

**SHANKS ENVIRONMENTAL ENGINEERING LIMITED**  
(Formerly Babcock Environmental Engineering Limited)

**Registration number: 6409516**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2013**

TUESDAY



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# **SHANKS ENVIRONMENTAL ENGINEERING LIMITED**

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## **SHANKS ENVIRONMENTAL ENGINEERING LIMITED**

### **DIRECTORS' REPORT**

The directors present their report and the audited financial statements of Shanks Environmental Engineering Limited ("SEEL") for the year ended 31 March 2013.

On 11 January 2013 the Company was acquired by Shanks Waste Management Limited ("SWM") from Babcock Environmental Services Limited, resulting in Shanks Group plc becoming the Company's ultimate and controlling party. On 7 February 2013 the Company changed its name from Babcock Environmental Engineering Limited ("BEEL") to Shanks Environmental Engineering Limited.

### **PRINCIPAL ACTIVITIES**

The principal activities of the Company during the year were the provision of environmental services for waste management and recycling. As at 31 March 2013, the Company had ceased to trade.

### **BUSINESS REVIEW**

The main activity at the start of the year was the progression of the Wakefield Municipal District Council (WMDC) waste disposal/treatment PFI contract ("Wakefield contract").

In February 2011 Babcock Environmental Services Limited signed a teaming agreement with Shanks Waste Management Limited to progress the Wakefield contract to financial close. During that period activity within BEEL was coordinated by SWM. In accordance with the terms of the teaming agreement, SWM acquired the Company upon the achievement of financial close.

Immediately after the acquisition, the Company sold its fixed assets to SWM for a consideration of £5,959,000 recording a gain on the sale of £5,959,000 and transferred its operations to SWM.

The Company recorded a profit for the financial year after tax of £36,269,000 (2012 £26,000). At 31 March 2013 the Company had net assets of £5,950,000 (2012 £30,319,000 net liabilities). Prior to the acquisition of the Company by SWM, the Company's indebtedness of £30,892,000 to its former parent company, Babcock Environmental Services Limited, was forgiven.

The directors do not recommend the payment of a dividend (2012 £nil).

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Company is a wholly-owned subsidiary of Shanks Group plc. Risks are managed at a local level in accordance with the risk management framework of Shanks Group plc. The principal risks and uncertainties of Shanks Group plc are discussed in its Annual Report and Accounts for the year ended 31 March 2013.

## **SHANKS ENVIRONMENTAL ENGINEERING LIMITED**

### **DIRECTORS**

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

J J C Simpson	(appointed 11 January 2013)
M A Turner	(appointed 11 January 2013)
E M Bayley	(appointed 1 April 2013)
P D Eglinton	(appointed 15 April 2013)
I F Goodfellow	(appointed 11 January 2013, resigned 31 March 2013)
P F Holmes	(appointed 11 January 2013, resigned 31 March 2013)
N J W Borret	(resigned 11 January 2013)
F Martinelli	(resigned 11 January 2013)
W Tame	(resigned 11 January 2013)

### **INDEPENDENT AUDITORS**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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

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

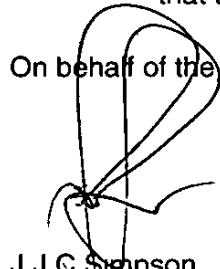
## SHANKS ENVIRONMENTAL ENGINEERING LIMITED

### STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In accordance with Section 418 of the Companies Act 2006, the Directors confirm that

- (a) so far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

A handwritten signature in black ink, appearing to be 'J J C Simpson', written over a circular stamp or seal.

J J C Simpson  
Director

9 December 2013

**Registered Office:**

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

## **SHANKS ENVIRONMENTAL ENGINEERING LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHANKS ENVIRONMENTAL ENGINEERING LIMITED**

We have audited the financial statements of Shanks Environmental Engineering Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Shanks Environmental Engineering Limited report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

## **SHANKS ENVIRONMENTAL ENGINEERING LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHANKS ENVIRONMENTAL ENGINEERING LIMITED - continued**

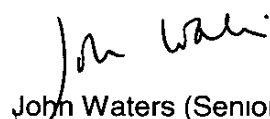
#### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

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

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

  
John Waters (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

9 December 2013

**SHANKS ENVIRONMENTAL ENGINEERING LIMITED**  
**REGISTRATION NUMBER: 6409516**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2013**

	Note	2013 £'000	2012 £'000
<b>Turnover</b>	2	457	1,127
Cost of sales		(356)	(995)
<b>Gross profit</b>		101	132
Administrative income (including exceptional items)		31,006	1,794
<b>Operating profit</b>		31,107	1,926
Profit on sale of fixed assets		5,959	-
Interest receivable and similar income	3	2	-
Interest payable and similar charges	4	(799)	(460)
<b>Profit on ordinary activities before taxation</b>	5	36,269	1,466
Tax on profit on ordinary activities	7	-	(1,440)
<b>Loss for the financial year</b>	15	36,269	26

All the activities of the Company relate to discontinued operations

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

The Company has no recognised gains or losses other than those set out above. Accordingly, no separate statement of total recognised gains and losses has been prepared.



**SHANKS ENVIRONMENTAL ENGINEERING LIMITED**  
**COMPANY REGISTRATION NUMBER: 6409516**

**BALANCE SHEET**  
**AS AT 31 MARCH 2013**

	Note	2013 £'000	2012 £'000
<b>Fixed assets</b>			
Tangible fixed assets	8	-	-
Investments	9	-	-
		<u>-</u>	<u>-</u>
<b>Current assets</b>			
Debtors	10	5,959	1,134
		<u>5,959</u>	<u>1,134</u>
<b>Creditors: amounts falling due within one year</b>	11	(9)	(31,238)
		<u>-</u>	<u>-</u>
<b>Net current assets/(liabilities)</b>		5,950	(30,104)
		<u>5,950</u>	<u>(30,104)</u>
<b>Total assets less current liabilities</b>		5,950	(30,104)
		<u>5,950</u>	<u>(30,104)</u>
<b>Provisions for liabilities</b>	12	-	(215)
		<u>-</u>	<u>(215)</u>
<b>Net assets</b>		5,950	(30,319)
		<u>5,950</u>	<u>(30,319)</u>
<b>Capital and reserves</b>			
Called up share capital	14	-	-
Profit and loss account	15	5,950	(30,319)
		<u>5,950</u>	<u>(30,319)</u>
<b>Total shareholder's funds</b>	16	5,950	(30,319)
		<u>5,950</u>	<u>(30,319)</u>

The financial statements on pages 6 to 17 were approved by the board of directors on 9 December 2013 and signed on its behalf by

  
J J C Simpson  
Director

## **SHANKS ENVIRONMENTAL ENGINEERING LIMITED**

**REGISTRATION NUMBER: 6409516**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

#### **1. ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except where noted

##### **(a) Basis of preparation**

The financial statements for the year have been prepared under the historical cost basis and comply with applicable law, the Companies Act 2006 and applicable accounting standards in the United Kingdom (UK Generally Accepted Accounting Practice).

On 11 January 2013 the Company was acquired by Shanks Waste Management Limited from Babcock Environmental Services Limited, resulting in Shanks Group plc becoming the Company's ultimate and controlling party.

As the Company is a wholly owned subsidiary of Shanks Group plc, consolidated financial statements have not been prepared as permitted by Section 400 of the Companies Act 2006 and the financial statements contain information about the Company as an individual undertaking

##### **(b) Going concern**

After making enquiries, the Directors have formed the view, at the time of approving the financial statements, that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

##### **(c) Turnover**

Turnover represents the invoiced value of waste streams and other services provided, excluding value added tax. Turnover is recognised when processing occurs or the service is provided

##### **(d) Tangible fixed assets and depreciation**

Tangible assets are stated at cost less accumulated depreciation and less any write down for impairment

Depreciation is provided on assets other than land to write off their cost by equal annual instalments over their estimated useful economic lives as follows:

Computer hardware	20-25%
Office equipment	10%
Motor vehicles	3 to 10 years

##### **(e) Fixed asset investments**

Fixed asset investments are held at the lower of cost or net realisable value

##### **(f) Research and development**

Expenditure is written off in the year in which it is incurred

##### **(g) Exceptional items**

Material items which derive from events or transactions that fall within the ordinary activities of the Company and which individually or, if of a similar type, in aggregate, are disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view.

**SHANKS ENVIRONMENTAL ENGINEERING LIMITED**

**REGISTRATION NUMBER: 6409516**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2013**

**1. ACCOUNTING POLICIES - continued**

**(h) Taxation**

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

In accordance with FRS 19 'Deferred Tax', deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are not discounted.

**(i) Retirement benefits**

The Company is a member of the Shanks Group Pension Scheme which covers employees on both a defined contribution and on a defined benefit basis

For the group defined benefit section, the Company is unable to identify its share of the assets and liabilities of the group pension scheme and is permitted under FRS 17 to treat this section of the scheme as a defined contribution scheme. Pension costs are charged to the profit and loss account as the payments to the scheme fall due.

**(j) Leased assets**

Where the Company has substantially all the risks and rewards of ownership of a leased asset, it is treated as a finance lease. Leased assets are included in tangible assets at the total of the capital elements of payments during the lease term and the corresponding obligation is included in creditors. Depreciation is provided to write off the assets over the shorter of the lease term or expected useful life

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

**(k) Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation

**SHANKS ENVIRONMENTAL ENGINEERING LIMITED****REGISTRATION NUMBER: 6409516****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2013****2. TURNOVER**

Turnover is wholly attributable to the principal activity of the Company and arises solely within the United Kingdom.

**3. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2013 £'000	2012 £'000
Bank interest	2	-

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	2013 £'000	2012 £'000
Bank overdrafts	-	460
Intercompany loans	799	-
	799	460

**5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

Profit on ordinary activities before taxation is stated after charging/(crediting)

	2013 £'000	2012 £'000
Operating lease rentals	-	39
Profit on sale of fixed assets	(5,959)	-
Exceptional items		
- Other debtors - release of bid costs	-	(535)
- Release of reorganisation provision	-	(796)
- Release of deferred consideration in subsidiary	-	(574)
- Write back of intercompany debt	(30,892)	-
- Release of property provision	(177)	-
Audit fees	9	-

Immediately after the acquisition of the Company by SWM, it sold its fixed assets to SWM for a consideration of £5,959,000. The net book value of the disposed assets was £nil.

The write back of intercompany debt represents the forgiveness of amounts owed to the Company's former parent company, Babcock Environmental Services Limited.

In the prior year the auditors' remuneration was borne by another group company with no recharge to the Company. No other fees were paid to PricewaterhouseCoopers LLP, or its associates, in respect of this Company, other than for the statutory audit of the Company.

**SHANKS ENVIRONMENTAL ENGINEERING LIMITED****REGISTRATION NUMBER: 6409516****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2013****6. STAFF NUMBERS AND COSTS**

The average monthly number of employees was

	2013 Number	2012 Number
Operational and technical	4	11

Their aggregate remuneration comprised

	2013 £'000	2012 £'000
Wages and salaries	121	452
Social security costs	18	61
Other pension costs	8	88
	147	601

On 1 February 2013 all 4 employees' contracts of employment were transferred from the Company to Shanks Waste Management Limited, the Company's new parent company

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2013 £'000	2012 £'000
<b>Current tax</b>	-	-
<b>Deferred tax</b>		
Adjustments in respect of prior years	-	1,440
<b>Tax charge</b>	-	1,440

**SHANKS ENVIRONMENTAL ENGINEERING LIMITED**  
**REGISTRATION NUMBER: 6409516**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MARCH 2013**

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES - continued**

The tax assessed for the year is lower (2012 lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2013 of 24% (2012 26%) The differences are explained below:

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation	36,269	1,466
Tax charge based on UK tax rate	8,705	381
<i>Effect of:</i>		
Other timing differences	(1,483)	(416)
Expenses not deductible for tax purposes	-	(148)
Non-taxable income	(7,414)	-
Group relief for nil consideration	192	183
Corporation tax charge for the year	-	-

**Factors affecting current and future tax charges**

A reduction in the UK corporation tax rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012. The March 2013 budget statement also announced an intention to reduce the main rate of corporation tax to 21% (effective from 1 April 2014) and then 20% (effective from 1 April 2015). These changes were substantively enacted on 2 July 2013 and will reduce the Company's future current tax charge accordingly.

**8. TANGIBLE FIXED ASSETS**

	Computer hardware £'000	Office equipment £'000	Assets under construction £'000	Motor vehicles £'000	Total £'000
<b>Cost:</b>					
At 1 April 2012	2	20	8,370	248	8,640
Disposals	(2)	(20)	(8,370)	(248)	(8,640)
At 31 March 2013	-	-	-	-	-
<b>Depreciation:</b>					
At 1 April 2012	2	20	8,370	248	8,640
Disposals	(2)	(20)	(8,370)	(248)	(8,640)
At 31 March 2013	-	-	-	-	-
<b>Net book value:</b>					
At 31 March 2012 and 31 March 2013	-	-	-	-	-

**SHANKS ENVIRONMENTAL ENGINEERING LIMITED****REGISTRATION NUMBER: 6409516****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2013****9. INVESTMENTS**

	£'000
<b>Cost</b>	
At 1 April 2012 and 31 March 2013	<u>2,389</u>
<b>Provision</b>	
At 1 April 2012 and 31 March 2013	<u>(2,389)</u>
<b>Net book value</b>	
At 31 March 2012 and 31 March 2013	<u><u>-</u></u>

The Company has the following interests in subsidiary undertaking.

<b>Company</b>	<b>Country of Registration</b>	<b>Principal Activities</b>	<b>Shareholding</b>
Estech Europe Limited	England and Wales	Design and development of waste treatment equipment	100%

The Directors are of the opinion that the value of investments in subsidiary undertakings and other investments is not less than the amounts at which they are recorded in the balance sheet

**10. DEBTORS**

	2013 £'000	2012 £'000
Trade debtors	-	223
Amounts owed by group undertakings	5,959	792
Prepayments and accrued income	-	119
	<u>5,959</u>	<u>1,134</u>

The amounts owed by group undertakings are repayable on demand, unsecured and interest-free

**SHANKS ENVIRONMENTAL ENGINEERING LIMITED****REGISTRATION NUMBER: 6409516****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2013****11. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2013 £'000	2012 £'000
Bank loans and overdrafts	-	11
Trade creditors	-	61
Amounts owed to group undertakings	-	31,037
Other taxation and social security	-	50
Accruals and deferred income	9	79
	<u>9</u>	<u>31,238</u>

In the prior year, the bank overdraft was secured by other group companies.

The amount owed to group undertaking in the prior year was a loan which was unsecured, interest bearing payable at LIBOR plus 4% and repayable on demand. During the year, the Company debt in respect of this loan was forgiven.

**12. PROVISIONS FOR LIABILITIES**

	Reorganisation provision £'000	Property £'000	Total £'000
At 1 April 2012	38	177	215
Released during the year	-	(177)	(177)
Utilised during the year	(38)	-	(38)
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2013	-	-	-

*Reorganisation provision*

The provision remaining at the end of the prior year represented redundancy liabilities.

*Property provision*

This was a dilapidation provision related to a property leased by the Company.

**13. DEFERRED TAXATION**

The potential, unprovided, deferred tax asset comprises the following:

	2013 £'000	2012 £'000
Accelerated capital allowances	-	1,025
Other short term timing differences	-	52
	<u>-</u>	<u>1,077</u>

The potential deferred tax assets have not been recorded in the financial statements as there is uncertainty surrounding the timing of future capital expenditure and the generation of future profits.



**SHANKS ENVIRONMENTAL ENGINEERING LIMITED****REGISTRATION NUMBER: 6409516****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2013****14. CALLED UP SHARE CAPITAL**

	2013 £	2012 £
Allotted, called up, issued and fully paid 1 ordinary share of £1 each	1	1

**15. PROFIT AND LOSS ACCOUNT**

	£'000
At 1 April 2012	(30,319)
Profit for the financial year	36,269
At 31 March 2013	5,950

**16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS/(DEFICIT)**

	2013 £'000	2012 £'000
Profit for the financial year	36,269	26
Net increase in shareholder's funds	36,269	26
Opening shareholder's deficit	(30,319)	(30,345)
Closing shareholder's funds/(deficit)	5,950	(30,319)

**17. COMMITMENTS****a) Commitments under operating leases**

Annual commitments under non-cancellable operating leases are as follows

	2013 Other £'000	2012 Other £'000
Operating leases which expire.		
within one year	-	19
between two and five years	-	17
	-	36

## **SHANKS ENVIRONMENTAL ENGINEERING LIMITED**

**REGISTRATION NUMBER: 6409516**

### **NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2013**

#### **18. CONTINGENT LIABILITIES**

On acquisition by SWM, the Company became a member of the Shanks HMRC Group VAT registration and as at 31 March 2013 the liability under this registration was of £4,682,000. The Company's element is included within other taxation and social security creditors.

The Company is also a member of the Shanks HMRC Group Payment arrangement for corporation tax and as at 31 March 2013 had a contingent liability of £nil under this arrangement.

#### **19. PENSION COMMITMENTS**

In the prior year the Company was a member of a larger group wide pension scheme, with Babcock International Group PLC, providing benefits based on final pensionable pay. The Company was unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme was accounted for, in these financial statements as if the scheme was a defined contribution scheme. The pension charge in the financial statements (note 6) represents contributions paid to the scheme.

The latest full Babcock International Group PLC actuarial valuation was carried out as at 31 March 2010 by a qualified independent actuary. This valuation showed a funding shortfall of £87.9 million. This represented the liability to Babcock International Group PLC as a whole and did not represent the liability to the Company. At 31 March 2013 there were no outstanding contributions payable to the defined benefit scheme (2012: £nil).

The Company also operated defined contribution pension schemes.

On 1 February 2013 all 4 remaining employees of the Company were transferred to the employment of Shanks Waste Management Limited and were offered the option to join the Shanks Group Pension Scheme. At 31 March 2013 there were no prepaid or outstanding contributions (2012: £nil).

#### **20. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption under FRS 8 Related Party Transactions not to disclose transactions with companies which are wholly-owned undertakings within the Shanks Group plc group.

In the prior year, advantage was taken of the exemption available under Financial Reporting Standard 8 'Related parties' not to disclose details of transactions with Babcock International Group plc, the Company's former ultimate parent company, or other Babcock group undertakings, as the consolidated financial statements of Babcock International Group plc in which the Company was included were publicly available.

#### **21. CASH FLOW STATEMENT**

The Company is a wholly-owned subsidiary of Shanks Group plc and is included in the consolidated financial statements of Shanks Group plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Revised) 'Cash flow statements'.

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**SHANKS ENVIRONMENTAL ENGINEERING LIMITED**

**REGISTRATION NUMBER: 6409516**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2013**

**22. ULTIMATE PARENT UNDERTAKING**

The Company's immediate parent company is Shanks Waste Management Limited, a company registered in England and Wales. The Company's ultimate parent and ultimate controlling company is Shanks Group plc, a company registered in England and Wales.

Shanks Group plc is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 March 2013. The consolidated financial statements of Shanks Group plc can be obtained from the Company Secretary, Shanks Group plc, Dunedin House, Auckland Park, Mount Farm, Milton Keynes, Buckinghamshire MK1 1BU.