

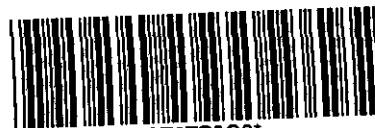
SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

Registered Number SC245928

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

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SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

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SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the year ended 31 March 2008

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

The Company acts as a holding company with investment in Shanks Dumfries and Galloway Limited

At the start of the year, the Company received an intercompany subordinated loan of £3,900,000 from its immediate parent company, which was then lent as an intercompany subordinated loan to its subsidiary undertaking, Shanks Dumfries and Galloway Limited, on the same terms. Consequently, the Company now receives and incurs interest on these loans

The profit after tax for the period was £Nil (2007 £Nil). The Directors do not recommend that a dividend be paid in respect of the year ended 31 March 2008 (2007 £Nil)

FUTURE OUTLOOK

The Company will remain a holding company with interest borne on intercompany loans

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is a wholly owned subsidiary of Shanks Group plc. Risks are principally managed by Shanks Group plc for the Group as a whole. The principal risks and uncertainties of Shanks Group plc are discussed in its Annual Report and Accounts for the year ended 31 March 2008

KEY PERFORMANCE INDICATORS

Given the straightforward nature of the business, the Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the Company

DIRECTORS

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

F A N Welham
D Stockley
S Ray (appointed 23 January 2008)
M C E Averill (resigned 30 September 2007)
N I Aitchison (resigned 23 January 2008)

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

DIRECTORS' REPORT - continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 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.

In accordance with Section 234ZA(2) of the Companies Act 1985 the Directors confirm

(a) so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) the Directors have taken all the steps they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED
DIRECTORS' REPORT - continued

AUDITORS

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

By Order of the Board

A handwritten signature in black ink, appearing to read 'D Stockley', is written over the printed name and date.

D Stockley
Director
24 July 2008

Registered Office
Shanks House
211 Blochairn Road
Glasgow
G21 2RL

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

We have audited the financial statements of Shanks Dumfries and Galloway Holdings Limited for the year ended 31 March 2008 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its result and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London
24 July 2008

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2008

	<u>2008</u> £	<u>2007</u> £
Interest receivable from subsidiary undertaking	469,282	
Interest payable to immediate parent company	(469,282)	
	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		
Tax		
	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAX AND RETAINED PROFIT FOR THE FINANCIAL YEAR		
	<hr/> <hr/>	<hr/> <hr/>

All of the above relates to continuing activities

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2008

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

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED
BALANCE SHEET AS AT 31 MARCH 2008

	<u>Note</u>	<u>2008</u> £	<u>2007</u> £
FIXED ASSETS			
Investments	3	1,000	1,000
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	4	3,901,000	1,000
CREDITORS amounts falling due within one year	5	(293,500)	(1,000)
		<hr/>	<hr/>
NET CURRENT ASSETS		3,607,500	
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,608,500	1,000
CREDITORS amounts falling due after more than one year	6	(3,607,500)	
		<hr/>	<hr/>
NET ASSETS		1,000	1,000
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Called up share capital	7	1,000	1,000
Profit and loss account	8		
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	9	1,000	1,000
		<hr/> <hr/>	<hr/> <hr/>

Approved by the Board of Directors on 24 July 2008


D Stockley
Director

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008

	<u>2008</u> £	<u>2007</u> £
(Increase) in debtors		
due within one year	(292,500)	
due after more than one year	(3,607,500)	
Increase in creditors		
due within one year	292,500	
due after more than one year	3,607,500	
	<hr/>	<hr/>
Net cash flow from operating activities		
	<hr/>	<hr/>
Returns from investments and servicing of finance		
Interest paid	(469,282)	
Interest received	469,282	
	<hr/>	<hr/>
Net interest received		
	<hr/>	<hr/>
Net cash flow before use of liquid resources and financing and net movement in cash		
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash flow to movement in net debt		
Net debt at 31 March 2007 and at 31 March 2008		
	<hr/> <hr/>	<hr/> <hr/>

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008

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. 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 plc 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 plc undertakings relate to services provided to the Company. The Company had no other employees since incorporation.

3 INVESTMENTS

	Shares in subsidiary undertaking £
At 1 April 2007 and 31 March 2008	1,000

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	Waste Management	100%

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 continued

4 DEBTORS

	<u>2008</u> £	<u>2007</u> £
Amounts due from subsidiary undertaking		
due within one year	293,500	1,000
due after more than one year	3,607,500	
	<hr/>	<hr/>
	3,901,000	1,000
	<hr/>	<hr/>

Of the amounts due from subsidiary undertaking, £3,900,000 (2007 £Nil) is a subordinated loan which bears interest at a fixed rate of 12% (2007 Nil) The loan is only repayable by the subsidiary undertaking, Shanks Dumfries and Galloway Limited, after the obligations under the terms of the external borrowings of that Company have been met

5 CREDITORS: amounts falling due within one year

	<u>2008</u> £	<u>2007</u> £
Amounts due to immediate parent undertaking	293,500	1,000
	<hr/>	<hr/>

Further information on the amounts due to the immediate parent undertaking are set out in Note 6

6 CREDITORS: amounts falling due after more than one year

	<u>2008</u> £	<u>2007</u> £
Amounts due to immediate parent undertaking		
due within one and two years	195,000	
due within two and five years	585,000	
due after more than five years	2,827,500	
	<hr/>	<hr/>
	3,607,500	
	<hr/>	<hr/>

Of the total amounts due to the immediate parent undertaking, £3,900,000 (2007 £Nil) is a subordinated loan which bears interest at a fixed rate of 12% (2007 Nil) This loan is only repayable by the Company where repayments on the intercompany loan receivable from the subsidiary undertaking, Shanks Dumfries and Galloway Limited, have been made (see Note 4)

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 continued

7 CALLED UP SHARE CAPITAL

	<u>2008</u> £	<u>2007</u> £
Authorised 1,000 (2007 1,000) ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
Allotted and fully paid 1,000 (2007 1,000) ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>

8 RESERVES

	<u>Profit and loss account</u> £
As at 31 March 2007 and as at 31 March 2008	<u> </u>

9 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	<u>2008</u> £	<u>2007</u> £
Profit after tax and retained profit for the year	<u> </u>	<u> </u>
Net movement in equity shareholders' funds		
Opening equity shareholders' funds	1,000	1,000
	<u> </u>	<u> </u>
Closing equity shareholders' funds	1,000	1,000
	<u> </u>	<u> </u>

10 NOTE OF THE HISTORICAL COST PROFITS AND LOSSES

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

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LTD
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 - continued

11 CONTINGENT LIABILITIES

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.

12 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.

13 ULTIMATE PARENT COMPANY

The immediate holding company is Shanks PFI Investments 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, Dunedin House, Auckland Park, Mount Farm, Milton Keynes, Buckinghamshire, MK1 1BU.