

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED
(Formerly Lothian Fifty (978) Limited)

Registered Number SC245928

REPORT AND FINANCIAL STATEMENTS

380 DAY PERIOD ENDED 31 MARCH 2004



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SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED
(Formerly Lothian Fifty (978) Limited)

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SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED
(Formerly Lothian Fifty (978) Limited)
DIRECTORS' REPORT

The Directors present their first Annual Report and the audited financial statements for the 380 day period ended 31 March 2004.

PRINCIPAL ACTIVITY

The Company acts as a holding company with investment in Shanks Dumfries and Galloway Limited, a dormant company, which was acquired on 29 March 2004 for £1.

TRADING RESULTS AND DIVIDEND

The Company was incorporated on 18 March 2003 with an initial share capital of £1 and changed its name from Lothian Fifty (978) Limited to Shanks Dumfries and Galloway Holdings Limited on 24 March 2004.

The Company did not trade during the 380 day period and there were no transactions on the profit and loss account. The Directors do not recommend that a dividend be paid in respect of the 380 day period ended 31 March 2004.

POST BALANCE SHEET EVENTS

On 8 November 2004 the authorised share capital of the Company was increased to 1,000 ordinary shares of £1 each and on 11 November 2004, 999 ordinary shares of £1 each were issued for par and the proceeds from this issue were used to subscribe for shares in the Company's subsidiary undertaking, Shanks Dumfries and Galloway Limited.

On 26 November 2004, the Company was acquired by Shanks PFI Investments Limited, a wholly owned subsidiary undertaking of Shanks Group plc.

On 26 November 2004, Shanks Dumfries and Galloway Limited entered into a 25 year contract with Dumfries & Galloway Council for the management of municipal solid waste. As part of this contract, the Company and its subsidiary, Shanks Dumfries and Galloway Limited, have pledged to their bankers all of their assets as security for their borrowings.

DIRECTORS

The Directors who held office during the period and up to the date of this report were as follows:

Burness (Directors) Limited (appointed on incorporation, resigned 8 November 2004)
M C E Averill (appointed 8 November 2004)
D J Downes (appointed 8 November 2004)
M J Clarke (appointed 8 November 2004)
N I Aitchison (appointed 8 November 2004)

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED
(Formerly Lothian Fifty (978) Limited)
DIRECTORS' REPORT - continued

DIRECTORS' INTERESTS

None of the Directors had a direct interest in the share capital of the Company. Messrs M C E Averill and D J Downes are Directors of Shanks Group plc and their interests in that company's share capital is disclosed in that company's Report and Accounts. The interests of Mr M J Clarke in the share capital of Shanks Group plc are disclosed in the accounts of Shanks Waste Management Limited.

The interests of the other Director in the share capital of Shanks Group were as follows:

<u>Name of Director</u>	<u>At date of appointment and date of this report</u>		
	<u>Granted price (p)</u>	<u>SAYE Share Save options</u>	<u>Executive options</u>
N I Aitchison	180.0	-	4,000
	176.5	-	4,000
	145.0	-	4,000
	101.5	-	5,000
	116.0	2,831	-

The Directors had no interests in the shares of any other company in the Group.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED
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DIRECTORS' REPORT - continued

AUDITORS

PricewaterhouseCoopers LLP were appointed as auditors of the Company by the Directors to fill the initial vacancy arising. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors will be proposed at the forthcoming Annual General Meeting.

By Order of the Board.



D J Downes
Director
12 January 2005

Registered Office:
Shanks House
A8 Edinburgh Road
Coatbridge
Lanarkshire
ML5 4UG

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
(Formerly Lothian Fifty (978) Limited)
SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED**

We have audited the financial statements, which comprise the balance sheet, and the related notes and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of Directors and auditors

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

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

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

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

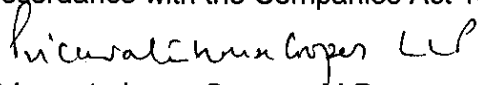
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 March 2004 for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
12 January 2005

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED
(Formerly Lothian Fifty (978) Limited)
BALANCE SHEET AS AT 31 MARCH 2004

	31 March <u>2004</u> £
FIXED ASSETS	
Investments (Note 3)	1
	<hr/>
CURRENT ASSETS	
Debtors: amounts due from fellow group undertaking	1
CREDITORS: amounts falling due within one year	
Amounts due to subsidiary undertaking	(1)
	<hr/>
NET CURRENT ASSETS	-
	<hr/>
NET ASSETS	1
	<hr/> <hr/>
CAPITAL AND RESERVES	
Called up share capital (Note 4)	1
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EQUITY SHAREHOLDERS' FUNDS	1
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Approved by the Board of Directors on 12 January 2005.



D J Downes
DIRECTOR

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED
(Formerly Lothian Fifty (978) Limited)
NOTES TO THE FINANCIAL STATEMENTS
380 DAY PERIOD ENDED 31 MARCH 2004

1 ACCOUNTING POLICIES - Basis of Preparation and Company Status

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards. The Company has not traded during the period and accordingly it has made neither a profit nor a loss. No profit and loss account has therefore been prepared. As the company is a wholly owned subsidiary of Shanks Group plc, group financial statements have not been prepared as permitted by s228 of the Companies Act 1985 and the financial statements contain information about the company as an individual undertaking.

2 EMOLUMENTS OF DIRECTORS AND EMPLOYEE INFORMATION

The salaries of the Directors were paid by other Shanks Group undertakings and no remuneration was paid or is payable by Shanks Dumfries and Galloway Holdings Limited. The Directors estimate that no emoluments paid by other Shanks Group undertakings relate to services provided to the Company. The Company had no other employees since incorporation.

3 INVESTMENTS

	Shares in subsidiary <u>undertaking</u> £
Additions during the period	1
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At 31 March 2004	1
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The Company has the following investment in subsidiary undertakings:

<u>Name</u>	<u>Country of incorporation</u>	<u>Type of shares held</u>	<u>Type of business</u>	<u>Proportion of shares held</u>
Shanks Dumfries and Galloway Limited	Scotland	Ordinary	Dormant	100%

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS - continued
380 DAY PERIOD ENDED 31 MARCH 2004

4 CALLED UP SHARE CAPITAL

	31 March 2004 £
Authorised	
100 ordinary shares of £1 each (18 March 2003: 100)	100
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Allotted and fully paid	
1 ordinary share of £1 (18 March 2003: 1)	1
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On 8 November 2004 the authorised share capital of the Company was increased to 1,000 ordinary shares of £1 each and on 11 November 2004, 999 ordinary shares of £1 each were issued for par.

5 MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	380 days to 31 March 2004
Initial share capital on incorporation	1
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Closing equity shareholders' funds	1
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6 RELATED PARTY TRANSACTIONS

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

7 CASH FLOW STATEMENT

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

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS - continued
380 DAY PERIOD ENDED 31 MARCH 2004

8 POST BALANCE SHEET EVENTS AND CONTINGENT LIABILITIES

On 8 November 2004 the authorised share capital of the Company was increased to 1,000 ordinary shares of £1 each and on 11 November 2004, 999 ordinary shares of £1 each were issued for par and the proceeds from this issue were used to subscribe for shares in the Company's subsidiary undertaking, Shanks Dumfries and Galloway Limited.

On 26 November 2004, Shanks Dumfries and Galloway Limited entered into a 25 year contract with Dumfries & Galloway Council for the management of municipal solid waste. As part of this contract, the Company and its subsidiary, Shanks Dumfries and Galloway Limited, have pledged to their bankers all of their assets as security for their borrowings.

9 ULTIMATE PARENT COMPANY

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