shanks. waste solutions.

Shanks Group plc Annual Report and Accounts 2005

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One of Europe's largest independent waste management companies, Shanks Group plc has operations in the UK, Belgium and the Netherlands and is a leading player in each of these markets. Beyond Europe, Shanks also has activities through its environmental remediation services.

The Group provides an extensive range of waste and resource management solutions and handles a wide variety of wastes, including domestic refuse, commercial waste, contaminated spoils and hazardous waste. Services offered include collections, domestic and commercial waste recycling, resource recovery, composting, mechanical biological treatment, thermal treatment, industrial cleaning, special waste treatment and modern disposal.

Further information about the Group and its activities is available on our website: www.shanks.co.uk

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financial highlights.

	2005	2004
Turnover	£504m	£588m
Headline profit*	£33.3m	£30.3m
Exceptional items	£41.1m	–
Goodwill amortisation	£(10.0)m	£(11.6)m
Profit on ordinary activities before tax	£64.4m	£18.7m
Profit on continuing businesses before interest, exceptional items, goodwill amortisation and tax	£38.3m	£31.3m
Adjusted basic earnings per share**	9.4p	8.9p
Basic earnings per share	25.7p	3.9p
Dividend per share	5.7p	5.7p
Core Business net debt	£99m	£281m
PFI Companies net debt	£63m	£28m
Total Group net debt	£162m	£309m
EBITDA**	£83m	£104m

* Before exceptional items, goodwill amortisation and tax
** Before exceptional items and goodwill amortisation

chairman's statement.

Financial Performance

I am pleased to announce a 10% growth in the Group's profit before tax, exceptional items and goodwill amortisation (Headline Profit) from £30.3m to £33.3m. Operating profit before exceptional items and goodwill amortisation on the continuing businesses was up 22% to £38.3m from £31.3m. This improvement was achieved through a substantial turnaround in the continuing UK business as a result of management actions.

In its strategic review the Group determined that landfill volumes will reduce in the future. The combined effect of the Landfill Directive and steeply rising Landfill Tax will provide a stimulus for higher technology waste management solutions. As a consequence on 1 July 2004 the Group completed the disposal of its UK landfill and related power (L&P) operations for a gross consideration of £227.5m.

Trading profits (operating profit before exceptional items and goodwill amortisation) from the discontinued business were £5.8m (2004: £19.7m). An exceptional profit of £52.5m was achieved on the disposal. Other disposals resulted in a net exceptional loss of £1.0m, after £2.1m of goodwill write off and there was an exceptional charge of £10.4m for the restructuring of UK operations.

Overall turnover was lower at £504m (2004: £588m) reflecting the L&P divestment. Continuing businesses revenue increased by £9m to £466m (2004: £457m). Finance charges reduced markedly to £10.8m (2004: £20.7m).

After the net exceptional profit of £41.1m (2004: £Nil) and goodwill amortisation of £10.0m (2004: £11.6m), the Group's profit before tax was £64.4m (2004: £18.7m). The tax rate on the headline profit increased to 34% (2004: 31%) due to the increased mix of profits from countries where underlying tax rates are higher than the UK. Profit after tax was £60.2m (2004: £9.2m).

Adjusted basic earnings per share (eps), before exceptional items and goodwill amortisation, increased by 6% to 9.4 pence per share (2004: 8.9 pence per share). Basic eps were 25.7 pence per share (2004: 3.9 pence per share). Your Board recommends an unchanged final dividend of 3.8 pence per share which, if approved by shareholders, brings the total dividend for the year to 5.7 pence per share (2004: 5.7 pence per share).

Since 31 March 2004, debt relating to the core business has fallen by £182m whilst Private Finance Initiative company (PFICO) debt increased by £35m. PFICO debt, which is bank debt in companies set up for PFI contracts and which is non-recourse to the core Group, is consolidated as the PFICOs are wholly owned. Total Group debt at 31 March 2005 was £162m, of which £99m is core and £63m is PFICO debt.

Divisional Review

United Kingdom

As a result of the L&P disposal, the UK operations have been reorganised under a single management team to reduce administration costs and to focus the sales effort on the opportunities arising from the changing legislative environment.

Before exceptional charges, the continuing business delivered a major turnaround from the £4.5m trading loss in 2004 to a trading profit of £1.4m. This encouraging improvement of £5.9m is mainly in the collection and recycling business where management took the decision in 2004 to discontinue several loss making contracts. Vehicle operations have been rationalised, surplus assets disposed and overheads substantially reduced. Although the contaminated land operation performed well, the incineration activity at Fawley continued to operate in a challenging market.

The contributions from the existing PFI businesses at Argyll & Bute and East London were in line with their business plans. A new 25 year PFI contract with Dumfries & Galloway commenced in November 2004.

Belgium

Trading profits in Belgium improved by £0.6m to £16.3m (2004: £15.7m). These better results were due to higher landfill volumes, following the receipt of the new permit last year and windfall sales during the maintenance shutdown of the Brussels municipal incinerator. There was also the full year effect of increased power capacity which came on line during last year. These factors more than offset the adverse effects of exchange rates, the land remediation activity and the special waste business.

Netherlands

Trading profits were maintained at £24.0m (2004: £24.2m) with the small reduction entirely due to exchange rate effects. As foreseen, the business continued to be adversely affected in the solid waste market where over-capacity has led to price reductions. However, higher volumes were received from the greenhouse waste market and performance improved at the ATM hazardous waste facility.

Central Services

Central Services costs at £3.4m (2004: £4.1m) were lower due to a reduction in the pension charge from last year's elevated level.

Developments

United Kingdom

The strategic alliance with Italian partner Ecodeco has resulted in a deliverable solution to the municipal waste landfill diversion targets required by the EU Landfill Directive. This exciting technology based on mechanical biological treatment (MBT) is being used in the new contract with Dumfries & Galloway. Construction of the MBT plants at Frog Island for the East London Waste Authority (ELWA) contract is now well underway.

Benelux

In the Netherlands the expanded capacity of the ATM soil cleaner, the re-permitted ATM pyrolysis plant and the new waste wood processing plant at Utrecht will provide opportunities for further growth. However, the core solid waste market remains difficult. In Belgium, we anticipate household waste will be diverted from our landfill in Wallonia in the long term to meet the EU Landfill Directive. Various projects are under evaluation to provide new sources of profits.

Directorate

Mr Fraser Welham has been appointed as Group Finance Director with effect from June 2005. He has been our Finance Director in Belgium for the last seven years. Mr David Downes, the current Group Finance Director, will remain as a Director until his retirement at the end of 2005 to ensure a smooth handover of responsibilities and, based on his experience, give strategic input into suitable structures for the Group's current and future PFI contracts.

Two new Non-executive Directors, Mr Adrian Auer and Mr Peter Johnson were appointed in May to replace Mr Richard Biffa who retires in June 2005. They will provide continuity during the period when two further Non-executive Directors, including me, retire from the Board on reaching the age of 65. I express thanks to the retiring Directors.

Outlook

Results from the UK operations, whilst still under performing, have nevertheless shown marked progress. The Directors are confident that, with the management actions taken, this improvement will continue. The Benelux operations have performed robustly in difficult market conditions which it is anticipated will improve when their economies recover.

These results provide further evidence of the Group's sound financial position and its strategic position at the higher technology based end of the waste treatment and disposal industry. It is ideally placed to compete in the changing European waste market and for UK PFI projects in particular.

I M Clubb
Chairman

operating review.

The most significant development in the 2004/5 year was the sale of the UK landfill and related power activities. This transaction not only transformed the Group balance sheet by reducing debt but also honed the UK operations into a smaller clearly focused single unit concentrating on future opportunities. It is strongly believed that advancing regulatory pressure from the EU Landfill Directive coupled with steeply rising Landfill Tax will drive waste from landfill into the newer higher value added services on which the Group will now concentrate. The business model already operating in our continental operations provides the example and much of the know-how for these developments. Once more these continental businesses have performed robustly despite the prevailing depressed economic conditions.

The last year has been a challenging one for our staff who have responded superbly. I thank them all.

Group Turnover

Turnover from continuing activities of £466m, together with a £38m contribution from the discontinued L&P business, brings the total for the year to £504m (2004: £588m). Continental turnover was flat at £304m whilst revenue in the UK continuing business improved 5% to £162m (2004: £154m).

United Kingdom

UK operations now involve the collection and management of commercial and industrial wastes, treatment and recycling of hazardous chemical wastes including high temperature incineration. There is also a significant activity in contaminated land and a portfolio of long term contracts treating municipal waste under the Private Finance Initiative.

I am pleased to report that a very substantial improvement in performance has been delivered as trading losses of £4.5m have been turned into trading profits of £1.4m. The new combined UK operation,

1. Further investment in new vehicles and equipment for the ELWA PFI contract.

2. Operational improvements have been made in the UK collections operation.

3. The Shanks.East London logo is now a familiar sight across East London.

4. Construction on the MBT facilities at Frog Island, East London, has been rapid during the year and is on course for completion in summer 2006.

5. Waste by rail is an efficient means for transport of bulk waste.

Shanks Waste Management, has substantially reduced overhead, delivered operating efficiencies and sold poorly performing businesses and surplus assets. An exceptional charge of £10.4m has been taken to cover the associated costs. As the rationalisation programme is continuing there should be further significant benefit in the current year.

The largest improvement has been evident in our waste collections business where the performance of some depots is now at industry average. The remaining challenge is to bring all units to this level. Our contaminated land remediation

Shanks in the UK

The new combined UK operation, Shanks *Waste Management, is responding well* to the changing UK waste market. Increases to Landfill Tax and local authority waste diversion requirements are helping to drive the market towards the higher technological solutions available to Shanks.
Investment in PFI contracts continues, underscoring Shanks' confidence in the MBT technology available from our strategic partner, Ecodeco.

6. Upgraded civic amenity at Gerpins Lane, East London.

Right. Aggregates, cans and plastics are all recovered for re-use.

operating review.
continued

United Kingdom – continued
business enjoyed a strong year as regulations continue to tighten on landfill disposal. Similarly, the chemical treatment of hazardous waste has improved modestly. The incineration performance has, however, been disappointing with continuing harsh markets and unplanned maintenance shutdowns limiting throughput. Encouragingly, however, the contract with the Rural Payments Agency to dispose of Meat and Bone Meal from the BSE cattle crisis has been extended for a further 15 months to May 2006. Share of operating profits from joint venture activities has increased to £1.8m from £1.6m.

The Group has now won three contracts for the long term management of municipal waste under the Private Finance Initiative. This year has seen significant investment in the existing Argyll & Bute and East London Waste Authority contracts. The investment programme in Argyll & Bute is nearing completion and construction at the first of two major facilities in East London is well advanced and operations should commence in 2006. Both projects are performing to their plans.

During the year, a 25 year contract to serve Dumfries & Galloway reached financial close underscoring our confidence in the Mechanical Biological Treatment (MBT) technology developed for these applications with our Italian partner, Ecodeco. The contract has a projected revenue of £6m in its first full year and is already contributing profits which will increase in a full year. Construction of the new MBT facilities has already commenced.

Belgium
Operations in Belgium are similar to those in the UK but exclude high temperature incineration and include specialist demolition, industrial cleaning and landfill.

Trading profit in the year has risen to £16.3m from £15.7m in 2004. This is

1. New facility for the sorting and transfer of waste at Charleroi.
2. Vehicles from the De Pauw fleet bring recoverable materials for sorting at the Brussels transfer station.

3. Sand extraction site next to the Mont St. Guibert landfill site provides a habitat for wildlife.
4. Soil remediation taking place at the new undercover facility at De Paepe, Gent.

a creditable performance given the size of last year's outstanding contribution from contaminated land remediation.

Following the re-permitting of the extension to the landfill site at Mont St. Guibert in early 2004, the site has been able to accept greater volumes of waste and, in particular, provide disposal capacity to the City of Brussels during the shutdown of its incinerator for major planned maintenance. Profits at the site from electricity generation from landfill gas also advanced whilst results from the processing of hazardous waste reduced as volumes declined in the current market.

Shanks in Belgium

Shanks Belgium continues to perform *well with further growth opportunities* being identified. This year saw increased production of green electricity from landfill gas.
New recycling facilities have been constructed in Brussels, Charleroi and Gent. The extension to our landfill at Mont St. Guibert has also allowed increased volumes to be taken at the site.

5. Modern transfer stations improve vehicle efficiency.
6. Chemical analysis of waste is vital to ensuring safe disposal.

Right. Materials recovered for re-use include bricks, tyres and wood.

operating review.
continued

Netherlands

Dutch operations are similar to those in Belgium but exclude landfill and demolition and include computer refurbishment. Trading profit for the year was broadly flat at £24.0m (2004: £24.2m).

The recession in the all important construction industry continued resulting in pressure on prices and volumes in our solid waste business. This, however, was more than offset by improvements in our business serving the greenhouse market and the overall performance in our ATM hazardous waste processing facility. Recent investments in soil cleaning and paint waste capacity resulted in enhanced throughput. Sludge treatment volumes were, however, less buoyant than in previous years.

Our industrial cleaning unit, Reym, also performed well, a result which would have been still better if not for a single substantially loss making contract.

The waste wood processing plant near Utrecht was commissioned during the year and is now operating successfully.

Prospects

Our continental businesses are performing well and have interesting expansion opportunities, including small tuck-in acquisitions. The first quarter's profits from the L&P disposal will not recur but it is expected that the continuing UK recovery and increases in PFI profits will result in an overall improvement in the current year.

In the next 5 years some 30% of the UK market for municipal waste will be tendered as local authorities strive to meet the EU Landfill Directive targets. The innovative MBT technology is now proven as deliverable in the planning arena. The Group therefore intends to pursue these opportunities vigorously.

The already announced Landfill Tax increases will further encourage new

1. Icova maintains a large fleet to support its collection and recycling operations.

2. Transport of materials by water forms an integral part of the Netherlands operation.

3. The expanded ATM soil treatment plant has seen increased activity this year.

4. Icova have been testing new vehicle configurations to improve operational efficiencies.

5. Below ground compacting collection containers ready for use in high density housing.

recycling and recovery technologies for commercial and industrial waste. The technologies currently employed in the Netherlands are transferable to the UK to meet this demand as it emerges. Overall the Group is well placed to compete in its growing markets.

M C E Averill
Group Chief Executive

Shanks in the Netherlands

Operations in the Netherlands continue to perform robustly. Recycling of materials from the sizeable greenhouse market continues to increase and our facilities serving the hazardous waste and industrial cleaning markets have seen more activity.
Investment in a new wood processing plant was completed successfully. Further expansion opportunities are being pursued.

6. Reym industrial cleaning vehicles visit customer facilities as part of planned maintenance contracts.

Right. Sorted, compacted and baled plastics make onward transportation for recycling easy.

financial review.

Financial Results

The Operating Review on pages 4 to 9 covers the background to the Group's trading performance. The L&P business contributed £5.8m to trading profits in the first three months before its disposal and is classified as discontinued. It is estimated to have contributed £3m to Headline Profit, after taking into account its financial charges. Changes in the average euro exchange rate during the year had an adverse £0.4m effect on Group Headline Profit.

Finance charges were much lower at £10.8m (2004: £20.7m) reflecting the L&P disposal proceeds received in July 2004. Goodwill amortisation fell by £1.6m to £10.0m (2004: £11.6m) due to the sale of the L&P and other businesses. Goodwill arising on the acquisition of the Dumfries & Galloway PFI contract has been provisionally estimated at £7.7m. This reflects the assumption of net liabilities (£3.8m) and bid costs incurred (£3.9m).

The average tax rate on headline profit increased to 34% (2004: 31%) as a result of the proportion of profits from countries with higher tax rates. The underlying rates of tax in the countries where the Group operates were UK: 30%, Netherlands: 35% and Belgium: 34%. The Group suffers a higher charge in Belgium as landfill tax is non-deductible for corporation tax purposes.

Cash Flow

Details of the Group's cash flow performance are shown in Table 1.

The underlying cash utilisation of the core business was £4m after net capital expenditure of £33m. The adverse working capital movement includes the £10m pension prepayment relating to the L&P disposal. The £190m net cash proceeds from business disposals, partially offset by the adverse £4m translation of the Euro denominated debt into its sterling equivalent, resulted in a reduction of £182m in core debt. The non-recourse aggregated debt in the PFI Companies increased by £35m mainly due to the construction work-in-progress on the ELWA contract.

Capital Expenditure and Acquisitions

The Group spent £65m net on capital expenditure (2004: £68m) of which £33m was in the core business and £32m on PFI contracts. The core business growth capital projects include the purchase of land at Hoek van Holland, the Brussels transfer station expansion, capacity increases at ATM and the new wood plant at Utrecht. Core business maintenance capital expenditure reduced to £21m (2004: £32m) due to the L&P disposal. The expenditure on PFI contracts mainly related to ELWA but includes costs of £4m in respect of the acquisition of Shanks Dumfries and Galloway Limited.

Directly attributable interest on separately identifiable major capital

Table 1 – Group Cash Flow (£m)

			2005	2004	Change
	Core Business	PFI Companies	Total	Total	
Operating profit*	42	2	44	51	(7)
Depreciation and landfill provisions	38	1	39	53	(14)
EBITDA*	**80**	**3**	**83**	**104**	**(21)**
Working capital	(12)	(4)	(16)	(5)	(11)
Net capital expenditure and acquisitions	(33)	(32)	(65)	(68)	3
Interest, tax, dividends and other	(39)	(2)	(41)	(47)	6
Underlying cash flow	(4)	(35)	(39)	(16)	(23)
Business disposals	190	–	190	–	190
Currency translation	(4)	–	(4)	5	(9)
Group cash flow	**182**	**(35)**	**147**	**(11)**	**158**

*before exceptional items and goodwill amortisation projects is capitalised. As at 31 March 2005 the interest capitalised totalled £0.8m (2004: £0.2m).

PFI Projects – Balance Sheet Treatment and Risk Matters

The Group has already won three 25 year contracts to manage local authority waste arisings. The considerable opportunity to expand this business is set out in the Chairman's Statement and the Operating Review.

A typical structure for these contracts is shown in Figure 1, although each one has its own small variations.

A separate PFI company (PFICO) is created to contract with each local authority. The PFICO is typically financed by non-recourse senior debt (c.80%) from the Funders with an investment from the Group's subsidiary, Shanks PFI Investments Limited, in the form of subordinated debt (c.19%) and pinpoint equity (c.1%). As all PFICOs have thus far been controlled by the Group, their non-recourse debt is consolidated onto the face of the Group balance sheet. The breakdown between the two debt categories of core and PFICO debt is shown in the financial statements.

The Group's investment is initially provided by the Funders in the form of an equity bridge loan. This bridge is underwritten by an irrevocable letter of credit under the Group's core banking facility in the Funders' favour. The equity bridge is repaid when the major operating facilities have been constructed. Equity bridges totalling £27m in respect of ELWA and D&G are expected to be repaid in 2007. This will reduce PFICO debt and increase core debt correspondingly.

A tripartite Project Agreement (PA) is negotiated with the local authority and the Funders which defines the PFICOs performance obligations and its liabilities in the event of non-performance. The PA is the master contract to which all other contracts are linked.

In order for the PFICO to meet its obligations under the PA, it enters into two principal subcontracts with a Group subsidiary, Shanks Waste Management Limited (SWM). The first contract is to Engineer, Procure and Construct (EPC) the process plants and ancillary facilities. Normal construction industry performance bonds are required by PFICO from SWM. SWM in turn obtains performance bonds from its sub-contractors (such as Ecodeco). The majority of the SWM risk is therefore passed down to experienced contractors. It retains only the residual risk relating to the contractors' credit worthiness and the interface risk between the various contractors.

The second contract is for the Operation and Maintenance (O&M) of the local authorities' waste business. During contract negotiations SWM will agree with the PFICO, the Funders and

financial review.
continued

PFI Projects – Balance Sheet Treatment and Risk Matters – continued

the local authority appropriate performance levels and penalties in the event of SWM's non-performance. The Funders providing the debt, which is non-recourse to the Group, insist on being able to remove SWM for serious non-performance and, in extremis, may take control of the PFICO.

The Group provides guarantees covering the performance of SWM under both the EPC and O&M contracts to the PFICO up to the level of the agreed liability caps. If the project fails, the Group's equity investment in the PFICO could be at risk. However, it is important to note that waste management is the Group's core competence. These guarantees and risks are therefore in the normal course of business.

Upon financial close PFICO assumes the substantial bid costs previously incurred by the Group. This means that PFICO debt increases and the core debt reduces correspondingly. As PFICO immediately takes over the existing local authority's waste facilities and associated liabilities under the PA contract, the transaction is accounted for under the rules for acquisition accounting. Goodwill arises from the net liabilities assumed and the bid costs incurred, and is written off over the life of the contract.

Profit and positive cash flows accrue to the Group immediately after financial close from both the PA contractor (PFICO) and the O&M contract (SWM). Various planning permissions and permits under the EPC contract are then applied for and, upon their receipt, construction of the new facilities is commenced. Typically it can take five years before the EPC contract is complete.

Although all PFICOs have historically been wholly owned by the Group, various alternative structures are being considered for the future. It is also possible that there will be subcontract agreements with non-Group companies rather than with SWM. When the EPC contract is complete, the risk profile of the project is substantially reduced and consideration will be given to the sale of some, but probably not all, of the Group's equity in the PFICO. There is an emerging secondary market for low risk PFI equity investments which could allow the Group to reduce its equity holdings and provide funds for future PFI projects. The O&M subcontract will however be retained by SWM.

Bid costs of £1.2m on PFI projects (2004: £1.0m) incurred prior to preferred bidder status were written off. At 31 March 2005 the prepaid post preferred bid costs amounted to £Nil (2004: £3.1m).

Treasury and Risk Management Policy

The treasury policy is to use financial instruments with a spread of maturity dates and sources in order to reduce funding risk. Borrowings are drawn in the same currencies as the underlying investment to reduce cash and net translation exposure on exchange rate movements. No other currency hedging mechanisms are used. The Group maintains a significant proportion of its debt on fixed rates of interest in order to protect interest cover.

On receipt of the L&P proceeds, the Group repaid its syndicated borrowings and reduced its private placement facility from €131m to €52m before entering into a bank bridging loan. This bridge was repaid on 4 May 2005 from the proceeds of a new loan facility with five major banks. This is a £250m multicurrency revolving credit facility expiring in May 2010. The private placement maturity dates remain between 2009 and 2013. The Group also has £29m of working capital facilities with various banks.

Insurance

The policy on insurance is to secure the maximum cover available in the market at reasonable prices. The Group therefore carries catastrophe insurance, including pollution cover, but self-insures up to a maximum aggregate level of £2m.

Pensions

The Group continues to use SSAP 24 Pension Costs to account for pensions and has adopted the transitional arrangements permitted by FRS 17 – Retirement Benefits. Under SSAP 24 the pension charge for year ended 31 March 2005 has decreased to £2.5m (2004: £5.1m) due in part to the L&P disposal.

On the FRS 17 basis, the net pension liability has reduced to £11.8m (2004: £19.7m) mainly as a result of a £10m payment made in March 2005 relating to the residual liabilities of the L&P employees who have become deferred pensioners in the UK defined benefit scheme (the Scheme). There is no additional charge against current year profits arising from this payment as the current charge already reflects the liability.

The Scheme was closed to new members in September 2002 and new employees are now offered a defined contribution arrangement. The triennial actuarial valuation, based on the assets and liabilities as at 1 April 2003, showed a smoothed funding deficit of £12m. The Group raised its annual pension cash contributions by £1.4m with effect from 1 April 2004. The employee contribution rate was increased from 5% to 7% of relevant earnings with effect from 1 May 2004.

Going Concern

The Directors, having reviewed the Group's 2005/6 budget, its medium term plans and its new banking arrangements, are satisfied that the Group has sufficient resources to continue operations for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

International Financial Reporting Standards (IFRS)

For the year starting 1 April 2005, the Group results will be presented under IFRS for the first time. The Group has established a project team which is assessing the impact of implementation. IFRS standards are currently being reviewed and interpreted. Based on the work done to date the most significant adjustments arising from IFRS adoption are described below:

IFRS 2 – Share-based Payments. This requires measurement of share based transactions with employees at fair value at the date of grant. This value forms the basis of the charge to profits over the period between grant and exercise.

IFRS 3 - Business Combinations. Goodwill is carried at cost and subject to annual impairment reviews rather than amortisation as required by UK GAAP. On first-time adoption of IFRS, the Group will take advantage of the option not to restate past business combinations and to treat the carrying value of goodwill at the transition date as cost.

IAS 10 – Events after the Balance Sheet. Proposed dividends are not recognised as a liability as they are subject to approval prior to payment.

IAS 12 – Income Taxes. Deferred tax assets and liabilities are recognised for all timing differences contained in the balance sheet.

IAS 19 – Employee Benefits. Pension liabilities are recognised based on actuarial valuations. Actuarial gains and losses will not be reflected in the income statement but taken through the Statement of Recognised Income and Expense.

IAS 21 – The Effect of Changes in Foreign Exchange Rates. Exchange rate variances on monetary items are included in the income statement unless they are part of a net investment or designated as a hedge. IAS 21 is more prescriptive in determining the designation of items, including intra-group loans.

IAS 39 – Financial Instruments: Recognition and Measurement. The Group expects to apply hedge accounting for interest rate swaps and foreign exchange balance sheet hedges. The extent of increased volatility will depend on prevailing interest and currency rates in the relevant accounting period and the effectiveness of hedges.

D J Downes

Group Finance Director

the environment, the community and the Group.

Environmental regulation and its enforcement creates the markets for our services. It is therefore important that performance in this area is of the highest standard in order to ensure continuing acceptance of our operations by host communities and to satisfy our customers.

The Group's approach to its business is clearly outlined in a 'Statement of Business Principles and Corporate Ethics' publicly available alongside all other corporate publications on the Shanks website at *www.shanks.co.uk*.

This commitment to achieve business goals by acting with honesty, integrity, openness and fairness is plainly stated, together with a clear and public definition of acceptable business practice. The statement also provides staff with the Group vision and guidance on dealings with stakeholders such as shareholders, employees, customers, suppliers and contractors, as well as covering the specific areas of environmental protection and health and safety.

The Group is committed to making a significant contribution to managing society's waste in a sustainable and acceptable manner. All operating sites are regulated by environmental authorities against requirements set out within licences and permits. Data on emissions from our facilities is submitted to the regulators and is publicly available. In addition we report annually on our performance through the Environmental Report and the Health and Safety Review.

The Group was, once again, included within the FTSE4Good UK index; a measurement of corporate social responsibility administered by the independent FTSE Group. The Group did not participate in the annual Business in the Environment (BiE) Index of Corporate Engagement during the 2004/5 financial year, being at the time outside the qualifying group of the UK's top 350 quoted companies.

Environmental Management
Externally accredited Environmental Management Systems (ISO14001), together with a number of non-certified mirror systems, form an important part of the environmental management of the Group's wide ranging waste and resource business.

During the review period the Group published its fifth annual Environmental Report covering all its operating divisions. Performance is reported in a quantitative manner using a set of environmental performance indicators and reflecting the UK Government's general guidelines for environmental reporting.

Environmental Advisory Board
The Group set up its Environmental Advisory Board (EAB) in 1989 to act as an independent assessor of its environmental management and performance and to give advice on environmental and related matters. Chaired by Professor James Bridges, the President of the EU Committee on Toxicology, Ecotoxicology and the Environment, the EAB membership comprises a range of international environmental and technical specialists.

A summary of their activities for the review period is included in the Environmental Report for 2004/5.

Employees
Employees remain the Group's most important and valuable asset. The

1. Health & Safety forms a vital part of operations. Machinery operation has strict regulations for safety which must be adhered to by all employees.

2. Visual aids reinforce awareness of dangers to both employees and customers.

3. Our Continental operations comply with national safety requirements.

Group has a management philosophy aimed at ensuring all employees feel respected and able to fulfil their potential. Dignity at work is a fundamental principle, which underpins all of our employment policies. Equal opportunities is at the heart of recruitment and employment practices. The Group is committed to the principle that it must invest in its people to ensure that they have the business, commercial and technical skills appropriate to our industry to provide the best possible service to the customer.

A culture of two-way communication is actively promoted and Trades Unions, Works Councils and other employee groups are involved wherever appropriate.

Health and Safety

For the third year running the Group improved its safety performance and reduced the rate of more serious accidents being suffered by its employees. Overall the Group recorded a 5% fall in more serious accidents (expressed as a rate per 100,000 employees). However, this improvement, while creditable, did not meet the Group's target of a 10% year-on-year reduction.

Performance across the Group's operations was varied with both Netherlands and Flanders meeting the 10% reduction target, whilst the UK and Wallonia recorded lower levels of improvement. Any improvement in safety performance is welcome and the consistent trend being shown towards lower accident rates is a reflection of the importance the Group places on safety.

Despite the general improvement in safety performance it is with sadness that we must report the death while at work of an employee in the Netherlands. The Group's sympathy and condolences go to family, friends and colleagues. This fatal accident is a reminder that continuing improvements in safety must be at the top of management's and all employees' agendas.

Details of accident and other aspects of safety performance are available in the Annual Health and Safety Review, the 2004/5 version of which will be published later in the year and also posted on the Group's website.

The Wider Community

The Group strives to achieve effective communications with all stakeholders and seeks to secure good relations with operational site neighbours. Increasingly, the internet is utilised as a modern communications tool and the Group has developed its website as a source of easily accessible and understandable information. However, informal discussions and meetings, newsletters, exhibitions and, where regarded as appropriate by interested parties, formal liaison groups, remain among the more traditional methods used. All sites subscribe to the open door policy for pre-arranged visits and some also host additional educational resources for students or community groups.

Further support is provided to communities neighbouring our sites, particularly through the Landfill Tax Credit Scheme (LTCS), which has been enthusiastically backed by the Group since its inception in late 1996.

4. Care was taken at the Charleroi site to ensure that sensitive habitats were maintained.

5. The green waste materials recycling facility at Jenkins Lane, East London.

6. Glass containers at a local waste recycling centre.

directors.

at 2 June 2005

Chairman

Ian Clubb, CA (Age 64)*

Non-executive Chairman

Ian Clubb was appointed Chairman in 2002 and joined the Board in 1994. He is Chairman of the Nomination Committee and Chairman of the Trustees of the Company's Pension Scheme. He is a Non-executive Director of Platinum Investment Trust plc. He retired as Chairman of First Choice Holidays plc in 2004.

Executive Directors

Michael Averill, BSc, MBA, ARSM, FCIWM (Age 54)

Group Chief Executive

Michael Averill holds an MBA from Cranfield Management School and a degree from Imperial College of Science and Technology. He joined the Group in 1989 as a Business Development Director for Rechem International Limited. He became Managing Director of Rechem in 1992. He was appointed Group Chief Executive in 1994. He is a Non-executive Director of TDG plc.

David Downes, BSc, MBA, FCMA, FCT (Age 59)

Group Finance Director

David Downes is a qualified accountant and holds an MBA from Stanford Business School and a degree in civil engineering from Kings College, University of London. He was appointed to the Board as Group Finance Director in 1993. He was previously Deputy Chief Executive of Hunter Saphir plc and Group Finance Director of MBS plc. He is a Trustee of the Company's Pension Scheme. He is a Non-executive Director of Danka Business Systems plc.

Fraser Welham, BSc, ACA (Age 40)

Group Finance Director Designate

Fraser Welham is a qualified accountant and holds a degree in mechanical engineering from Kings College, University of London. He was appointed to the Board on 16 May 2005 and will assume the position of Group Finance Director in June 2005. For the past seven years he has been Finance Director for Shanks Belgium.

Non-executive Directors

Richard Biffa, MCIWM (Age 65)*

Deputy Chairman

Richard Biffa joined the Board in 1991 following the merger with Rechem Environmental Services plc of which he was previously Chairman. He is Chairman of the Audit Committee. He has had a long lasting association with, and a wide experience of, the waste management industry. He will be retiring in June 2005.

Barry Pointon, BSc (Age 58)*

Senior Independent Director

Barry Pointon was appointed to the Board in 1999. He is the Senior Independent Director and is Chairman of the Remuneration Committee. He retired at the end of March 2004 as an Executive Director of IMI plc after twenty two years service. He is an engineer with over thirty years experience in industry.

Adrian Auer, BA, MBA, ACT (Age 56)*

Non-executive Director

Adrian Auer was appointed to the Board on 16 May 2005. He will be the Chairman of the Audit Committee following the retirement of Richard Biffa. He was Group Finance Director of RMC Group plc. He is Chairman of Readymix plc and Non-executive Director of Bespak plc and Foseco plc.

Philippe Delaunois, Ir, IC (Age 63)*

Non-executive Director

Philippe Delaunois, a Belgian national, was appointed to the Board in May 2001. He holds a degree in engineering from the State's University at Mons. He was Chief Executive until 1999 of Cockerill Sambre, a Belgian steel producing company with a turnover in excess of €5bn. He is currently a Non-executive Director of a number of companies in Belgium.

Peter Johnson, BA, ACA (Age 51)*

Non-executive Director

Peter Johnson was appointed to the Board on 16 May 2005. He is Finance Director of Taylor Woodrow plc. Previously he was Group Finance Director of Henderson plc, was Chief Financial officer for Pearl Assurance and was Finance Director of Norwich Union Life.

**Member of the Audit, Nomination and Remuneration Committees*

report of the directors.

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

1 Annual General Meeting

The notice of the Annual General Meeting is set out on pages 64 to 68.

Resolution (11) – Replacement SAYE Share Option Scheme

The 1995 All Employee HM Revenue and Customs approved Savings Related Share Option Scheme expires in August 2005. It is proposed to adopt a new HM Revenue & Customs approved SAYE scheme to replace the expiring scheme. This new scheme will be similar to the previous scheme. Options would be granted during the ten year period to July 2015 to acquire up to 10% of the issued capital of the Company including options granted under the Executive Share Option Scheme 1995 or the Long Term Incentive Plan. Options would be granted at the higher of nominal value and an amount determined by the Remuneration Committee being not less than 80% of market value. The Directors believe that the proposal to implement a new Savings Related Share Option Scheme as set out in resolution (11) is in the best interest of the Company and recommend shareholders to vote in favour of the resolution. Resolution (11) will be proposed as an Ordinary Resolution.

Resolution (12) – Authority to purchase own shares

The Company has the authority to purchase up to 23,400,000 ordinary shares of 10 pence each. The authority remains valid until the next Annual General Meeting or, if earlier, 28 January 2006. The Directors recommend that shareholders renew the Company's authority to purchase its own ordinary shares as permitted under Article 10 of its Articles of Association. Accordingly, resolution (12) will be proposed as a special resolution seeking authority to make such purchases in the market. The Directors have no immediate intention of using such authority and would do so only when they consider it to be in the best interests of shareholders generally. Any ordinary shares purchased under this authority will be cancelled and the number of ordinary shares in issue will be reduced accordingly. The Company did not purchase any of its ordinary shares during the year.

Resolution (12) specifies the maximum number of ordinary shares which may be purchased (representing approximately 10% of the Company's existing issued ordinary share capital) and the minimum and maximum prices at which they may be bought, reflecting the requirements of the Companies Act 1985 and the UK Listing Rules. The Directors intend to seek renewal of this power at subsequent Annual General Meetings. As at 2 June 2005 (being the latest practicable date prior to the printing of this document) there were outstanding options to subscribe for a total of 6,682,914 ordinary shares in the Company, representing 2.9% of the issued share capital of the Company at that date. If the share buy-back authority referred to above is exercised in full, the outstanding options as at 2 June 2005 would represent 3.2% of the issued share capital of the Company.

Resolution (13) – Disapplication of statutory pre-emption rights

The Directors consider it advisable to renew their authority to allot equity securities for cash, other than to existing shareholders pro-rata to their holdings, which is due to expire on 28 October 2005. This authority will enable the Directors, at any time until 27 October 2006, to allot equity securities wholly for cash up to an aggregate nominal amount of £1,170,000 or otherwise in connection with a rights issue. This limited disapplication will allow the Directors to allot up to 11,700,000 ordinary shares, representing just under 5% of the issued equity share capital of the Company as at 2 June 2005. Resolution (13) will be proposed as a special resolution.

Resolution (14) – Amendment to Article 96 – Directors' Fees

The maximum aggregate total remuneration of the Directors excluding payments for executive duties under article 96 is currently £250,000 per annum. This maximum has not been changed for many years. The Directors' fees for the present Board are expected to total £235,000 in the 2005/6 year and therefore the Directors consider it advisable to increase the maximum aggregate total remuneration to £400,000. Resolution (14) will be proposed as a special resolution.

2 *Principal Activities and Group Results*

The principal activities of the Group and an indication of likely future developments are described in the Chairman's Statement on pages 2 and 3 and in the Operating and Financial Reviews on pages 4 to 13. The Group's Profit and Loss Account appears on page 32 and note 2 to the financial statements shows the contribution to turnover and profits made by the different classes of the Group's business. The Group's profit after tax amounted to £60.2m (2004: £9.2m).

3 Dividends

The Directors recommend a final dividend of 3.8 pence per share be paid on 5 August 2005 to ordinary shareholders whose names appear in the register at close of business on 15 July 2005. This dividend, together with the interim dividend of 1.9 pence per share already paid, will make a total dividend for the year on the ordinary shares of 5.7 pence per share (2004: 5.7 pence per share).

4 Acquisitions and Disposals

Acquisitions have been made during the year at a total cost of £3.9m. Disposals have been made during the year for a net consideration of £189.4m. The acquisitions and disposals are described in the Financial Review on pages 10 to 13 and in note 16 to the financial statements.

5 Directors

The composition of the Board of Directors at the date of this report is shown on pages 16 and 17. All of the Directors except for Mr A Auer, Mr P Johnson and Mr F Welham served on the Board throughout the financial year under review. Mr A Auer, Mr P Johnson and Mr F Welham were appointed by the Board on 16 May 2005 and will be offering themselves for election at the Annual General Meeting. It has been agreed that Non-executive Directors who have served for a period of nine years from initial appointment will submit themselves for annual re-election. Therefore, at this year's Annual General Meeting Mr I Clubb will submit himself for re-election. In addition, Mr D Downes and Mr R Pointon retire by rotation at the Annual General Meeting and will be offering themselves for re-election.

Mr R Biffa, having reached the age of 65 during the year, as required under article 103, intends to retire on 30 June 2005. Mr D Downes intends to retire on 31 December 2005 when he will have reached his normal retirement age of 60. Mr D Downes and Mr F Welham have a service contract terminable on 12 months notice. Mr I Clubb, Mr R Pointon, Mr A Auer and Mr P Johnson do not have service contracts. Details of the Directors' interests are shown in the Remuneration Report on pages 26 to 31.

6 Corporate Governance

A report on Corporate Governance is given on pages 21 to 25.

7 Share Capital

During the year ended 31 March 2005 no ordinary shares were issued other than those issued in respect of exercises of options under the Company's share option schemes, details of which are given in note 22 to the financial statements. At 31 March 2005 and at the date of this report the authorised ordinary share capital was and is £35,000,000 represented by 350,000,000 ordinary shares of 10 pence each. At 31 March 2005, 234,168,534 ordinary shares were in issue and a further 5,395 shares were issued in respect of options exercised prior to 2 June 2005, leaving an unissued balance of 115,826,071 ordinary shares of 10 pence each, representing 33.1% of the authorised ordinary share capital.

report of the directors.

continued

8 Notifiable Interests

As at 2 June 2005, the Company had been notified of the following interests, excluding interests of Directors, of 3% or more of the ordinary share capital of the Company:

	Number of Shares	Percentage
J O Hambro Capital Management Limited	10,804,636	4.61
GAM London Limited	7,596,000	3.24
Legal & General Investment Management Limited	7,593,607	3.24
Artemis Investment Management Limited	7,363,438	3.14
Aberforth Smaller Companies Trust plc	7,259,800	3.10
AXA S.A.	7,236,480	3.09

The interests of the Directors are shown in the Remuneration Report on pages 26 to 31.

9 Research and Development

The Group spent £0.1m (2004: £0.1m) on research and development in the past year, which was charged to profits. In addition, the Group made available £0.1m (2004: £0.4m) to environmental bodies under the Landfill Tax Credit Scheme for research and development projects.

10 Health and Safety

The Group and the Board of Directors regard the provision of safe working conditions for all employees as a high priority and Health and Safety performance is quantified and published for stakeholder scrutiny. (See "The Environment, the Community and the Group" section on pages 14 to 15).

11 Employment Policies

Group employees are recognised as a key asset and it is Group policy to ensure that effective employee communications are maintained at all times. (See "The Environment, the Community and the Group" section on pages 14 to 15).

12 Payment of Suppliers

It is the Group's policy to agree payment terms with all suppliers and to abide by them. The amount owed by the Group to trade creditors at the year end in proportion to the amounts invoiced by suppliers during the year, expressed as a number of days, was 69 days (2004: 68 days) and for the Company was 33 days (2004: 76 days).

13 Charitable and Political Donations

During the period donations made by the Group for charitable purposes amounted to £4,055 (2004: £5,374). No donations were made for political purposes during the year (2004: Nil), as defined by the Companies Act 1985.

14 Registered Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

By Order of the Board

P. Kaye

P Kaye
Secretary
2 June 2005

corporate governance.

Combined Code
The Group is committed to achieving high standards of corporate governance and to integrity and exemplary ethical standards in all its business dealings. This statement, together with the Remuneration Report on pages 26 to 31, explains how the Group has applied the provisions of the new Combined Code on Corporate Governance issued by the Financial Services Authority in July 2003. The Board considers that it has complied with the Code provisions in all material respects throughout the year except that for the period 1 April to 29 July 2004 the Executive Directors' service agreements contained a provision requiring two years notice from the Company. This was subsequently altered to one years notice.

The Board of Directors
The Board currently comprises the Non-Executive Chairman, the Chief Executive, five further Non-executive Directors and two Executive Directors. Their brief biographies are set out on pages 16 and 17. There were no changes to the Board during the year to 31 March 2005, but on 16 May 2005 Mr A Auer, Mr P Johnson and Mr F Welham were appointed Directors. Mr R Biffa will be retiring on 30 June 2005 and Mr D Downes intends to retire on 31 December 2005. The roles of the Chairman and Chief Executive are held by separate individuals and the role of the Chairman is Non-executive. The Chairman has primary responsibility for running the Board and the Chief Executive is responsible for the operations and for development of strategic plans and initiatives for consideration by the Board. The division of responsibilities between the Chairman and the Chief Executive has been clearly established, set out in writing and agreed by the Board.

The Non-executive Directors bring a wide range of experience to the Group and are considered to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Mr R Biffa and Mr I Clubb are not deemed to be independent in accordance with the criteria set out in the Combined Code due to their length of service and Mr Biffa's shareholding in the Company. Notwithstanding this, their experience, strength of character, objectivity and robust contribution to Board and Committee discussions are fully consistent with those of an independent director. The Non-executive Directors make a significant contribution to the functioning of the Board, thereby ensuring that no one individual or group dominates the decision making process. Non-executive Directors are not eligible to participate in any of the Company's share option schemes. Mr R Pointon is the Senior Independent Director.

The Board meets regularly, normally at least ten times a year, and in addition, separate strategic discussions take place. Several meetings are held at subsidiaries in the United Kingdom and overseas where local operations are reviewed. The Board operates under agreed terms of reference, which may delegate certain powers to Committees of the Board. Amongst the matters reserved for decision by the full Board are published financial statements, strategic policy, acquisitions and disposals, capital projects over a defined limit, annual plans and new borrowing facilities. Matters not reserved for the Board may be delegated to senior management. The Board is provided with appropriate information in a timely manner to enable it to effectively discharge its duties.

The performances of the Board, its Committees and the Directors were evaluated during the year via the Company Secretary where a questionnaire was completed and reviewed by the Board.

All Directors submit themselves for re-election by shareholders every three years if eligible, and all Non-executive Directors are appointed initially for a three year term. Any new Director appointed to the Board will be subject to election by shareholders at the first opportunity after their appointment. It has been agreed that those Non-executive Directors who have served for a period greater than nine years from initial appointment will submit themselves for annual re-election.

The Board confirms that it is satisfied that Mr I Clubb, Mr D Downes and Mr R Pointon, who are proposed for re-election at the AGM, continue to demonstrate the necessary commitment to be fully effective members of the Board.

corporate governance.
continued

The Board of Directors – continued
On appointment, Directors are given a comprehensive introduction to the Group's operations, including visits to principal sites and meetings with operating management. All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, Directors are entitled, if necessary, to seek independent professional advice in the furtherance of their duties at the Company's expense.

During the year an insurance policy has been maintained by the Company which indemnifies the Directors against certain liabilities arising in the conduct of their duties.

The terms of reference for the Board and its Committees are available for inspection on request from the Group Company Secretary.

The table below details the number of formal Board and Committee Meetings attended by each Director. During the year ended 31 March 2005 there were ten Board meetings, four Audit Committee meetings, six Remuneration Committee meetings and three Nomination Committee meetings. In addition, the Board held a two day strategy meeting with senior operations management attending for part of the time. There were three meetings of the Non-executive Directors without the presence of the Executive Directors.

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended
M C E Averill	10	10	4	4*	6	N/A	3	3*
R C Biffa	10	10	4	4	6	6	3	3
I M Clubb	10	10	4	4	6	6	3	3
P Delaunois	10	9	4	3	6	5	3	3
D J Downes	10	10	4	4*	6	N/A	3	1*
R B Pointon	10	10	4	4	6	6	3	3

*Invited by the Audit Committee and the Nomination Committee to be in attendance for part of the meeting.

Audit Committee
The Audit Committee is formally constituted with written terms of reference. It was chaired by Mr R Biffa during the year and comprises the Non-executive Directors (see pages 16 and 17). Normally, it meets three times a year. The external auditors and the Executive Directors are regularly invited to attend meetings and the Committee has access to the external auditors' advice without the presence of the Executive Directors. The Audit Committee has the authority to examine any matters relating to the financial affairs of the Group. This includes the appointment, terms of engagement, objectivity and independence of the external auditors, the nature and scope of the audit, reviews of the half-year and annual financial statements, internal control procedures, accounting policies, adherence with accounting standards and such other related functions as the Board may require. While the Committee has collectively the skills and experience required to fully discharge its duties, no single member had recent and relevant financial experience under the requirements of the new Combined Code during the year. However, Mr I Clubb, a member of the Committee, is a Chartered Accountant and has many years of financial experience at senior board level. Mr A Auer who will be taking over the role of Chairman of the Audit Committee from Mr R Biffa from 30 June 2005 does have the necessary recent and relevant financial experience.

There is a 'whistleblowing' and security reporting procedure which encourages a free and open culture within the Group in all its business dealings.

The policy on engagement of the external auditors for non-audit services is that where the work is closely related to the audit, or if the work requires a detailed understanding of the Group, or when a significant benefit can be obtained from work previously conducted, the work may be awarded to the auditors without compromising their independence.

During the year the performance of the external auditors and that of the Audit Committee itself was reviewed by means of completing a detailed questionnaire.

Remuneration Committee
The Remuneration Committee is chaired by Mr R Pointon and comprises the Non-executive Directors (see pages 16 and 17). The Committee determines the Company's policy on remuneration and on a specific package for each of the Executive Directors. It also determines the terms on which Long Term Incentive Plan (LTIP), Executive and SAYE share options are awarded to employees. The Committee also determines the remuneration of the Group's senior management and that of the the Chairman. It recommends the remuneration of the Non-executive Directors for determination by the Board. In exercising its responsibilities the Committee has access to professional advice, both internally and externally, and may consult the Chief Executive about its proposals. The Remuneration Report on pages 26 to 31 contains particulars of Directors' remuneration and interests in the Company's shares.

Nomination Committee
The Nomination Committee is chaired by Mr I Clubb and comprises the Non-executive Directors (see pages 16 and 17). It meets as required and is responsible for making recommendations to the Board on the appointment of Directors and succession planning. During the year the structure, composition and balance of skills of the Board were reviewed including ensuring that all members of the Board have devoted sufficient time and contributed adequately to the work of the Board. It was decided that two new non-executive directors with recent and relevant financial experience should be sought and a successor was required to be found for Mr D Downes. Following an executive search, both internally and externally, suitable candidates were identified and nominated for approval by the Board.

Pensions
The assets of both the final salary and money purchase schemes are held separately from those of the Group, are invested by independent professional investment managers and cannot be invested directly in the Company. Three trustees have been appointed by the Company and, in addition, two member nominated trustees were appointed in 2004 for a period of three years. Senior employees in Belgium are provided with defined contribution pension benefits. In the Netherlands, employees participate in a compulsory collective transport industry wide pension scheme which provides benefits up to a certain level of pay. Senior employees in the Netherlands earning in excess of the maximum level of pay allowed for within the compulsory pension scheme also participate in a defined contribution arrangement for the excess amount.

Relationship with Investors
The Company has an active investor relations programme, with designated members of the Board regularly meeting institutional investors, analysts, press and other parties. The Company is pleased to welcome both private and institutional shareholders to its Annual General Meeting and to discuss any topic shareholders may wish to raise. The Group's website *www.shanks.co.uk* provides additional information for shareholders and the general public. All interim, preliminary and final results together with other press releases are published on the website.

corporate governance.

continued

Internal Control

The Board confirms that a continuing formal process for identifying, evaluating and managing the material risks faced by the Group has been in place for the financial year 2004/5 and to the date of approval of the annual report and accounts. This includes reviewing financial, operational and compliance controls and risk management procedures. This process is regularly reviewed by both the Group and subsidiary boards and complies with the Turnbull guidance. This approach ensures that internal control and risk management measures are embedded into the operations of the business and any areas requiring improvement are addressed.

The Directors are responsible for and have reviewed the effectiveness of the Group's system of internal control during the period covered by the annual report and accounts. The system is designed to provide reasonable but not absolute assurance against material avoidable loss or misstatement of financial information. The key features of the control system are as follows:

(i) monthly visits by Executive Directors to key operating locations to attend local board or management meetings;

(ii) regular Executive Committee meetings of the Group's most senior managers and Executive Directors;

(iii) formal written financial policies and procedures applicable to all business units with procedures for reporting compliance therewith, for identifying weaknesses and for taking corrective action;

(iv) comprehensive annual budgets, requiring Board and business sector approval, reviewed on a regular basis, with performance measured against budgets and explanations sought for significant variances;

(v) a formal clearly defined framework for control and approval of capital expenditure and investment programmes, with cash authorisation limits and post investment appraisals along with contract authorisation levels;

(vi) identification and evaluation of key risks applicable to each area of business assessed on a continuing basis at both operating board and Group Board level;

(vii) appointment of experienced and professional staff of the necessary calibre to meet their responsibilities;

(viii) an internal Management Systems department which undertakes periodic examination of written business and operational procedures and identifies non compliances; and

(ix) an Audit Committee comprising Non-executive Directors, the responsibilities of which are set out on page 22.

The Group publishes separate annual reports on Health & Safety and on Environmental Performance. The independent Environmental Advisory Board also publishes its own annual report. Further details about these reports can be found on pages 14 and 15 and copies are also available on the Group's website *www.shanks.co.uk*.

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the auditors' report on pages 61 and 62, is made to distinguish for shareholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

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 the Group as at the end of the year, and of the profit or loss, total recognised gains or losses and cash flows of the Group for that period.

In preparing the financial statements for the year ended 31 March 2005, the Directors have:

(i) used appropriate accounting policies, consistently applied;

(ii) made judgements and estimates that are reasonable and prudent;

(iii) ensured that all applicable accounting standards have been followed; and

(iv) prepared the financial statements on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the Group's website is the responsibility of the Directors. The uncertainty regarding legal requirements in relation to the website is compounded as information published on the internet is accessible in many countries and legislation in the United Kingdom governing the preparation and distribution of financial statements may differ from legislation in other jurisdictions.

So far as the Directors are aware, as at 2 June 2005, there was no relevant audit information in connection with preparing their report of which the auditors were unaware.

The auditors' report on the financial statements set out on pages 61 and 62 confirms that the scope of their report covers the provisions of the Combined Code that are specified for their review by the Financial Services Authority.

remuneration report.

Remuneration Policy
The principal objectives of the Remuneration Committee, which is chaired by Mr R Pointon and comprises the Non-executive Directors, are to attract, retain and motivate high quality senior management with a competitive package of incentives and awards linked to performance and the interests of shareholders. The Committee seeks to ensure that the Executive Directors are fairly rewarded taking into account all elements of their remuneration package in the light of the Group's performance.

The Committee has appointed Deloitte & Touche to provide independent market information and advice relating to executive remuneration and benefits.

This remuneration report will be put to shareholders for their approval as a separate ordinary resolution at the forthcoming Annual General Meeting.

As described below, a significant proportion of potential total remuneration is performance related and is built around annual and longer term incentives. For Directors achieving medium performance, performance related pay would represent approximately 35% of total remuneration. If performance were such that the maximum award available under each incentive scheme was paid, performance related pay would represent approximately 60% of total remuneration.

Basic Salary
The basic salary element is determined after evaluating the Executive Director's duties and responsibilities and is based on the complexity, know-how, decision-making involved and their overall impact on the business. Account is taken of relevant external data that provides information to assist in the deliberations. Basic salary is generally reviewed on an annual basis or following a significant change in responsibilities.

Annual Cash Bonuses
Annual cash bonuses are payable at the discretion of the Remuneration Committee as a percentage of basic salary dependent on corporate performance compared to target. For the year to 31 March 2005, the Executive's potential cash bonus ranged from 20% for achieving target performance to a maximum bonus of 50% for achieving target performance plus 20%. In addition, bonuses have been paid for the exceptional work involved with the sale of the UK landfill and power operations and exceeding the disposal proceeds target. Cash bonuses are not pensionable.

Long Term Incentive Plan
Under the Long Term Incentive Plan (LTIP) senior employees may be granted an award annually, the vesting of which is subject to the attainment of two pre-determined performance conditions measured over a three-year period. Awards are in the form of a number of shares, the maximum value in any financial year cannot be more than 100% of basic salary as at the date of grant and calculated on the Company's share price at that time.

The first performance condition is based on Total Shareholder Return (TSR), where the Company's TSR achieved during the three year performance period is measured against the TSR achieved by those companies that constituted the FTSE Support Services Sector immediately before the date of grant of an award. An award will only vest in full if the Company's TSR results in it being ranked in the upper quartile of the companies in the comparator group where the company with the highest TSR is ranked first. If the TSR of the Company results in a median position in the comparator group then 25% of the award will vest. Vesting above the median position is on a sliding scale, with 3% of the award vesting for each percentile increase in the Company's rank above the median position up to the maximum award. If the Company's TSR for the performance period results in a position below the median then the award will lapse.

The second performance condition is based on Earnings Per Share (EPS) and for an award to vest, the average growth in the Company's EPS, before taking into account goodwill amortisation and exceptional or extraordinary items, for the three year performance period, must exceed growth in the Retail Price Index over the same period by at least nine percentage points.

No amendment may be made to the performance conditions which would be to the material advantage of participants without the prior approval of shareholders in general meeting.

The Shanks Group plc Employee Share Trust has been established for the purpose of granting awards under the LTIP and to hold shares in the Company either purchased in the market or new shares subscribed for, with funds provided by the Company or its subsidiaries. As at 31 March 2005 the Employee Share Trust did not hold any of the Company's shares.

Performance Review

The graph at Figure 1 shows the Total Shareholder Return of the Company and that of the FTSE Support Services Sector Index over the five year period to 31 March 2005. This Index has been selected as it is a broad equity index of which Shanks Group plc is a constituent company.

Share Option Schemes

The Committee believes that share ownership by employees encourages the matching of long-term interests between employees and shareholders. All UK employees including Executive Directors, subject to certain service conditions, may participate in a HM Revenue & Customs approved Savings Related Share Option Scheme (SRSOS). Senior executives are also able to participate in an Executive Share Option Scheme (ESOS) at the discretion of the Remuneration Committee. With effect from 26 July 2001 unapproved executive share options may be granted annually up to a market value of one and a third times basic salary in the preceding period of 12 months. The ESOS expires in August 2005 and after that date it is intended to grant awards under the LTIP to senior executives rather than set up a replacement ESOS.

Under the terms of the SRSOS for employees, options may be granted during the ten year period to August 2005 to acquire up to 10% of the issued equity share capital of the Company, including options granted under the ESOS and LTIP. Options are granted at the higher of the nominal value and an amount determined by the Remuneration Committee being not less than 80% of the market value. At 31 March 2005 options outstanding amounted to 1,952,309 ordinary shares (see note 22 in the financial statements).

Under the terms of the ESOS, options may be granted during the ten year period to August 2005 to acquire up to 5% of the issued equity share capital of the Company. The exercise of options granted under the 1995 ESOS, which is the only current scheme, is subject to a performance condition, achievement of which is a pre-requisite for exercise of options. The condition is tested once only after a period of three years and if it is not achieved the relevant options will lapse. Options granted after 26 July 2001 will only be exercisable if the Group's EPS, before taking into account goodwill amortisation and exceptional or extraordinary items for the three year measurement period, must exceed growth in the Retail Price Index over the same period by at least nine percentage points. The Remuneration Committee applied a different performance condition for options granted under the 1995 ESOS prior to 26 July 2001. These options may not be exercised unless the growth in the Group's EPS over the period of any three consecutive years after the date of grant equals or exceeds the increase in the Retail Price Index over the same period by at least six percentage points. Options are granted at the higher of the nominal value or the market value. At 31 March 2005 options outstanding amounted to 4,736,000 ordinary shares (see note 22 to the financial statements).

remuneration report.

continued

Performance Conditions

The performance conditions for the LTIP and ESOS schemes described above were chosen following recommendations from external remuneration advisers and remain consistent with market practice.

Directors' Service Contracts and Notice Periods

Mr M Averill and Mr D Downes have rolling service contracts dated 29 September 1994, which required one year's notice from the Director and two years' notice from the Company. The Remuneration Committee has agreed that the policy with regard to notice period for Executive Directors is one year. Accordingly in July 2004, it was agreed that the notice period be reduced to six months from the Director and one year from the Company. No compensation payments have been made for this reduction. Mr F Welham has an existing contract which requires one year's notice from the Group and six months from the Director. Termination payments are limited to the Director's revised contractual remuneration including basic salary, any bonus earned and benefits for the unexpired portion of the notice period. Any entitlement to LTIP awards or exercise of share options upon termination is governed by the rules of the relevant scheme. Pensionable service will also accrue for the unexpired portion of the notice period. In the event of early termination, the Remuneration Committee will consider carefully what compensation should be paid taking into account the circumstances of the particular case. The Non-executive Directors do not have service contracts.

External Appointments

The Remuneration Committee acknowledges that executive directors may be invited to become non-executive directors of other quoted companies which have no business relationship with the Group and that these duties can broaden their experience and knowledge to the benefit of the Company. Executive Directors are limited to hold one such position and the policy is that fees may be retained by the Director, which reflects the personal risk assumed in such appointments. Mr M Averill and Mr D Downes have each been appointed to one such non-executive position. The fees received from these appointments were £28,750 and US$19,500 respectively.

Directors' Emoluments

The following table shows a breakdown of the emoluments of the individual Directors, excluding pension contributions to the defined benefit scheme and potential gains on exercise of share options, for the year to 31 March 2005.

	Basic salary		Performance related bonuses		Other emoluments		Total emoluments	
	2005 £000	2004 £000	**2005 £000**	2004 £000	**2005 £000**	2004 £000	**2005 £000**	2004 £000
I M Clubb*	**100**	100	–	–	–	–	**100**	100
M C E Averill	**338**	330	**249**	–	**25**	25	**612**	355
R C Biffa*	**28**	28	–	–	–	–	**28**	28
P Delaunois*	**28**	28	–	–	–	–	**28**	28
D J Downes	**266**	260	**193**	–	**70**	39	**529**	299
R B Pointon*	**28**	28	–	–	–	–	**28**	28
							1,325	838

* Non-executive Director

(i) Other emoluments include such items as a company car or car allowance, medical insurance, payments relating to FURBS and life assurance. They are not pensionable.

(ii) The Non-executive Directors do not participate in the annual bonus plan and do not receive any pension contributions from the Group.

(iii) Mr R Biffa is also a shareholder and director of Radstrong Limited. The fees in respect of Mr Biffa's services as a Director of the Group were paid to this company.

Directors' Pension Benefits

Mr M Averill, Mr D Downes and Mr F Welham are members of the Shanks Group Pension Scheme, which is a funded, defined benefit scheme approved by HM Revenue & Customs. Under the terms of this scheme the Executive Directors have:

- at retirement, and subject to length of service, a pension of up to two thirds of basic salary subject to HM Revenue & Customs limits;
- an employee contribution of 7% of basic salary;
- a lump sum death in service benefit of four times basic salary; and
- a spouse's pension on death.

The Directors' pension benefits are set out in the table and notes below:

	Age at 31.03.05	Increase/ (decrease) in accrued *pension* during the year (ii) £000 pa	Increase/ (decrease) in accrued pension *during the year* net of inflation £000 pa	Accrued *pension at* 31.03.05 (iii) £000	Transfer value at 31.03.05 of pension benefits *accrued at* 31.03.05 (iv) £000	Transfer value at 31.03.04 of pension benefits *accrued at* 31.03.04 (iv) £000	Increase/ (decrease) in transfer value *less Directors'* contributions (iv) £000	*Transfer value* of increase/ (decrease) in accrued pension during the year net of inflation *less Directors'* contributions (v) £000
M C E Averill	53	15	11	178	3,022	2,599	400	158
D J Downes (i)	59	(31)	(32)	35	630	1,120	(497)	(580)

(i) Mr Downes is subject to the HM Revenue & Customs cap on approved pension benefits and is provided with comparable unapproved benefits for basic salary in excess of the cap via a Funded Unapproved Retirement Benefits Scheme (FURBS).

In September 2004, Mr Downes unapproved benefits were transferred from a defined benefit FURBS to a defined contribution FURBS. The market value of the investments transferred was £656,000. Due to this change in status, the *defined contribution FURBS benefits have been excluded from the closing figures in the table above resulting in the* negative figures shown.

A contribution of £86,000 was also paid by the Company to the defined contribution FURBS in December 2004. The market value of the defined contribution FURBS investments as at 31 March 2005 was £802,000.

(ii) The increase/(decrease) in accrued pension during the year represents the difference between the total accrued pension at the end of the year and the equivalent amount at the beginning of the year.

(iii) The pension entitlement shown is that which would be paid annually on retirement based on service at the end of the year.

(iv) The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The calculation is based on the assumption that pensions will be paid from the earliest retirement age possible without the application of actuarial reduction factors (at age of 57 for Mr M Averill and 60 for Mr D Downes).

(v) The increase/(decrease) in transfer value has been calculated after taking into account market conditions and the *Directors' ages at 31 March 2005 and 31 March 2004.*

(vi) Employee contributions were increased from 5% of basic salary to 7% from 1 May 2004. This has been reflected in the calculations.

remuneration report.

continued

Directors' Interests under the LTIP

The Director's conditional beneficial interests under the LTIP in the ordinary 10p shares of the Company as at 31 March 2005 were as follows:

	Outstanding awards at 31 March 2004	Awards made during the year	Outstanding awards at 31 March 2005	Date of award	Share price on date of award (p)	Performance period end	Restricted period end
M C E Averill	171,000	–	171,000	05.08.02	134.5	31.03.05	05.08.05
	325,000	–	325,000	02.06.03	101.0	31.03.06	02.06.06
	–	290,000	290,000	02.08.04	115.0	31.03.07	02.08.07
D J Downes	135,000	–	135,000	05.08.02	134.5	31.03.05	05.08.05
	256,000	–	256,000	02.06.03	101.0	31.03.06	02.06.06

Directors' Interests in Ordinary Shares and Share Options

The Directors' interests, all beneficial, in the ordinary shares of the Company, including shares over which options have been granted under the terms of the Group's share option schemes (other than the LTIP), at 31 March 2005 and 31 March 2004 were as follows:

	Ordinary Shares		Executive (E) and Savings Related (S) Share Options					
	2005	2004	**2005**	2004	Date of grant	Option price (p)	Normal Exercise Dates From	To
I M Clubb	**30,000**	30,000	–	–	–	–	–	–
M C E Averill	**75,406**	75,060	**150,000(E)**	150,000(E)	8.6.1998	199.0	9.6.2001	8.6.2005
			150,000(E)	150,000(E)	2.6.1999	233.5	3.6.2002	2.6.2006
			150,000(E)	150,000(E)	5.6.2000	180.0	6.6.2003	5.6.2007
			–	150,000(E)	31.7.2001	184.5	1.8.2004	31.7.2011
			114,000(E)	114,000(E)	30.7.2002	145.0	31.7.2005	30.7.2012
			2,335(S)	2,335(S)	27.9.2001	144.5	1.11.2006	30.4.2007
			8,495(S)	8,495(S)	26.9.2002	116.0	1.11.2007	30.4.2008
			3,773(S)	3,773(S)	25.9.2003	84.4	1.11.2008	30.4.2009
R C Biffa	**9,174,993**	9,174,647	–	–	–	–	–	–
P Delaunois	**1,500**	1,500	–	–	–	–	–	–
D J Downes	**91,562**	91,562	**100,000(E)**	100,000(E)	8.6.1998	199.0	9.6.2001	8.6.2005
			100,000(E)	100,000(E)	2.6.1999	233.5	3.6.2002	2.6.2006
			100,000(E)	100,000(E)	5.6.2000	180.0	6.6.2003	5.6.2007
			–	100,000(E)	31.7.2001	184.5	1.8.2004	31.7.2011
			90,000(E)	90,000(E)	30.7.2002	145.0	31.7.2005	30.7.2012
			14,159(S)	14,159(S)	26.9.2002	116.0	1.11.2007	30.4.2008
R B Pointon	**3,000**	3,000	–	–	–	–	–	–

(i) The option price is the price at which the option was granted. The price is set by the Remuneration Committee but is not less than 80% (Savings Related Scheme) and 100% (Executive Scheme) of the average market price of the shares over the last three dealing days immediately preceding the date of the invitation to subscribe (Savings Related Scheme) or the date of grant (Executive Scheme). The performance conditions relating to the exercise of Executive Share Options are shown on page 27.

(ii) No options were exercised by serving Directors during the year.

(iii) The Executive options granted to Mr M Averill and to Mr D Downes on 31 July 2001 at an option price of 184.5p lapsed on 1 August 2004.

(iv) The highest closing mid-market price of the ordinary shares of the Company during the year was 148.5p and the lowest closing mid-market price during the year was 110p. The mid-market price at the close of business on 31 March 2005 was 141.5p.

There have been no alterations in the above interests or options between 31 March 2005 and 2 June 2005.

Other Interests
None of the Directors had an interest in the shares of any subsidiary undertaking of the Company or in any significant contracts of the Group.

Auditable Information
The information in the Remuneration Report subject to audit is that included in the tables and related notes in the sections above on Directors' Emoluments, Directors' Pension Benefits, Directors' Interests under the LTIP and Directors' Interests in Ordinary Shares and Share Options.

consolidated profit and loss account.

year ended 31 March 2005

	Note	2005 Continuing £m	2005 Discontinued £m	2005 Total £m	2004 Total £m
Turnover: Group and share of joint ventures		**475.9**	**37.9**	**513.8**	596.7
Less: share of turnover of joint ventures		**(10.2)**	**–**	**(10.2)**	(8.6)
Group turnover	2	**465.7**	**37.9**	**503.6**	588.1
Cost of sales		**(378.9)**	**(30.5)**	**(409.4)**	(482.3)
Gross profit	3	**86.8**	**7.4**	**94.2**	105.8
Group operating profit before exceptional items and goodwill amortisation		**36.4**	**5.8**	**42.2**	49.4
Exceptional operating costs		**(10.4)**	**–**	**(10.4)**	–
Goodwill amortisation		**(9.6)**	**(0.4)**	**(10.0)**	(11.6)
Group operating profit	3	**16.4**	**5.4**	**21.8**	37.8
Share of operating profit of joint ventures		**1.9**	**–**	**1.9**	1.6
Total operating profit	2	**18.3**	**5.4**	**23.7**	39.4
Non-operating exceptional items: net profit on disposal of operations	5			**51.5**	–
Profit before finance charges and tax	2			**75.2**	39.4
Finance charges – interest	6			**(9.7)**	(17.9)
Finance charges – other	7			**(1.1)**	(2.8)
Profit on ordinary activities before tax	2			**64.4**	18.7
Tax	8			**(4.2)**	(9.5)
Profit on ordinary activities after tax and profit for the period				**60.2**	9.2
Dividends	9			**(13.3)**	(13.3)
Retained profit (loss) transferred to reserves	23			**46.9**	(4.1)
Earnings per share					
– basic	10			**25.7p**	3.9p
– adjusted basic before exceptional items and goodwill amortisation	10			**9.4p**	8.9p
– diluted	10			**25.6p**	3.9p
Dividend per share	9			**5.7p**	5.7p

consolidated balance sheet.

at 31 March 2005

	Note	2005 £m	2005 £m	2004 £m	2004 £m
Fixed assets					
Intangible assets	13		**150.1**		183.8
Tangible assets	14		**229.5**		356.2
Investment in joint ventures:					
Share of gross assets		**13.2**		12.8	
Share of gross liabilities		**(7.6)**		(8.1)	
Share of net assets	15	**5.6**		4.7	
Loans to joint ventures	15	**3.2**		3.9	
Total investment in joint ventures			**8.8**		8.6
Other unlisted investments	15		**1.0**		1.1
Total fixed assets			**389.4**		549.7
Current assets					
Stocks	17	**9.1**		8.1	
Debtors	18	**124.7**		137.7	
Cash at bank and in hand		**32.1**		30.3	
		165.9		176.1	
Creditors: amounts falling due within one year					
Borrowings	19	**(0.7)**		(15.8)	
Other creditors	20	**(135.7)**		(165.9)	
		(136.4)		(181.7)	
Net current assets (liabilities)			**29.5**		(5.6)
Total assets less current assets (liabilities)			**418.9**		544.1
Creditors: amounts falling due after more than one year					
Borrowings	19	**(193.7)**		(323.6)	
Other creditors	20	**(0.1)**		(8.4)	
			(193.8)		(332.0)
Provisions for liabilities and charges	21		**(30.4)**		(74.8)
Net assets			**194.7**		137.3
Capital and reserves					
Called up share capital	22		**23.4**		23.4
Share premium account	23		**93.2**		93.1
Profit and loss account	23		**78.1**		20.8
Equity shareholders' funds			**194.7**		137.3

The Financial Statements were approved by the Board on 2 June 2005 and were signed on its behalf by:

I M Clubb
Chairman

D J Downes
Group Finance Director

consolidated cash flow statement.

year ended 31 March 2005

	Note	£m	2005 £m	£m	2004 £m
Net cash flow from operating activities	25(a)		**60.3**		95.3
Returns from investments and servicing of finance					
Interest paid		**(14.2)**		(21.2)	
Interest received		**2.2**		1.1	
			(12.0)		(20.1)
Tax paid			**(9.3)**		(8.7)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(66.1)**		(68.3)	
Sale of tangible fixed assets		**6.8**		4.1	
			(59.3)		(64.2)
Acquisitions and disposals					
Acquisition of subsidiary and other businesses	25(b)	**(3.9)**		(1.5)	
Disposal of subsidiary and other businesses	25(c)	**189.4**		–	
Movement in loans to joint ventures and dividends from joint ventures		**1.0**		–	
			186.5		(1.5)
Equity dividends paid			**(13.3)**		(13.3)
Net cash flow before use of liquid resources and financing			**152.9**		(12.5)
Financing					
Issue of ordinary share capital			**0.1**		–
Debt financing	25(d)		**(135.9)**		13.0
Increase in net cash			**17.1**		0.5

	Note	2005 £m	2004 £m
Reconciliation of net cash flow to movement in net debt	25(e)		
Increase in net cash in the year		**17.1**	0.5
Debt financing	25(d)	**135.9**	(13.0)
Change in net debt resulting from cash flows		**153.0**	(12.5)
Inception of new finance leases		**(1.6)**	(1.5)
Financing assumed with acquisitions		**-**	(2.3)
Amortisation of loan fees		**(0.3)**	(0.7)
Exchange rate (loss) gain on net debt		**(4.3)**	5.4
Movement in net debt in the year		**146.8**	(11.6)
Net debt at 31 March 2004		**(309.1)**	(297.5)
Net debt at 31 March 2005		**(162.3)**	(309.1)

Net debt represents total borrowings less cash at bank and in hand.

analysis of net debt.

at 31 March 2005

	At 31 March 2005 £m	At 31 March 2004 £m
Principal Group net debt	**99.5**	280.9
Private Finance Initiative company net debt	**62.8**	28.2
Total Group net debt	**162.3**	309.1

reconciliation of movements in shareholders' funds.

year ended 31 March 2005

	Note	2005 £m	2004 £m
Profit for the period		**60.2**	9.2
Equity dividends	9	**(13.3)**	(13.3)
Retained profit (loss) transferred to reserves		**46.9**	(4.1)
Issue of share capital		**0.1**	–
Currency translation gain (loss)		**4.6**	(4.0)
Movements in goodwill: currency translation adjustment		**(1.5)**	1.6
Goodwill previously written off to reserves and now charged to the profit for the period on disposal of operations		**7.3**	–
Net movement in equity shareholders' funds		**57.4**	(6.5)
Opening equity shareholders' funds		**137.3**	143.8
Closing equity shareholders' funds		**194.7**	137.3

statement of total recognised gains and losses.

year ended 31 March 2005

	2005 £m	2004 £m
Profit for the period	**60.2**	9.2
Currency translation gain (loss) on net investments (including goodwill)	**8.9**	(9.4)
Currency translation (loss) gain on borrowings	**(4.3)**	5.4
Total recognised gains and losses relating to the period	**64.8**	5.2

financial statements, accounting policies and directors' remuneration.

The accounting policies on pages 37 to 39 form part of these financial statements. The disclosures required by the Companies Act 1985 and those specified for audit by the Financial Services Authority relating to Directors' remuneration (including pension benefits and incentive plans), interests in shares, share options and other interests, are set out within the Remuneration Report on pages 26 to 31, and form part of these financial statements.

company balance sheet.

at 31 March 2005

	Note	£m	2005 £m	£m	2004 £m
Fixed assets					
Intangible assets	13		**0.2**		–
Tangible assets	14		**0.1**		0.6
Investments	15		**365.6**		329.8
Total fixed assets			**365.9**		330.4
Current assets					
Debtors	18	**65.6**		149.1	
Cash at bank and in hand		**8.3**		8.3	
		73.9		157.4	
Creditors: amounts falling due within one year					
External borrowings	19	**(1.0)**		(3.6)	
Other creditors	20	**(11.5)**		(21.8)	
		(12.5)		(25.4)	
Net current assets			**61.4**		132.0
Total assets less current liabilities			**427.3**		462.4
Creditors: amounts falling due after more than one year					
Borrowings	19	**(103.6)**		(233.9)	
Other creditors	20	**(97.3)**		(86.2)	
			(200.9)		(320.1)
Provisions for liabilities and charges	21		**(5.9)**		(0.4)
Net assets			**220.5**		141.9
Capital and reserves					
Called up share capital	22		**23.4**		23.4
Share premium account	23		**117.2**		117.1
Profit and loss account	23		**79.9**		1.4
Equity shareholders' funds			**220.5**		141.9

The Financial Statements were approved by the Board on 2 June 2005 and were signed on its behalf by:

I M Clubb
Chairman

D J Downes
Group Finance Director

notes to the financial statements.

1 Accounting policies

(a) Basis of presentation

The financial statements are prepared on the historical cost basis, consistent with prior years, and comply with applicable United Kingdom accounting standards. Where changes in policy or presentation are made, comparative figures are adjusted accordingly.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Shanks Group plc and all its subsidiary undertakings (subsidiaries) together with its share of the results of joint ventures. The results of subsidiary undertakings acquired or sold during the year are included in the consolidated financial statements up to, or from, the date control passes. Acquisitions are accounted for using the acquisition accounting basis.

Wholly owned subsidiary companies set up under Private Finance Initiative (PFI) contracts are fully consolidated by the Group. However, in view of the specific arrangement issues arising under PFI contracts, the Group has provided additional information concerning the financing of PFI companies to improve understanding by readers of these financial statements.

(c) Joint ventures

The Group's share of joint ventures' results is included in the consolidated profit and loss account. The Group's share of gross assets and liabilities is shown in the consolidated balance sheet.

(d) Turnover

Turnover represents the invoiced value of waste streams processed and other services provided including landfill tax but excluding sales taxes. Turnover is recognised when processing occurs or the service is provided.

(e) Retirement benefits

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. For defined benefit schemes, any differences between the actuarial valuation of the schemes and the value of the assets in the schemes are also charged or credited to the profit and loss account over the expected working lives of the scheme members. Differences between the amount charged in the profit and loss account and payments to the defined benefit schemes are treated as assets or liabilities in the balance sheet.

For defined contribution pension arrangements, amounts paid are charged to the profit and loss account in the year to which they relate.

The Group continues to apply SSAP 24 – Pension Costs and has adopted the transitional arrangements permitted by FRS 17 — Retirement Benefits. The disclosures required under FRS 17 are detailed in note 12 to the financial statements.

(f) Exceptional items

Exceptional items are those items that need to be disclosed because of their size or incidence. Normally these items are included in operating profit unless they are material and represent profits or losses on the sale or closure of an operation, costs of a fundamental reorganisation or restructuring, or profits and losses on the disposal of fixed assets. In these cases the items are shown separately in the profit and loss account after operating profit.

notes to the financial statements.

continued

1 Accounting policies – continued

(g) Goodwill

Goodwill arises when the cost of acquiring subsidiaries and businesses exceeds the fair value attributed to the net assets acquired. Capitalised goodwill is written off over its useful life in accordance with FRS 10 – Intangible Fixed Assets. For goodwill arising in respect of businesses operating under long term PFI contracts the goodwill is written off over the term of the contract, which may exceed 20 years. The carrying value of any such goodwill is reviewed annually.

The profit or loss on disposal or closure of a business is calculated after taking into account any related goodwill including amounts previously written off to reserves prior to the adoption of FRS 10.

(h) Fixed assets

Tangible fixed assets are stated at cost less depreciation, except for freehold land which is not depreciated, and less any write down for impairment.

(i) Buildings, plant and equipment:
Depreciation is provided on these assets to write off their cost by equal annual instalments over the expected useful economic lives. The expected useful life of buildings is 25 to 50 years. Plant and equipment lives are:

Computer equipment	1 to 3 years
Mobile plant	5 years
Generation equipment	8 to 15 years
Heavy goods vehicles	8 to 10 years
Other items	3 to 20 years

(ii) Landfill sites:
Acquisition costs, commissioning costs, engineering works and the discounted cost of final site restoration are capitalised. These costs are written off over the operational life of each site based on the amount of void space consumed.

(iii) Capitalisation of finance costs:
Finance costs directly attributable to separately identifiable major capital growth projects have been capitalised as part of the asset cost during the period of construction.

(i) Leased assets

(i) Finance leases:
Where the Group has substantially all the risks and rewards of ownership of a leased asset, the lease is treated as a finance lease. Leased assets are included in tangible fixed assets at the total of the capital elements of the 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.

(ii) Operating leases:
All leases other than finance leases are treated as operating leases. Rentals paid under operating leases are charged to the profit and loss account in the year to which they relate. The obligation to pay future rentals on operating leases is shown in note 27 to the financial statements.

1 Accounting policies – continued

(j) Government grants and subsidies

Capital related government grants are released to profit evenly over the expected useful lives of the assets to which they relate. Revenue grants and subsidies are credited in the same period as the items to which they relate.

(k) Unprocessed waste

The accrual for the cost of treating unprocessed waste is calculated at the higher of sales value and processing cost.

(l) Site restoration provision

Full provision is made for the net present value (NPV) of the Group's unavoidable costs in relation to restoration liabilities at its landfill sites and this value is capitalised as a fixed asset. In addition the Group 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.

(m) 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 operating life of the sites are written off directly to the profit and loss account and not charged to the provision.

(n) Discounting

All long term provisions for restoration, aftercare and onerous leases are calculated based on the NPV of estimated future costs. The effects of inflation and unwinding of the discount element on existing provisions are reflected within the financial statements as a finance charge. The real discount factor currently applied is 2%.

(o) Deferred tax

Deferred tax is provided in full in respect of timing differences arising between the treatment of certain items for tax and accounting purposes. Deferred tax assets in respect of trading tax losses are only recognised where the tax losses are expected to be recovered. Deferred tax provisions have not been discounted.

(p) Foreign currencies

Foreign currency denominated assets and liabilities, including capitalised goodwill and goodwill written off to reserves, are translated into sterling at the year end exchange rate. Transactions and the results of overseas subsidiaries and joint ventures in foreign currencies are translated at the average rate of exchange for the year. Exchange rate gains or losses arising on translation are offset by the translation gain or loss on currency borrowings with the net gain or loss reflected in reserves.

(q) Financial instruments

The disclosures required by FRS 13 – Financial Instruments are shown in note 19 to the financial statements. The Group does not include short term debtors and creditors in these disclosures as permitted by FRS 13.

notes to the financial statements.

continued

2 Segmental analysis

The Group operates in one segment, Waste Management, in the United Kingdom, Belgium and the Netherlands.

	2005 £m	2004 £m
(a) Turnover by origin and by destination of service		
United Kingdom	**161.7**	153.7
Belgium	**100.9**	102.7
The Netherlands	**203.1**	200.4
Continuing operations	**465.7**	456.8
Discontinued operations	**37.9**	131.3
Group turnover	**503.6**	588.1
Share of joint venture turnover	**10.2**	8.6

	2005 £m	2004 £m
(b) Operating profits		
Trading profits:		
United Kingdom	**1.4**	(4.5)
Belgium	**16.3**	15.7
The Netherlands	**24.0**	24.2
Central Services	**(3.4)**	(4.1)
Continuing operations	**38.3**	31.3
Discontinued operations	**5.8**	19.7
Operating profit before exceptional items and goodwill amortisation	**44.1**	51.0
Exceptional operating items – UK reorganisation costs	**(10.4)**	–
Goodwill amortisation	**(10.0)**	(11.6)
Total operating profit	**23.7**	39.4
United Kingdom	**(9.8)**	(5.9)
Belgium	**15.7**	15.1
The Netherlands	**16.2**	16.3
Central Services	**(3.8)**	(4.3)
Continuing operations	**18.3**	21.2
Discontinued operations	**5.4**	18.2
Total operating profit	**23.7**	39.4
Non-operating exceptional net profit	**51.5**	–
Profit before finance charges and tax	**75.2**	39.4
Finance charges – interest	**(9.7)**	(17.9)
Finance charges – other	**(1.1)**	(2.8)
Profit on ordinary activities before tax	**64.4**	18.7

	2005 £m	2004 £m
(c) Analysis of profit on ordinary activities before tax		
Group	**62.7**	17.3
Joint ventures	**1.7**	1.4
Profit on ordinary activities before tax	**64.4**	18.7

2 Segmental analysis – continued

	At 31 March 2005 £m	At 31 March 2004 £m
(d) Net assets		
United Kingdom	**69.9**	98.5
Belgium	**23.7**	22.0
The Netherlands	**240.2**	229.6
Discontinued operations	**–**	115.4
Net operating assets	**333.8**	465.5
Unallocated net assets (liabilities):		
Assets under the course of construction	**29.7**	14.8
Net debt	**(162.3)**	(309.1)
Other unallocated net liabilities	**(6.5)**	(33.9)
Net assets	**194.7**	137.3

Other unallocated net liabilities include debtors and creditors relating to tax, dividends and pensions.

3 Operating profit

	£m	2005 £m	£m	2004 £m
Gross profit		**94.2**		105.8
Exceptional reorganisation costs	**(10.4)**		–	
Goodwill amortisation	**(10.0)**		(11.6)	
Other administration expenses	**(52.0)**		(56.4)	
Total administration expenses		**(72.4)**		(68.0)
Group operating profit		**21.8**		37.8
Group operating profit is stated after charging (crediting):				
Depreciation of tangible fixed assets				
– owned		**35.8**		46.4
– held under finance leases and hire purchase contracts		**0.4**		0.3
Impairment of tangible fixed assets included in operating exceptional items		**3.3**		–
Goodwill amortisation		**10.0**		11.6
Total depreciation and amortisation		**49.5**		58.3
Exceptional reorganisation costs (including impairment of tangible fixed assets)		**10.4**		–
Net profit on disposal of fixed assets		**(1.4)**		(0.6)
Hire of plant and machinery – operating leases		**6.0**		13.8
Property rents payable		**4.2**		4.0
Government grants		**(0.1)**		(0.1)
Auditors' remuneration:				
– audit fees, including expenses (parent company £74,000 (2004: £68,000))		**0.5**		0.4
– non-audit related fees (tax services)		**0.4**		0.2

The exceptional reorganisation costs of £10.4m relate to the integration and reorganisation of the Group's business in the United Kingdom. It includes £3.3m for the impairment of tangible fixed assets. The remaining charge relates to redundancies and other closure costs. This charge reduces the tax charge by £3.1m.

In addition to the auditors' remuneration stated above, a further £0.6m for transaction support services has been charged as part of non-operating exceptional items.

notes to the financial statements.
continued

4 Employees

	2005 Number	2004 Number
The average number of persons employed by the Group during the year was as follows:		
United Kingdom	**1,348**	1,814
Belgium	**967**	958
The Netherlands	**1,803**	1,800
Central Services	**13**	15
	4,131	4,587

	2005 £m	2004 £m
The total remuneration of all employees comprised:		
Wages and salaries costs	**96.7**	102.8
Employer's social security costs	**15.5**	17.7
Employer's pension costs	**6.2**	8.6
	118.4	129.1

5 Non-operating exceptional items

	2005 £m	2004 £m
Profit on disposal of United Kingdom landfill and power operations	**52.5**	–
Net loss on disposal of other operations	**(1.0)**	–
Net profit on sale of operations (see note 16(c))	**51.5**	–

The profit on disposal of United Kingdom landfill and power operations of £52.5m is stated after charging £7.3m of goodwill previously written off to reserves. The disposal was principally tax free but associated costs allowable for tax have reduced the tax charge by £4.1m. There is no tax associated with the loss on disposal of other operations.

6 Finance charges – interest

	2005 £m	2004 £m
Net interest payable:		
Interest payable on bank loans and overdrafts repayable within five years	**7.8**	12.0
Interest payable on other loans	**4.5**	7.0
Share of interest of joint ventures	**0.2**	0.2
	12.5	19.2
Interest receivable	**(2.2)**	(1.1)
Interest costs capitalised as part of tangible fixed assets	**(0.6)**	(0.2)
	9.7	17.9

7 Finance charges – other

Other finance charges relate to the unwinding of the discount on long term landfill liabilities of £0.8m (2004: £2.1m) and the amortisation of loan fees of £0.3m (2004: £0.7m).

8 Tax

The tax charge (credit) based on the profit for the year is made up as follows:

		2005 £m	2004 £m
Current tax:	United Kingdom corporation tax at 30% (2004: 30%)		
	– current year	**2.8**	2.7
	Double tax relief	**(2.8)**	(3.0)
	Overseas tax		
	– current year	**7.6**	10.1
	– prior year	**1.2**	–
		8.8	9.8
Deferred tax		**(5.2)**	(0.7)
Joint ventures		**0.6**	0.4
		4.2	9.5

The tax assessed for the period is lower than the United Kingdom standard rate of tax of 30% (2004: 30%). The differences are explained below:

	2005 £m	2004 £m
Profit on ordinary activities before tax	**64.4**	18.7
Tax charge based on United Kingdom tax rate	**19.3**	5.6
Tax effect of the following items:		
Expenses not deductible for tax purposes:		
– Goodwill amortisation	**3.0**	3.5
– Land depreciation	**0.3**	1.3
– Other disallowed items	**0.3**	0.3
Exempt gains on disposal of operations	**(19.8)**	–
Profits taxed at overseas tax rates	**(2.4)**	(2.2)
Capital allowances and other timing differences	**4.3**	1.1
Losses not recognised and carried forward	**3.2**	0.6
Adjustment to tax charge in respect of prior periods	**1.2**	–
Joint ventures	**(0.6)**	(0.4)
Current tax charge for the period	**8.8**	9.8

9 Dividends

	2005 £m	2004 £m
Interim dividend of 1.9p per ordinary share (2004: 1.9p)	**4.4**	4.4
Proposed final dividend of 3.8p per ordinary share (2004: 3.8p)	**8.9**	8.9
Total dividend of 5.7p per ordinary share (2004: 5.7p)	**13.3**	13.3

notes to the financial statements.

continued

10 Earnings per share

Basic earnings per share are calculated by dividing the profit after tax for the period by the weighted average number of shares in issue during the period.

	2005	2004
Calculation of basic earnings per share		
Profit for the period (£m)	**60.2**	9.2
Exceptional items (net of tax) (£m)	**(48.3)**	–
Goodwill amortisation (£m)	**10.0**	11.6
Earnings before exceptional items and goodwill amortisation (£m)	**21.9**	20.8
Average number of shares in issue during the period	**234.1m**	234.0m
Basic earnings per share (pence)	**25.7p**	3.9p
Adjusted basic earnings per share before exceptional items and goodwill amortisation (pence)	**9.4p**	8.9p
Calculation of diluted earnings per share		
Average number of shares in issue during the period	**234.1m**	234.0m
Effect of share options in issue	**0.6m**	0.4m
Total	**234.7m**	234.4m
Diluted earnings per share (pence)	**25.6p**	3.9p

The Directors believe that adjusting basic earnings per share for the effect of exceptional items and goodwill amortisation enables a comparison with historical data calculated on the same basis.

11 Pensions – current SSAP 24 basis

The Group continues to account for pension costs in accordance with SSAP 24 – Accounting for Pension Costs. Under FRS 17 – Retirement Benefits, transitional disclosures are required as set out in note 12.

(a) United Kingdom

The Group's principal pension scheme is the Shanks Group Pension Scheme (the Scheme) which covers eligible United Kingdom employees and has both funded defined benefit and defined contribution sections. Pension costs are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The Group pension cost for the year for United Kingdom pensions was £2.5m (2004: £5.1m). The reduction was principally due to the increased level of employee contributions from 1 May 2004 and the disposal of the UK landfill and power operations on 1 July 2004.

The most recent actuarial valuation at 5 April 2003 showed that the market value of the Scheme's assets was £42m. The actuarial deficit on a smoothed funding basis was £12m and the Group plans to eliminate this deficit over the period 2005 to 2017. For SSAP 24 purposes, the actuarial value of the Scheme's assets represented 84% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The SSAP 24 deficit is being spread over the average remaining life of the current employees.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and to the rate of increase in salaries. For SSAP24 purposes, it was assumed that the investment returns would be 1.6% per annum higher than the growth in pensionable pay for post-retirement returns and 2.6% per annum higher for pre-retirement returns. It was further assumed that pensions in payment would increase at 2.6% per annum.

(b) Overseas

In the Netherlands, employees are members of a compulsory transport industry wide defined benefit pension scheme. It is not possible to separately identify the Group's share of the assets and liabilities of that scheme and the scheme is treated as a defined contribution pension scheme. Senior employees in the Netherlands earning in excess of the maximum level of pay allowed for within the compulsory scheme also participate in a defined contribution arrangement for the excess amount. In Belgium, the Group operates a small defined contribution scheme. The total cost in the year for overseas pensions was £3.7m (2004: £3.5m).

12 Pensions – FRS 17 basis
(a) United Kingdom

Assumptions

The most recent actuarial valuations of the defined benefit pension schemes operated by the Group have been updated by independent qualified actuaries to take account of the requirements of FRS 17 in order to assess the liabilities of these schemes at 31 March 2005. The main assumptions for FRS 17 purposes for the schemes were as follows:

	2005 % pa	2004 % pa
Discount rate	**5.4**	5.5
Future salary growth	**4.4**	4.4
Rate of increase in pensions payment	**2.8**	2.8 to 2.9
Rate of price inflation	**2.9**	2.9

The assumptions used by the independent qualified actuaries are the best estimates chosen from a range of possible actuarial assumptions.

Profit and loss account		**£m**	**2005 £m**	£m	2004 £m
Operating profit:	Current service cost	**2.4**		3.9	
	Curtailment gain	**(1.0)**		–	
			1.4		3.9
Other finance items:	Interest on scheme liabilities	**4.5**		4.0	
	Expected return on scheme assets	**(3.9)**		(3.1)	
			0.6		0.9
Net pension cost before tax			**2.0**		4.8

The schemes are all closed to new members and consequently the current service cost as a percentage of pensionable payroll is expected to increase in future years.

Statement of total recognised gains and losses

	% of scheme assets/ liabilities	**2005 £m**	% of scheme assets/ liabilties	2004 £m	% of scheme assets/ liabilities	2003 £m
Gain (loss) on actual return less expected return on scheme assets	**2.5**	**1.8**	11.9	6.5	(35.6)	(15.2)
Experience gain (loss) arising on scheme liabilities	**0.9**	**0.8**	(0.4)	(0.3)	(0.3)	(0.2)
Loss arising on changes in assumptions underlying the present value of the scheme liabilities	**(2.8)**	**(2.5)**	(4.6)	(3.8)	(9.6)	(6.8)
Actuarial gain (loss) recognised in the statement of total recognised gains and losses	**0.1**	**0.1**	2.9	2.4	(31.2)	(22.2)

notes to the financial statements.

continued

12 Pensions – FRS 17 basis – continued

Balance sheet

The fair value of the defined benefit schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, are set out below:

	Expected long term rate of return			Net pension liability		
	2005 % pa	2004 % pa	2003 % pa	**2005 £m**	2004 £m	2003 £m
Equities	**7.8**	7.8	7.6	**48.6**	41.6	35.5
Property	**6.8**	–	–	**0.1**	–	–
Government bonds	**4.8**	4.8	4.6	**22.0**	11.2	5.0
Corporate bonds	**5.2**	5.2	4.9	**0.4**	0.1	1.0
Cash	**4.9**	4.4	3.6	**1.5**	1.5	1.2
Total market value of assets				**72.6**	54.4	42.7
Present value of scheme liabilities				**(89.5)**	(82.6)	(71.2)
Net deficit in the schemes				**(16.9)**	(28.2)	(28.5)
Related deferred tax asset				**5.1**	8.5	8.6
Net pension liability				**(11.8)**	(19.7)	(19.9)

If the net pension liability had been recognised in the financial statements, the Group's net assets and profit and loss reserve would be as follows:

	2005 £m	2004 £m	2003 £m
Net assets excluding pension liability	**194.7**	137.3	143.8
SSAP 24 pension (prepayment) creditor	**(10.1)**	0.8	–
Net pension liability	**(11.8)**	(19.7)	(19.9)
Net assets including pension liability	**172.8**	118.4	123.9
Profit and loss reserve excluding pension liability	**78.1**	20.8	27.3
SSAP 24 pension (prepayment) creditor	**(10.1)**	0.8	–
Net pension liability	**(11.8)**	(19.7)	(19.9)
Profit and loss reserve including pension liability	**56.2**	1.9	7.4

Movement in pension deficit during the year

The movement in the pension deficit during the year was as follows:

	2005 £m	2004 £m
At 31 March 2004	**(28.2)**	(28.5)
Movement in the year:		
Current service cost	**(2.4)**	(3.9)
Curtailment gain	**1.0**	–
Employer contributions:		
– regular	**3.2**	2.7
– special	**10.0**	–
Other net finance expense	**(0.6)**	(0.9)
Actuarial increase	**0.1**	2.4
At 31 March 2005	**(16.9)**	(28.2)

The curtailment gain arises as the employees of the UK landfill and power business have become deferred members following its disposal. The employer contribution rate agreed for 2005/6 is 19.3% of pensionable salary.

(b) Overseas

In the Netherlands, employees are members of a compulsory transport industry wide defined benefit pension scheme. It is not possible to separately identify the Group's share of the assets and liabilities of that scheme and, as permitted by FRS 17, the scheme is treated as a defined contribution pension scheme. Senior employees in the Netherlands earning in excess of the maximum level of pay allowed for within the compulsory scheme also participate in a defined contribution arrangement for the excess amount. In Belgium, the Group operates a small defined contribution scheme.

13 Intangible fixed assets

Goodwill	Group £m	Company £m
Cost:		
At 31 March 2004	228.3	–
Goodwill arising in the year on acquisition of subsidiary undertakings and businesses (see note 16(a))	7.7	–
Intercompany transfer	–	0.2
On disposal of subsidiary undertakings and businesses	(46.4)	–
Exchange movements	4.9	–
At 31 March 2005	**194.5**	**0.2**
Amortisation:		
At 31 March 2004	44.5	–
Charge for the year	10.0	–
On disposal of subsidiary undertakings and businesses	(11.1)	–
Exchange movements	1.0	–
At 31 March 2005	**44.4**	**–**
Net book value:		
At 31 March 2005	**150.1**	**0.2**
At 31 March 2004	183.8	–

14 Tangible fixed assets

Group	Land & Buildings *£m*	Landfill Sites *£m*	Plant & Machinery *£m*	Total *£m*
Cost:				
At 31 March 2004	113.7	212.8	434.7	761.2
On acquisition of subsidiary undertakings	–	1.2	–	1.2
Additions	35.4	2.4	26.2	64.0
On disposal of subsidiary undertakings and businesses	(10.9)	(179.9)	(82.4)	(273.2)
Disposals	(1.7)	(0.2)	(20.0)	(21.9)
Exchange movements	2.5	0.8	6.5	9.8
At 31 March 2005	**139.0**	**37.1**	**365.0**	**541.1**
Depreciation:				
At 31 March 2004	34.2	101.8	269.0	405.0
Depreciation charge for the year	4.7	3.6	27.9	36.2
On disposal of subsidiary undertakings and businesses	(5.6)	(76.3)	(40.3)	(122.2)
Disposals	(0.3)	–	(16.2)	(16.5)
Impairment	–	–	3.3	3.3
Exchange movements	0.8	0.8	4.2	5.8
At 31 March 2005	**33.8**	**29.9**	**247.9**	**311.6**
Net book value:				
At 31 March 2005	**105.2**	**7.2**	**117.1**	**229.5**
At 31 March 2004	79.5	111.0	165.7	356.2

Included in fixed assets are assets under construction costing £29.7m (2004: £14.8m). Included in plant and machinery are assets held under finance leases with a cost of £3.2m and accumulated depreciation of £0.8m (2004: cost £2.9m and accumulated depreciation £1.1m).

notes to the financial statements

continued

14 Tangible fixed assets – continued

The net book value of land and buildings and landfill sites comprises:

Group	2005 Land & Buildings £m	2005 Landfill Sites £m	2004 Land & Buildings £m	2004 Landfill Sites £m
Freehold	**102.6**	**7.2**	75.9	103.9
Long leasehold	**0.6**	**–**	0.6	–
Short leasehold	**2.0**	**–**	3.0	7.1
	105.2	**7.2**	79.5	111.0

Company	Freehold Land & Buildings £m	Plant & Machinery £m	Total £m
Cost:			
At 31 March 2004	0.5	0.4	0.9
Disposals	(0.4)	–	(0.4)
At 31 March 2005	**0.1**	**0.4**	**0.5**
Depreciation:			
At 31 March 2004	–	0.3	0.3
Depreciation charge for the year	–	0.1	0.1
At 31 March 2005	**–**	**0.4**	**0.4**
Net book value:			
At 31 March 2005	**0.1**	**–**	**0.1**
At 31 March 2004	0.5	0.1	0.6

15 Fixed asset investments

	Group Joint venture investments £m	Group Joint venture loans £m	Group Unlisted investments £m	Company Shares in subsidiary undertakings £m
At 31 March 2004	4.7	3.9	1.1	329.8
Additions	–	–	–	78.7
Share of retained profits	1.1	–	–	–
Disposals	–	(0.7)	(0.1)	(20.5)
Dividends received	(0.2)	–	–	–
Impairment provision	–	–	–	(22.4)
At 31 March 2005	**5.6**	**3.2**	**1.0**	**365.6**

Details of subsidiary undertakings and joint ventures are shown on page 59 and form part of these financial statements.

The additions for the Company during the year relate to the intercompany transfer and increased capitalisation of Shanks Waste Management Limited, and the purchase of WRG Environmental Limited (formerly Caird Environmental Limited). The disposals for the Company during the year relate to WRG (Management) Limited (formerly Shanks & McEwan (Waste Services) Limited) and WRG Environmental Limited. The impairment provision during the year relates to the Company's investment in Caird Group Limited.

16 Acquisitions and disposals

(a) On 26 November 2004, the Group completed the acquisition of Shanks Dumfries and Galloway Limited to operate a 25 year waste management contract in the United Kingdom. The book values of the assets and liabilities acquired and their provisional fair value to the Group, pending completion of the evaluation of the business, were as follows:

	Book value £m	Fair value £m	Total £m
Tangible fixed assets	–	1.2	1.2
Other creditors	–	(0.3)	(0.3)
Provisions	–	(6.4)	(6.4)
Deferred tax asset	–	1.7	1.7
Net liabilities assumed			(3.8)
Provisional goodwill			7.7
Estimated cash consideration (including costs)			3.9

(b) During the year the Group completed its evaluation of the businesses acquired in the year ended 31 March 2004. No adjustments to the provisional fair values and goodwill arose following this evaluation.

(c) On 1 July 2004, the Group disposed of the UK landfill and power operations. During the year, other disposals included the sale of Hirt Combustion Engineers Limited, the Bradford operations and a surplus property. The book value of the assets and liabilities disposed of were as follows:

	£m
Intangible assets (goodwill)	35.3
Tangible fixed assets	151.0
Stocks	1.3
Debtors	28.0
Creditors	(36.8)
Provisions	(53.4)
Goodwill previously written off to reserves	7.3
Net assets disposed of	132.7
Other provisions – net movement	5.2
Net profit on disposal	51.5
Estimated cash consideration (net of costs)	189.4

During the year the disposal businesses contributed £13m to EBITDA and £5m to the net cash inflow in respect of working capital giving a total contribution of £18m to the net cash flow from operating activities. In addition, the disposal businesses incurred £2m in respect of interest payable and £Nil in respect of tax.

notes to the financial statements.

continued

17 Stocks

Group	2005 £m	2004 £m
Raw materials and consumables	**5.6**	5.5
Work in progress	**2.4**	2.0
Finished goods	**1.1**	0.6
	9.1	8.1

18 Debtors

	Group		Company	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Amounts due within one year:				
Trade debtors	**94.3**	111.8	–	–
Amounts owed by joint ventures	**0.1**	–	–	–
Amounts owed by subsidiary undertakings	–	–	**55.4**	144.0
Other debtors	**12.2**	17.1	**0.1**	0.3
Prepayments and accrued income	**5.0**	7.6	–	4.3
Corporation tax	**3.0**	1.2	–	–
Deferred tax asset (see note 21)	–	–	–	0.5
	114.6	137.7	**55.5**	149.1
Amounts due after more than one year:				
Pensions debtor	**10.1**	–	**10.1**	–
	124.7	137.7	**65.6**	149.1

19 Borrowings and financial instruments

The Group's policy on treasury management is referred to in the financial review on page 12.

	Group		Company	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Amounts falling due within one year:				
Bank overdrafts and short term loans	–	15.3	**1.0**	3.6
Other loans	**0.2**	0.3	–	–
Finance lease obligations	**0.5**	0.2	–	–
	0.7	15.8	**1.0**	3.6
Amounts falling due after more than one year:				
Senior notes	**35.5**	87.2	**10.8**	27.4
Bank loans	**156.0**	235.1	**92.8**	206.5
Finance lease obligations	**2.2**	1.3	–	–
	193.7	323.6	**103.6**	233.9
Notes and loans due after more than one year are repayable as follows:				
Between one and two years	**93.0**	206.5	**92.8**	206.5
Between two and five years	**32.0**	20.9	**10.8**	–
More than five years	**66.5**	94.9	–	27.4
	191.5	322.3	**103.6**	233.9

The finance lease obligations falling due after more than one year comprised £1.0m repayable between one and two years (2004: £Nil), £1.2m repayable between two and five years (2004: £Nil) and £Nil due after more than five years (2004: £1.3m).

19 *Borrowings and financial instruments* – *continued*

Analysis of gross borrowings

The Group's total gross borrowings may be analysed as follows:

	2005 £m	2004 £m
Principal Group borrowings	**131.6**	311.2
Private Finance Initiative company borrowings	**62.8**	28.2
	194.4	339.4

Details of the companies included within the Principal Group and Private Finance Initiative (PFI) companies are shown on page 59.

Undrawn borrowing facilities

The Group has undrawn committed borrowing facilities as follows:

	Principal Group		PFI companies		Total Group	
	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
Expiring in one year or less	**28.6**	51.9	–	–	**28.6**	51.9
Expiring in two years	**7.2**	0.6	–	–	**7.2**	0.6
Expiring in more than two years	–	–	**92.2**	120.1	**92.2**	120.1
	35.8	52.5	**92.2**	120.1	**128.0**	172.6

On 4 May 2005 the Principal Group entered into a new £250m multicurrency revolving credit facility with five major banks which expires in May 2010.

Security of borrowing facilities

The Group's principal bank loans are unsecured but are subject to cross guarantees within the Group, excluding the PFI companies (see note 28). These companies have loan facilities, which are secured by fixed and floating charges on the assets of the PFI company only.

Interest rate risk profile of financial assets

The financial assets held by the Group, all of which are held at floating rates based on short term market rates, consisted of:

Currency:	2005 £m	2004 £m
Sterling	**29.6**	8.2
Euro	**10.6**	22.0
Dollar	**2.0**	0.1
	42.2	30.3

Financial assets include cash at bank and in hand of £23.8m (2004: £22.0m) which were held on call periods of less than one month, £8.3m (2004: £8.3m) which is held as security against certain long term liabilities and the pension debtor of £10.1m (2004: £Nil).

notes to the financial statements.

continued

19 Borrowings and financial instruments – continued

Interest rate risk profile of financial liabilities

The interest rate profile of the Group's financial liabilities after taking the effect of hedging instruments into account was:

	2005			2004		
Currency:	Floating rate £m	Fixed rate £m	Total £m	Floating rate £m	Fixed rate £m	Total £m
Sterling	**8.0**	**62.8**	**70.8**	100.9	58.2	159.1
Euro	**93.4**	**38.3**	**131.7**	92.1	89.0	181.1
	101.4	**101.1**	**202.5**	193.0	147.2	340.2

The above analysis of financial liabilities includes the other provision of £8.0m (2004: £0.7m, see note 21), which is a sterling financial liability at floating rate under the definitions of FRS 13 and the long term creditor for government grants of £0.1m (2004: £0.1m) (see note 20). The liability has been calculated by discounting the expected cashflows at prevailing interest rates.

At 31 March 2005 the floating rate financial liabilities include £Nil (2004: £100.2m) of sterling denominated borrowings and £93.3m (2004: £92.0m) of Euro denominated borrowings which bear interest rates based on the LIBOR and EURIBOR.

At 31 March 2005 floating rate financial liabilities of £62.8m (2004: £58.2m) have been classified as fixed rate because of interest swaps held which fix the interest rates for a period of up to twenty one years (2004: up to twenty two years).

The weighted average interest rate and weighted average period for which it is fixed in respect of fixed rate financial liabilities at each year end was:

	2005		2004	
Currency:	Interest rate	Period	Interest rate	Period
Sterling	**6.1%**	**6.8 years**	6.6%	2.3 years
Euro	**6.9%**	**6.3 years**	6.9%	7.3 years

Currency exposures

The net value of monetary assets held in currencies other than the functional currencies and not hedged amounted to:

	2005	2004
Functional Currency:	US Dollars £m	US Dollars £m
Sterling	**2.0**	0.1

19 Borrowings and financial instruments – *continued*

Fair values of financial assets and financial liabilities

	2005		2004	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial assets:				
Floating rate	**42.2**	**42.2**	30.3	30.3
Financial liabilities:				
Floating rate	**101.4**	**101.4**	193.0	193.0
Floating rate classified as fixed by matching interest swaps	**62.8**	**62.8**	58.2	58.2
Interest swaps	**–**	**3.7**	–	3.4
Fixed interest	**38.3**	**41.5**	89.0	95.5
	202.5	**209.4**	340.2	350.1

The fair value of interest swaps is measured by reference to the cost of foreclosing the swap position at the year end. The fair value of fixed interest liabilities is measured by reference to the present value of their future interest payments against equivalent current market rates.

The loss between book and fair value of £6.9m (2004: £9.9m loss) has not been reflected in the results for the year as this will be matched against future borrowing costs. Of the £3.7m loss (2004: £3.4m loss) on interest swaps unrecognised at 31 March 2005, £Nil (2004: £0.5m) is expected to be recognised within one year and £3.7m (2004: £2.9m) is expected to be recognised after one year.

20 Other creditors

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Amounts falling due within one year:				
Trade creditors	**63.6**	65.3	**0.2**	0.4
Corporation tax payable	**3.7**	2.4	**1.0**	3.1
Other creditors	**4.5**	5.2	**0.3**	1.4
Tax and social security	**9.8**	10.3	**0.1**	0.1
Landfill tax	**0.2**	16.5	**–**	–
Accruals and deferred income	**37.4**	49.2	**1.0**	7.9
Unprocessed waste	**7.5**	8.0	**–**	–
Government grants	**0.1**	0.1	**–**	–
Dividends payable	**8.9**	8.9	**8.9**	8.9
	135.7	165.9	**11.5**	21.8
Amounts due after more than one year:				
Amounts owed to group undertakings	**–**	–	**97.3**	86.2
Other creditors	**–**	8.3	**–**	–
Government grants	**0.1**	0.1	**–**	–
	0.1	8.4	**97.3**	86.2

notes to the financial statements.

continued

21 Provisions for liabilities and charges

						Group	Company
	Site restoration £m	Aftercare £m	Leachate £m	Other £m	Deferred tax £m	Total £m	Other £m
At 31 March 2004	24.4	30.4	1.2	0.7	18.1	74.8	0.4
On acquisition of businesses	6.0	0.2	–	0.2	(1.7)	4.7	–
On disposal of businesses	(19.9)	(27.9)	(0.5)	–	(5.1)	(53.4)	–
Provided – cost of sales	2.2	0.9	–	–	–	3.1	–
– finance charges	0.3	0.5	–	–	–	0.8	–
– exceptional	–	–	–	13.7	–	13.7	12.0
– tax	–	–	–	–	(5.2)	(5.2)	–
Utilised	(1.3)	–	(0.7)	(6.6)	–	(8.6)	(6.5)
Exchange rate movements	0.1	0.1	–	–	0.3	0.5	–
At 31 March 2005	**11.8**	**4.2**	**–**	**8.0**	**6.4**	**30.4**	**5.9**

Site restoration

Site restoration provision as at 31 March 2005 relates to the cost of final capping and covering of the landfill sites. An element of the closing provision of £11.8m relates to costs of £4.9m that are expected to be paid over the next two years. The remaining part of the provision relates to restoration costs of £6.9m that 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 of landfill sites, 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 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.

Leachate

The leachate provision arose on the regulatory requirement to reduce historic leachate levels at United Kingdom landfill sites now disposed of.

Other

Other provisions principally cover onerous leases, warranties and indemnities. The net present value of the rental on vacant leasehold properties has been provided in full. These payments will be made over the next five years. Under the terms of the agreements for the disposal of the United Kingdom landfill and power and other United Kingdom operations, the Company has given a number of warranties and indemnities to the purchasers which may give rise to payments over the next ten years.

Deferred tax

The deferred tax provision for the Group is made up as follows:

	2005 £m	2004 £m
Capital allowances	**11.6**	22.1
Other timing differences	**(3.2)**	(1.7)
Tax losses	**(2.0)**	(2.3)
	6.4	18.1

The Company has a deferred tax asset of £Nil (2004: £0.5m) which arises on other timing differences. This asset has been included in debtors (see note 18).

22 Called up share capital

Group and Company	2005 £m	2004 £m
Authorised 350 million (2004: 350 million) ordinary shares of 10p each	**35.0**	35.0
Allotted, called up and fully paid 234 million (2004: 234 million) ordinary shares of 10p each	**23.4**	23.4

During the year to 31 March 2005, 121,310 ordinary shares were allotted to past employees following the exercise of options under the Company's Executive and Savings Related Share Option Schemes for an aggregate consideration of £114,098. The closing mid-market price of Shanks Group plc shares on the dates of exercise ranged from 114p to 145.5p.

Options outstanding at 31 March 2005 and 31 March 2004:	2005	2004
Savings related share option schemes		
Number of shares under option	**1,952,309**	3,002,636
Normal dates exercisable	**up to 2010**	up to 2009
Price per share	**84p to 190p**	84p to 190p
Weighted average subscription price	**108p**	112p
Executive share option scheme		
Number of shares under option	**4,736,000**	5,385,000
Normal dates exercisable	**up to 2014**	up to 2013
Price per share	**101.5p to 233.5p**	101.5p to 233.5p
Weighted average subscription price	**158p**	169p
Executive share options were all granted three years before the earliest date of exercise.		
The movement in the number of all options in the year comprises:		
New options issued	**1,034,350**	2,417,959
Options exercised	**121,310**	–
Options lapsed	**2,612,367**	2,868,595

23 Share premium and profit and loss account

	Group		Company	
	Share premium £m	Profit and loss £m	Share premium £m	Profit and loss £m
At 31 March 2004	93.1	20.8	117.1	1.4
Retained profit for the year	–	*46.9*	–	*78.5*
Issue of shares during the year	0.1	–	0.1	–
Currency translation gain on net investments (including goodwill)	–	8.9	–	–
Currency translation loss on borrowings	–	(4.3)	–	–
Movements in goodwill: currency translation adjustment	–	(1.5)	–	–
Goodwill previously written off to reserves and now charged to the profit for the period on disposal of operations	–	7.3	–	–
At 31 March 2005	**93.2**	**78.1**	**117.2**	**79.9**

The cumulative goodwill written off Group reserves to 31 March 2005 on businesses continuing within the Group *amounts to £42.3m (2004: £48.1m). £176.4m (2004: £176.4m) of goodwill has been eliminated against the share* premium account by using the provisions of Section 131 of the Companies Act 1985 regarding merger relief.

notes to the financial statements.

continued

24 Result for the year

The profit for the year in the financial statements of the Company is £91.8m (2004: £6.5m). As permitted by Section 230 of the Companies Act 1985, a profit and loss account for the Company has not been presented.

25 Notes to the cash flow statement

	2005			2004
	Pre-exceptional £m	Exceptional £m	Total £m	Total £m
(a) Net cash flow from operating activities				
Total operating profit	**34.1**	**(10.4)**	**23.7**	39.4
Amortisation of intangible assets	**10.0**	**-**	**10.0**	11.6
Operating depreciation of tangible fixed assets	**36.2**	**-**	**36.2**	46.7
Operating impairment of tangible fixed assets	**-**	**3.3**	**3.3**	-
Operating impairment of joint venture investment	**-**	**-**	**-**	0.5
Provision for aftercare and site restoration	**3.1**	**-**	**3.1**	6.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**83.4**	**(7.1)**	**76.3**	104.3
Profit on sale of fixed assets	**(1.4)**	**-**	**(1.4)**	(0.6)
(Increase) in stocks	**(2.3)**	**-**	**(2.3)**	(1.1)
(Increase) in debtors	**(13.2)**	**-**	**(13.2)**	(8.8)
Increase in creditors	**0.1**	**2.8**	**2.9**	8.7
Other provision charge	**1.3**	**0.6**	**1.9**	0.1
Utilisation of provisions	**(2.0)**	**-**	**(2.0)**	(5.7)
Share of profits of joint ventures	**(1.9)**	**-**	**(1.9)**	(1.6)
Net cash flow from operating activities	**64.0**	**(3.7)**	**60.3**	95.3

(b) Subsidiary undertakings and businesses acquired during the year (see note 16(a))

	2005 £m	2004 £m
Tangible fixed assets	**1.2**	2.1
Financing assumed with acquisition	**-**	(2.3)
Other creditors	**(0.3)**	-
Provisions	**(6.4)**	-
Deferred tax asset	**1.7**	-
Net liabilities acquired	**(3.8)**	(0.2)
Provisional goodwill	**7.7**	1.7
Estimated cash consideration (including costs)	**3.9**	1.5

25 Notes to the cash flow statement – continued

(c) Subsidiary undertakings and businesses disposed of during the year (see note 16(c))

	2005 £m	2004 £m
Intangible assets (goodwill)	**35.3**	–
Tangible fixed assets	**151.0**	–
Stocks	**1.3**	–
Debtors	**28.0**	–
Creditors	**(36.8)**	–
Provisions	**(53.4)**	–
Goodwill previously written off to reserves	**7.3**	–
Net assets disposed of	**132.7**	–
Other provision – net movement	**5.2**	–
Net profit on disposal	**51.5**	–
Estimated cash consideration (net of costs)	**189.4**	–

(d) Analysis of financing

	2005 £m	2004 £m
Short term loan repayments	**(0.1)**	(0.3)
Long term loan advances	**54.0**	34.0
Long term loan repayments	**(189.4)**	(20.0)
Finance lease net payments	**(0.4)**	(0.7)
Net cash flow from debt	**(135.9)**	13.0

(e) Analysis of net debt in the balance sheet

	At 31 March 2004 £m	Cash flows £m	Non-cash items £m	At 31 March 2005 £m
Cash at bank and in hand	30.3	1.8	–	**32.1**
Overdrafts	(15.3)	15.3	–	–
		17.1		
Debt due within one year	(0.3)	0.1	–	**(0.2)**
Debt due after more than one year	(322.3)	135.4	(4.6)	**(191.5)**
Finance leases	(1.5)	0.4	(1.6)	**(2.7)**
		135.9		
Total	(309.1)	153.0	(6.2)	**(162.3)**

Non-cash items comprise the amortisation of loan fees of £0.3m, the exchange loss on translation of long term loans in currencies other than sterling of £4.3m, and the inception of new finance leases of £1.6m.

notes to the financial statements.

continued

26 Capital commitments

Group	2005 £m	2004 £m
Aggregate amount of contracted capital expenditure authorised by the Directors for which no provision is made in the accounts	**83.8**	98.4

The Company had no capital commitments (2004: £Nil).

27 Financial commitments

Group	2005 £m	2004 £m
At the end of the year the Group had annual commitments under non-cancellable leases expiring as follows:		
Within one year	**0.8**	0.6
Between one and five years	**1.8**	5.1
After five years	**4.1**	5.3
	6.7	11.0

The Company has annual commitments of £0.1m (2004: £0.1m) under non-cancellable leases expiring after five years.

28 Contingent liabilities

Group

Under the terms of the Sale & Purchase Agreement with Terra Firma for the disposal of the Group's UK landfill and power operations, the Group has given a number of indemnities and warranties relating to the disposed operations, including one in respect of the Greengairs mineral rights claim that was disclosed as a contingent liability in the Group's financial statements for the year ended 31 March 2004, which has now been settled.

Group and Company

The Company and certain subsidiaries have, in the normal course of business, given guarantees and performance bonds relating to the Group's contracts.

The Company has given guarantees in respect of the Group's and subsidiary undertakings' bank borrowing facilities totalling £31.0m (2004: £104.7m). In addition the Company has contingent liabilities in respect of both VAT and HM Revenue & Customs group payment arrangements of £0.9m (2004: £4.1m).

subsidiary undertakings and joint ventures.

at 31 March 2005

Subsidiary undertakings

The Company held, through wholly owned subsidiaries, 100% of the issued share capital of the following trading subsidiaries, all of which have been consolidated in the Group's financial statements. All of the businesses operate in the one segment, Waste Management:

	Country of incorporation
Principal Group subsidiary undertakings	
Shanks Waste Management Limited	UK
Safewaste Limited	UK
Shanks Chemical Services Limited	UK
Shanks Chemical Services (Scotland) Limited	UK
Page s.a.	Belgium
Shanks Hainaut s.a.	Belgium
Shanks Liege Lux s.a.	Belgium
Shanks Vlaanderen n.v.	Belgium
Shanks Transport n.v.	Belgium
Icova BV	Netherlands
BV van Vliet Groep Milieudienstverleners	Netherlands
Vliko BV	Netherlands
Klok Containers BV	Netherlands
Transportbedrijf van Vliet BV "Contrans"	Netherlands
Afvalstoffen Terminal Moerdijk BV "ATM"	Netherlands
Reym BV	Netherlands
Flection International BV	Netherlands
Shanks GDL s.a.	Luxembourg
Subsidiary undertakings holding Private Finance Initiative contracts	
Shanks Argyll & Bute Limited	UK
ELWA Limited	UK
Shanks Dumfries and Galloway Limited	UK

Joint ventures

The Company held, through wholly owned subsidiaries, the following interests in material joint venture companies, all of which operate as waste management companies. The Group's share of profits and gross assets and liabilities have been incorporated in the Group's financial statements:

	Issued share capital	*Class of shares*	*% Group holding*	*Country of incorporation*
Geohess (UK) Limited	£200	Ordinary	50%	UK
Avondale Environmental Limited	£2,000	Ordinary	50%	UK
Caird Bardon Limited	£850,002	Ordinary	50%	UK
Silvamo s.a.	€495,787	Ordinary	50%	Belgium
Marpos n.v.	€495,787	Ordinary	45%	Belgium

five year financial summary.

at 31 March 2005

	2005 £m	2004 £m	2003 restated £m	2002 restated £m	2001 restated £m
Consolidated profit and loss account					
Turnover	**503.6**	588.1	551.4	528.5	502.4
Operating profit before exceptional items and goodwill amortisation	**44.1**	51.0	55.3	66.4	65.7
Finance charges – interest	**(9.7)**	(17.9)	(18.7)	(18.4)	(18.0)
Finance charges – other	**(1.1)**	(2.8)	(2.3)	(2.3)	(2.0)
Profit before tax, exceptional items and goodwill amortisation ("Headline Profit")	**33.3**	30.3	34.3	45.7	45.7
Exceptional items	**41.1**	–	(5.5)	(8.4)	(0.1)
Goodwill amortisation	**(10.0)**	(11.6)	(10.6)	(10.0)	(9.4)
Tax	**(4.2)**	(9.5)	(9.1)	(12.2)	(15.7)
Profit after tax	**60.2**	9.2	9.1	15.1	20.5
Dividends	**(13.3)**	(13.3)	(13.3)	(13.3)	(12.9)
Retained earnings	**46.9**	(4.1)	(4.2)	1.8	7.6
Consolidated balance sheet					
Fixed assets	**389.4**	549.7	532.4	491.5	488.3
Other assets less liabilities	**(32.4)**	(103.3)	(91.1)	(60.5)	(41.6)
Net borrowings	**(162.3)**	(309.1)	(297.5)	(289.5)	(301.8)
	194.7	137.3	143.8	141.5	144.9
Share capital and share premium	**116.6**	116.5	116.5	116.4	115.6
Reserves	**78.1**	20.8	27.3	25.1	29.0
Minority interests	**–**	–	–	–	0.3
	194.7	137.3	143.8	141.5	144.9
Financial ratios					
Adjusted basic earnings per share	**9.4p**	8.9p	10.1p	13.3p	12.8p
Basic earnings per share	**25.7p**	3.9p	3.9p	6.4p	8.8p
Dividends per share	**5.7p**	5.7p	5.7p	5.7p	5.55p

Note:
The restatements of prior years relate to the change in accounting policy to capitalise finance costs on capital projects in 2004 and the introduction of FRS 19 – Deferred Taxation in 2002. In addition in 2002 the net expenditure incurred on long term engineering work at United Kingdom landfill sites was reclassified as a fixed asset rather than as a prepayment.

Independent auditors' report to the members of Shanks Group plc.

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' remuneration report ("the auditable part").

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. The Directors are also responsible for preparing the Directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' remuneration report 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 whether the financial statements and the auditable part of the Directors' remuneration report have been 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 the Directors' report, the unaudited part of the Directors' remuneration report, the Chairman's statement, the operating and financial review and the corporate governance statement.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

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 and the auditable part of the Directors' remuneration report. 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 and the auditable part of the Directors' remuneration report 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.

independent auditors' report to the members of Shanks Group plc.

continued

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Company and the Group at 31 March 2005 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
2 June 2005

shareholder information.

at 31 March 2005

	Number of shareholders	Number of shares (thousands)	%
Range of shareholding			
1 - 5,000	1,960	3,035	1.3
5,001 - 25,000	457	4,507	1.9
25,001 - 50,000	69	2,414	1.0
50,001 - 100,000	59	4,163	1.8
100,001 - 250,000	63	10,109	4.3
250,001 - 500,000	26	9,145	3.9
over 500,000	79	200,796	85.8
	2,713	234,169	100.0
Analysis of shareholders			
Individuals	1,975	18,181	7.8
Banks and nominee companies	616	196,341	83.8
Other institutions and companies	122	19,647	8.4
	2,713	234,169	100.0

Low cost share dealing service

Hoare Govett Limited offers an execution only "Low Cost Postal Share Dealing Service" which enables UK resident investors *to buy or sell small certificated holdings of Shanks Group plc 10p Ordinary Shares in a simple and economic manner.*

Further information may be obtained from: *Hoare Govett Limited*
250 Bishopsgate, London EC2M 4AA
Service Helpline No: 020 7661 6617

Registrar and Transfer Office

Any enquiries relating to shareholdings such as lost certificates, dividend payments or a change of address should be made to the Registrar and Transfer Office (see address on IBC). Mandated dividends are paid by BACS (Bankers Automated Clearing System) which credits shareholders' bank or building society accounts on the payment date. The appropriate tax voucher will be sent to the registered address. Further information on this facility can be obtained from the Registrar.

financial calendar.

15 July 2005	Record date for final dividend 2004/5
28 July 2005	Annual General Meeting
5 August 2005	Payment of final dividend 2004/5
November 2005	Announcement of interim results and dividends
January 2006	Payment of interim dividend
March 2006	2005/6 financial year ends
June 2006	Announcement of 2005/6 results and recommended dividend

notice of annual general meeting.

Notice is hereby given that the Annual General Meeting of Shanks Group plc will be held at the Glasgow Hilton, 1 William Street, Glasgow on Thursday 28 July 2005, at 11.00 a.m. for the purpose of transacting the following business:

Routine ordinary business

(1) To receive the reports of the Directors and auditors, the balance sheets of the Company and of the Group as at 31 March 2005 and the profit and loss account of the Group for the year ended 31 March 2005.

(2) To approve the Remuneration Committee's report for the year ended 31 March 2005.

(3) To declare a final dividend of 3.8 pence per ordinary share.

(4) To re-elect Mr Clubb as a Director.

(5) To re-elect Mr Downes as a Director.

(6) To re-elect Mr Pointon as a Director.

(7) To elect Mr Auer as a Director.

(8) To elect Mr Johnson as a Director.

(9) To elect Mr Welham as a Director.

(10) To re-appoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the Directors to determine their remuneration.

Special business

(11) To consider and, if thought fit, to adopt by ordinary resolution The Shanks Group plc Savings-Related Share Option Scheme 2005, details of which are given below.

Introduction

The Company is proposing to adopt The Shanks Group plc Savings-Related Share Option Scheme 2005 ("the Scheme"). The date on which the Scheme is adopted will be the Adoption Date.

The purpose of the Scheme is to enable selected employees and full-time directors of the Company and designated subsidiaries to save for and acquire the Company's ordinary shares ("Scheme Shares").

Eligibility

The following individuals are eligible to be granted options under the Scheme:

(a) all employees of the Company or those of its subsidiaries which have been designated by the directors as participating companies for the purposes of the Scheme (each a "Participating Company") and any directors of the Company or a Participating Company (other than non-executive directors) who work at least 25 hours per week, who are resident and ordinarily resident in the United Kingdom and who on the relevant date of grant of the options have had a period of continuous employment with a Participating Company of 1 year in total; and

(b) any other person who is an employee or full time director of the Company or a Participating Company who is designated as being eligible by the directors and who fulfils the 1 year continuous employment test at the date of grant, (each an "Eligible Employee").

Scheme Limit

No option to subscribe for shares may be granted under the Scheme if, as a result, the aggregate nominal value of all shares issued, pursuant to options granted under the Scheme or any other employee share scheme of the Company, or remaining issuable, pursuant to options granted under any share option scheme of the Company, during the previous 10 years would exceed 10 per cent. of the nominal amount of ordinary share capital of the Company in issue on the day preceding the proposed date of grant (the "Scheme Limit").

Individual Limits

On the issue of an invitation to apply for the grant of an option, each Eligible Employee will be given the opportunity to apply for an option over a number of Scheme Shares, the total aggregate option price of which does not exceed the total of the monthly contributions and terminal bonus (the "Bonus") payable under a certified contractual savings scheme (a "CCS Scheme") which must be entered into as a condition of the grant of the option. An Eligible Employee may save every month a maximum amount of £250 under both this and any other CCS Scheme and a minimum amount to be specified in the directors' invitation to apply for an option (not being more than £10 or less than £5) or in each case such other sum as may be permitted by Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003 (the "Act").

Grant of Options

Invitations to apply for the grant of options may be made within the period of 42 days commencing on (a) the day on which the HM Revenue & Customs (the Revenue) approves the Scheme; (b) any date on which the Company announces its interim or final results; or (c) any day on which the directors resolve that exceptional circumstances exist which justify an invitation. No option may be granted after the tenth anniversary of the Adoption Date or at any time when the Scheme has not been approved by the Revenue.

Each eligible employee may, before the closing date stated in the invitation, make an application for an option in the form prescribed by the directors which must state, *inter alia*, (a) the monthly amount which the Eligible Employee wishes to save under the CCS Scheme; (b) the date on which the Bonus should be payable, if a choice of dates is available; and (c) whether the Bonus should be included in computing the number of Scheme Shares under option. On receipt of a valid application from an Eligible Employee, the directors shall, within 30 days (or 42 days if there is a scaling down) after the first of three consecutive dealing days immediately preceding the date of the invitation, grant to the Eligible Employee an option over such number of Scheme Shares the aggregate exercise cost of which as nearly as may be equals the amount of the repayment (including, where applicable, the Bonus) under the CCS Scheme.

Option Price

The option price payable (the "Option Price") for each Scheme Share on exercise of an option shall not be less than the greater of (a) the nominal value of the Scheme Share; and (b) 80% of the market value of a Scheme Share or such other amount as may be provided by paragraph 28 of Schedule 3 of the Act from time to time.

Scaling Down

If the total number of Scheme Shares in respect of which valid applications for options are received exceeds the maximum number of Scheme Shares determined by the directors or the Scheme Limit, the directors may (a) increase the maximum number (subject to the Scheme Limit); (b) proportionately reduce the number of shares in respect of which each application was made; or (c) select applications by lot.

Exercise of Options

Except on death, and in certain other circumstances, an option shall only be capable of being exercised during the period of six months commencing on the date on which the bonus is payable under the relevant CCS Scheme (the "Bonus Date") and at a time when the option holder is an Eligible Employee, failing which it will lapse.

In the event of death, the option holder's legal personal representative may exercise the option within 12 months following the death if the death occurs before the Bonus Date and within 12 months of the Bonus Date if the death occurs within 6 months following the Bonus Date.

notice of annual general meeting.

continued

Where an option holder ceases to be an officer or employee due to injury, disability, redundancy or retirement, or if the Company for which the employee or office holder works ceases to be controlled by the Company, or if the employee or office holder's work relates to a business which is transferred to a person which is neither associated with, nor under the control of, the Company, the option holder may exercise his options within 6 months of ceasing to hold the relevant office or employment by virtue of which he is eligible to participate in the Scheme or, if earlier, within 6 months after the Bonus Date.

If an option holder's office or employment ceases for any other reason not listed above, all his options shall immediately lapse.

If an option becomes exercisable before the Bonus Date for any reason listed above it shall only be exercisable over the number of Scheme Shares the total option price of which equals or is less than the repayment received under the CCS Scheme.

Change of Control
In the event of a change of control of the Company in the circumstances prescribed in the Scheme rules or the court sanctioning a scheme of arrangement under section 425 of the Companies Act 1985 or a voluntary winding-up, an option may be exercised within six months of the event by which such change of control is effected or the date of the court sanction or resolution for winding up, as appropriate. Where a person is bound or entitled to acquire shares under the compulsory acquisition provisions of Part XIIIA of the Companies Act 1985, the option may be exercised during the period ending three business days prior to the expiry of the compulsory acquisition period.

In the event that the person obtaining control or becoming bound or entitled to acquire shares in the Company itself is a company, then with the agreement of that company any option holder may "roll-over" his options into new options in the acquiring company (or other company permitted under the Scheme rules) with rights which are equivalent to his previous rights with regard to exercise and cost of options.

Lapse of Options
Options also lapse in the following circumstances:

- if a resolution is passed or order made for the winding up of the Company;
- on the tenth anniversary of the date of grant;
- if the whole or any part of the contributions under the relevant CCS Scheme are repaid to the option holder before the Bonus Date;
- if the option holder who has not made all contributions due under the CCS Scheme before the Bonus Date gives notice that he intends to stop paying contributions;
- where a person is bound or entitled to acquire Scheme Shares in the Company under Part XIIIA of the Act and the time limit for doing so has expired;
- on transfer, assignment or charge of an option, except on death; and
- following the first exercise of an option in respect of all or some of the Scheme Shares over which it was granted, the balance (if any) remaining shall lapse.

Alteration to the Scheme Rules
The directors may make such alterations to the Scheme rules as are necessary. However, the Scheme rules cannot be amended to the material advantage of the option holders or so as to make the terms of grant of the options materially more advantageous or amend the limits (except for minor amendments and amendments to obtain or maintain favourable tax, exchange control or regulatory treatment in any jurisdiction for participants in the Scheme or any of the Company and each of its subsidiaries), without the prior approval of the shareholders in general meeting. Nor can the rules be amended where the amendment would affect in any material respect the rights of the subsisting option holders. Nor shall any amendment to the rules have effect unless and until the Revenue have approved the amendment.

Variation of Capital and Adjustment of Options
If the issued share capital of the Company is varied due to capitalisation or rights issue, sub-division, consolidation, purchase of own shares or a reduction, the directors may, subject to obtaining prior approval from the Revenue, adjust the option price and/or the number of Scheme Shares subject to an option in such a manner and with effect from such date as they determine to be appropriate (not excluding retrospective adjustments), after obtaining confirmation from the auditors that such adjustments are fair and reasonable.

Non-transferability of Options
Except on death, options may not be transferred, assigned or charged.

(12) To consider and, if thought fit, pass the following resolution as a special resolution of the Company.

"THAT the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985 (as amended and from time to time in force)) of ordinary shares of 10p each in the Company ("Ordinary Shares") provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be acquired is 23,400,000;

(b) the maximum price which may be paid for any such Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased, and the minimum price which may be paid for any such share is 10 pence (in each case exclusive of associated expenses); and

(c) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or 18 months from the date of this resolution, whichever is the earlier, but a contract of purchase may be made before such expiry which will or may be completed wholly or partly thereafter, and a purchase of Ordinary Shares may be made in pursuance of any such contract."

(13) To consider and, if thought fit, pass the following resolution as a special resolution of the Company.

"THAT in substitution for any existing power under section 95 of the Companies Act 1985 (as amended and from time to time in force) (the "Act"), but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered until 27 October 2006, pursuant to section 95 of the Act, to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority available to the Directors under section 80 of the Act as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(a) the allotment of equity securities in connection with any rights issue in favour of the holders of ordinary shares on the register on a date fixed by the Directors in proportion (as nearly as practicable) to the respective numbers

notice of annual general meeting.

continued

of such ordinary shares held by them on that date provided that the Directors may make such exclusions or other arrangements as they may deem necessary or expedient in relation to fractional entitlements or legal requirements under the laws of, or the regulations of, any recognised regulatory body or stock exchange, in any territory; or

(b) the allotment (otherwise than pursuant to paragraph (a) of this resolution) of equity securities up to an aggregate nominal value of £1,170,000,

but so that this authority shall allow the Company, before the expiry of this authority, to make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offers or agreements as if the power conferred hereby had not expired."

(14) To consider and, if thought fit, pass the following resolution as a special resolution of the Company.

"That the figure of £250,000 contained in line two of article 96 of the Company's Articles of Association be replaced by the figure of £400,000."

By Order of the Board

P Kaye
Secretary

2 June 2005

Registered office:
Shanks House
211 Blochairn Road
Blochairn
Glasgow
G21 2RL

The notes below form part of this notice.

Notes:

1. A member entitled to attend and vote at the meeting convened by the foregoing Notice is entitled to appoint one or more proxies (who need not be a member or members) to attend and, on a poll, vote instead of him/her. A prepaid form of proxy accompanies this Notice.

2. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, should be delivered to the Company's Registrar, Computershare Investor Services PLC, PO Box 1075, Bristol, BS99 3FA not later than 48 hours before the time appointed for the meeting.

3. The return of a completed form of proxy will not prevent a member from attending in person at the meeting should he/she so wish.

4. The proposed rules of the Shanks Group plc Savings Related Share Option Scheme 2005, the register of interests of the Directors (and of their families) in the shares of the Company and copies of all service contracts under which Directors are employed by the Company or any of its subsidiaries will be available for inspection at the registered office of the Company at Shanks House, 211 Blochairn Road, Blochairn, Glasgow G21 2RL during normal business hours, on any weekday (Saturday and public holidays excluded) from the date of this Notice up to the date of the Annual General Meeting and at the Glasgow Hilton on 28 July 2005, at least 15 minutes prior to, and during, the meeting. The proposed rules of the SAYE Scheme 2005 will also be available for inspection at the offices of Dickson Minto W.S. 22/25 Finsbury Square, London, EC2A 1DX during normal business hours from the date of this Notice up to the date of the Annual General Meeting.

Shanks Group plc

form of proxy.

For the Shanks Group plc Annual General Meeting convened for 28 July 2005

I/We ______________________________

of ______________________________

being (a) member(s) of the Company, hereby appoint the Chairman of the meeting or

(see note 1) ______________________________

of ______________________________

as my/our proxy generally to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the Glasgow Hilton, 1 William Street, Glasgow on Thursday 28 July 2005 at 11.00 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated by an "X" below in respect of the resolutions set out in the notice of meeting (see note 2):

Resolutions:	**For**	**Against**	**Abstain**
1 To receive the reports of the Directors and auditors, the balance sheets of the Company and of the Group as at 31 March 2005 and the profit and loss account of the Group for the year ended 31 March 2005.			
2 To approve the Remuneration Committee's report for the year ended 31 March 2005.			
3 To declare a final dividend of 3.8 pence per ordinary share.			
4 To re-elect Mr Clubb* as a director.			
5 To re-elect Mr Downes^ as a director.			
6 To re-elect Mr Pointon+ as a director.			
7 To elect Mr Auer# as a director.			
8 To elect Mr Johnson# as a director.			
9 To elect Mr Welham^ as a director.			
10 To re-appoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the Directors to determine their remuneration.			
11 To adopt the Shanks Group plc SAYE Scheme 2005.			
12 To authorise the Company to make market purchases *(within the meaning of section 163(3) of the Companies* Act 1985) of Ordinary Shares of 10p each in the Company.			
13 To authorise the Directors to allot equity securities as if section 89(1) of the Companies Act 1985 did not apply.			
14 To approve amendment to article 96 – Maximum aggregate *directors' fees increase to £400,000 pa.*			

Date______________________2005

Signed or sealed (see note 3)______________________________

* Non-executive Director and Chairman
^ Executive Director
\+ Non-executive Director and Chairman of the Remuneration Committee
\# Non-executive Director

Notes

1 A member entitled to attend and vote at the meeting is entitled to appoint one or more persons of his own choice to attend and, on a poll, vote instead of him. If it is desired to appoint any other person(s) as proxy, the words "the Chairman of the meeting or" should be struck out and the name(s) and address(es) of the other person(s) inserted in block letters in the space provided. A proxy need not be a member of the Company. Any alteration or deletion must be signed or initialled.

2 The manner in which the proxy is to vote should be indicated by inserting an "X" in the box marked "For" or "Against" (if no such indication is given, the proxy will vote or abstain at his discretion). The proxy will act at his discretion in relation to any other business arising at the meeting including any resolution to adjourn the meeting.

3 In the case of a corporation, this form of proxy should be either given under its seal or signed on its behalf by an attorney or duly authorised officer. In the case of joint holders, the signature of any one of them will suffice, but the names of all joint holders should be shown.

4 Use of this form of proxy does not preclude a member from attending the meeting and voting in person.

5 To be valid this form of proxy must be lodged with the power of attorney or other authority (if any) under which it is signed, or an extract from the Books of Council and Session or a notarially certified copy of such power or authority, at the Company's Registrar, Computershare Investor Services PLC, PO Box 1075, Bristol BS99 3FA not later than 48 hours before the meeting.

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BUSINESS REPLY SERVICE
Licence No. SWB 1002

1

Computershare Investor Services PLC
PO Box 1075
Bristol, BS99 3FA

FIRST FOLD

SECOND FOLD

company information.

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website: www.shanks.co.uk
e-mail: info@shanks.co.uk

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Blochairn
Glasgow G21 2RL

Registered in Scotland No. 77438

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THE NETHERLANDS
Shanks Nederland
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3000 AD Rotterdam
The Netherlands
Tel: 00 31 (0) 10 280 5300
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corporate advisers.

Financial Advisers
Lazard Brothers & Co. Limited

Stockbrokers
Hoare Govett Limited

Bankers
ABN AMRO Bank N.V.
Barclays Bank plc
Fortis Bank s.a.
HSBC Bank plc
The Royal Bank of Scotland plc

Solicitors
Ashurst
Dickson Minto W.S.

Auditors
PricewaterhouseCoopers LLP

Registrars
Computershare Investor Services PLC
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Tel: 0870 703 6019

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