mount Farm
Milton Keynes
Buckinghamshire
MK1 1BU

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAFEWASTE LIMITED

We have audited the financial statements on pages 4 to 13 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

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.

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.

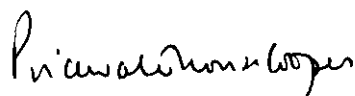
Basis of Audit Opinion

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
30 May 2001

SAFEWASTE LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2001**

| | Note | <u>2001</u> £'000 | <u>2000</u> £'000 |
|---|------|----------------------|----------------------|
| TURNOVER | 2 | 1,920 | 2,278 |
| Cost of sales | | (1,346) | (1,766) |
| | | <hr/> | <hr/> |
| GROSS PROFIT | | 574 | 512 |
| Administrative expenses | | (407) | (242) |
| | | <hr/> | <hr/> |
| OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAX | 3 | 167 | 270 |
| Taxation | 6 | (59) | (39) |
| | | <hr/> | <hr/> |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAX AND PROFIT RETAINED FOR THE FINANCIAL YEAR | 13 | <u>108</u> | <u>231</u> |

All of the above relates to continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2001**

The Company has no recognised gains or losses other than the profit for the year.

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2001**

There is no material difference between the reported profits for the year and those that would be reported under the historical cost convention.

SAFEWASTE LIMITED
BALANCE SHEET AS AT 31 MARCH 2001

| | Note | <u>2001</u> £'000 | <u>2000</u> £'000 |
|--|------|----------------------|----------------------|
| FIXED ASSETS | | | |
| Tangible fixed assets | 7 | 746 | 889 |
| | | <hr/> | <hr/> |
| CURRENT ASSETS | | | |
| Debtors | 8 | 649 | 411 |
| CREDITORS: Amounts falling due within one year | 9 | (65) | (88) |
| | | <hr/> | <hr/> |
| NET CURRENT ASSETS | | 584 | 323 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,330 | 1,212 |
| PROVISIONS FOR LIABILITIES AND CHARGES | 10 | (405) | (395) |
| | | <hr/> | <hr/> |
| NET ASSETS | | 925 | 817 |
| | | <hr/> | <hr/> |
| CAPITAL AND RESERVES | | | |
| Share capital | 11 | 100 | 100 |
| Profit and loss account | 12 | 825 | 717 |
| | | <hr/> | <hr/> |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | | 925 | 817 |
| | | <hr/> | <hr/> |

Approved by the Board on 30 May 2001.



D J Downes
DIRECTOR

SAFEWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001

1 ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable UK Accounting Standards.

(b) Turnover

Turnover represents the invoiced value of waste streams processed and other services provided including landfill tax but excluding value added tax.

(c) Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation, except for freehold land which is not depreciated, and less permanent reductions in value.

(i) Land and buildings, plant and vehicles.

Depreciation is provided on assets other than land to write-off their cost by equal annual instalments over their estimated useful economic lives. The expected lives are:-

| | |
|---------------------|---------------|
| Buildings | 10 years |
| Plant and machinery | 3 to 10 years |

(ii) Landfill

Acquisition and commissioning costs are capitalised and written off over the operational life of each site based on the amount of void space consumed.

(d) Operating Leases

Rentals paid under operating leases are charged to the profit and loss account as incurred over the term of the lease.

(e) Site restoration provision

Full provision is made for the net present value (NPV) of the Company's unavoidable costs in relation to restoration liabilities at its landfill sites and this value is capitalised as a fixed asset. The Company continues to provide for the NPV of intermediate restoration costs over the life of its landfill sites, based on the quantity of waste deposited in the year.

SAFEWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001 - continued

1 ACCOUNTING POLICIES - continued

(f) Aftercare provision

Provision is made for the NPV of post closure costs based on the quantity of waste deposited in the year. Similar costs incurred during the operational life of the sites are written off directly and not charged against the provision.

(g) Deferred taxation

Provision is made for deferred taxation arising from timing differences between profits as computed for taxation purposes and profits as stated in the financial statements to the extent that the liability will crystallise in the foreseeable future.

(h) Pensions

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the expected working lives of the pension scheme members currently in service. Any differences between the actuarial valuation of the scheme and the value of assets in the scheme are also charged or credited to the profit and loss account over the expected working lives of the scheme members. Differences and payments to the schemes are treated as assets or liabilities in the balance sheet.

2 SEGMENTAL INFORMATION

The turnover and operating profit are wholly attributable to the Company's business of waste management in the United Kingdom. All of the Company's business, turnover and operating profit relates to continuing operations.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

| | <u>2001</u> £'000 | <u>2000</u> £'000 |
|---|----------------------|----------------------|
| The profit is stated after charging: | | |
| Depreciation of tangible fixed assets | 138 | 147 |
| Hire of plant and machinery on operating leases | 154 | 95 |
| Gain on disposal of fixed assets | (1) | (5) |
| | <u> </u> | <u> </u> |

The auditors' remuneration for the year has been borne by a fellow group company.

SAFEWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001 - continued

4 DIRECTORS' EMOLUMENTS

The Directors received no remuneration for their services to the Company. The salaries of the Directors were paid by other Shanks Group undertakings and no remuneration was paid or is payable by Safewaste Limited.

5 EMPLOYEES

The average number of employees employed by the Company in waste management during the year was 25 (2000: 26). The total remuneration of employees comprised:

| | <u>2001</u> £'000 | <u>2000</u> £'000 |
|-----------------------|----------------------|----------------------|
| Wages and salaries | 375 | 306 |
| Social security costs | 33 | 28 |
| Other pension costs | 19 | 21 |
| | <hr/> | <hr/> |
| | 427 | 355 |
| | <hr/> | <hr/> |

6 TAXATION

The taxation charge based on the profit for the year is made up as follows:

| | <u>2001</u> £'000 | <u>2000</u> £'000 |
|------------------------------------|----------------------|----------------------|
| Corporation tax at 30% (2000: 30%) | 65 | 33 |
| Deferred tax (see note 10) | (6) | 6 |
| | <hr/> | <hr/> |
| | 59 | 39 |
| | <hr/> | <hr/> |

SAFEWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001 - continued

7 TANGIBLE FIXED ASSETS

| | Freehold land and buildings £'000 | Plant and equipment, fixtures and fittings £'000 | Total £'000 |
|-----------------------|--|--|----------------|
| Cost: | | | |
| At 5 April 2000 | 581 | 1,101 | 1,682 |
| Additions | - | 189 | 189 |
| Disposals | - | (21) | (21) |
| Inter-group transfers | - | (301) | (301) |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2001 | 581 | 968 | 1,549 |
| | <hr/> | <hr/> | <hr/> |
| Depreciation: | | | |
| At 5 April 2000 | 227 | 566 | 793 |
| Charge for the year | 49 | 89 | 138 |
| Disposals | - | (21) | (21) |
| Inter-group transfers | - | (107) | (107) |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2001 | 276 | 5277 | 803 |
| | <hr/> | <hr/> | <hr/> |
| Net book value: | | | |
| At 31 March 2001 | 305 | 441 | 746 |
| | <hr/> | <hr/> | <hr/> |
| At 4 April 2000 | 354 | 535 | 889 |
| | <hr/> | <hr/> | <hr/> |

8 DEBTORS

| | <u>2001</u> £'000 | <u>2000</u> £'000 |
|------------------------------------|----------------------|----------------------|
| Amounts owed to group undertakings | 649 | 411 |
| | <hr/> | <hr/> |

SAFEWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001 - continued

9 CREDITORS: Amounts falling due within one year

| | <u>2001</u> £'000 | <u>2000</u> £'000 |
|-------------------------|----------------------|----------------------|
| Corporation tax payable | 65 | 88 |
| | <u> </u> | <u> </u> |

10 PROVISIONS FOR LIABILITIES AND CHARGES

| | <u>Deferred</u> <u>taxation</u> £'000 | <u>Site</u> <u>restoration</u> £'000 | <u>Aftercare</u> £'000 | <u>Total</u> |
|------------------|---|--|---------------------------|-----------------|
| At 5 April 2000 | 6 | 218 | 171 | 395 |
| Provided in year | (6) | 12 | 4 | 10 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 March 2001 | - | 230 | 175 | 405 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Site Restoration

Site restoration provision relates to the cost of final capping and covering of the landfill sites. These are expected to be paid over a period of up to twenty five years from today. These costs may be impacted by a number of factors including changes in legislation and technology.

Aftercare

The total post closure costs, including such items as monitoring, gas and leachate management and licensing, have been estimated by management based on current best practice and technology available. These costs may be impacted by a number of factors including changes in legislation and improvements in technology. The dates of payment of these aftercare costs are uncertain but are anticipated to be over a period of approximately thirty years from closure of the relevant landfill site.

SAFEWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001 - continued

10 PROVISIONS FOR LIABILITIES AND CHARGES - continued

The deferred taxation provision together with the full potential liability for all timing differences is made up as follows:

| | 2001 | | 2000 | |
|--------------------------------|-------------------|--------------------------|-------------------|--------------------------|
| | <u>Provided</u> | <u>Full potential</u> | <u>Provided</u> | <u>Full potential</u> |
| | <u>£'000</u> | <u>liability/(asset)</u> | <u>£'000</u> | <u>liability/(asset)</u> |
| | | <u>£'000</u> | | <u>£'000</u> |
| Accelerated capital allowances | - | 45 | 32 | 44 |
| Other timing differences | - | (46) | (26) | (26) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | - | (1) | 6 | 18 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

11 SHARE CAPITAL

| | <u>2001</u> | <u>2000</u> |
|--|-------------------|-------------------|
| | <u>£'000</u> | <u>£'000</u> |
| Authorised, allotted, called up and fully paid 100,000 Ordinary shares of £1 each | 100 | 100 |
| | <u> </u> | <u> </u> |

12 RESERVES

| | <u>Profit and</u> |
|------------------------------|---------------------|
| | <u>loss account</u> |
| | <u>£'000</u> |
| At 4 April 2000 | 717 |
| Retained profit for the year | 108 |
| | <u> </u> |
| At 31 March 2001 | 825 |
| | <u> </u> |

SAFEWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001 - continued

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

| | <u>2001</u> £'000 | <u>2000</u> £'000 |
|-------------------------------------|----------------------|----------------------|
| Profit retained for the year | 108 | 231 |
| | <hr/> | <hr/> |
| Net addition to shareholders' funds | 108 | 231 |
| Opening shareholders' funds | 817 | 586 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 925 | 817 |
| | <hr/> <hr/> | <hr/> <hr/> |

14 PENSION COMMITMENTS

The Company along with other companies in the Shanks Group, participates in funding pension arrangements providing benefits based on final salary. The assets are held separately from those of the group companies and are invested by professional investment managers. The contributions are determined by a qualified actuary on the basis of a triennial valuation using the Projected Unit Method. Details of the latest actuarial value of the scheme on 5 April 2000 are given in the accounts of Shanks Group plc.

15 CONTINGENT LIABILITIES

The Company has granted to its bankers an unlimited guarantee and a right of set off against accounts outstanding on advances to its parent and fellow subsidiary undertakings. The Company has in normal course of business given guarantees and performance bonds relating to the Company's own contracts.

16 RELATED PARTY TRANSACTIONS

As permitted by FRS8, the Company, being a wholly owned subsidiary of another company which prepares a statement of related party transactions including that of this Company, has not prepared such a statement itself.

SAFEWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001 - continued

17 CASH FLOW STATEMENT

In accordance with paragraph 8(c) FRS1, the Company, being the wholly owned subsidiary of another company which prepares a cash flow statement including that of this Company, has not prepared such a statement itself.

18 IMMEDIATE & ULTIMATE PARENT COMPANY

The immediate holding company is Shanks Waste Services Limited. The ultimate parent company is Shanks Group plc, a company registered in Scotland. Copies of the group accounts may be obtained from the Company Secretary, Shanks Group plc, Astor House, Station Road, Bourne End, Buckinghamshire, SL8 5YP.