

# **SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED**

**DIRECTORS' REPORT  
AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 MARCH 2014**

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COMPANIES HOUSE

**Registered Number SC245928**

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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**DIRECTORS AND ADVISORS**

**Directors**

J M Linney  
A S Pearson (resigned 27 August 2013)  
J Griffiths (appointed 27 August 2013)  
C Tanner (appointed 31 March 2014)  
J J C Simpson (resigned 31 March 2014)  
P D Eglinton (appointed 15 April 2013)  
D K Mulligan (appointed 1 April 2014)

**Company secretary and registered office**

P B Griffin-Smith  
16 Charlotte Square  
Edinburgh  
Scotland  
EH2 4DF

**Auditor**

Deloitte LLP  
Chartered Accountants  
London

**Principal bankers**

NIBC Bank N V  
7 Bishopsgate  
London  
EC2N 3BX

## STRATEGIC REPORT

The Directors present the Strategic Report of Shanks Dumfries and Galloway Holdings Limited for the year ended 31 March 2014.

The Company is owned by John Laing Environmental Assets Group (UK) Limited (80%) and Shanks PFI Investments Limited (20%).

## BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

On 26 November 2004 the Group entered into a 25 year Private Finance Initiative (PFI) contract with Dumfries and Galloway Council for the provision of waste management services. As part of this contract Shanks Dumfries and Galloway Limited was committed to building new waste management facilities, which it will operate until the end of the contract, when the facilities will revert to council ownership. Shanks Waste Management Limited holds sub-contracts for operation of the facilities and for the disposal of waste.

On 31st March 2014, John Laing Investments Limited sold its 80% holding in Shanks Dumfries and Galloway Holdings Limited to John Laing Environmental Assets Group (UK) Limited.

## RESULTS

The consolidated balance sheet on page 9 of the financial statements shows the Group's financial position at the end of the financial year. The net assets have increased to £286,000 as a result of the profit in the year of £214,000 and the change in the hedging reserve of £1,405,000.

## FUTURE DEVELOPMENTS

The Group will continue to finance and operate the waste management facilities until the end of the concession.

## KEY PERFORMANCE INDICATORS

The principal KPI for the Group is the volume of waste processed during the year and subsequent diversion of waste from landfill disposal. For the year ended 31 March 2014, the Group processed 91,661 tonnes (2013: 86,400 tonnes) and diverted 57,289 tonnes or 63% from landfill disposal (2013: 53,800 tonnes or 62% from landfill disposal).

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

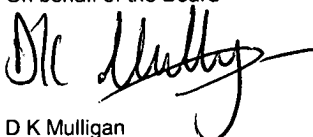
## FINANCIAL RISK MANAGEMENT

**Cash flow Risk:** The Group's borrowings expose it to cash flow risk primarily due to the financial risks of changes in interest rates and inflation. The Group's exposure to interest rate risk is mitigated through the use of interest rate swaps, details of which are set out in note 13 to the financial statements. The Group's exposure to inflationary risk is mitigated by having an index-linked unitary contract with Dumfries and Galloway Council.

**Credit Risk:** The Group's principal financial assets are cash, financial assets and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables which are with one counterparty, although in the opinion of the board of directors this risk is limited as the receivables are with a local government authority.

**Liquidity Risk:** At the start of the PFI contract, the Group negotiated debt facilities with an external party and the immediate parent company to ensure that the Group has sufficient funds over the life of the PFI concession.

On behalf of the Board



D K Mulligan  
Director

18 December 2014

## DIRECTORS' REPORT

The Directors submit their Annual Report and the audited financial statements for the year ended 31 March 2014.

## GOING CONCERN

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and concluded that it is appropriate. More information is provided in note 1 to the financial statements.

## DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

## DIVIDENDS

The Directors do not recommend the payment of a dividend (2013 - £nil).

## FUTURE DEVELOPMENTS

Details of future developments and financial risk management can be found in the Strategic Report on page 2 and form part of this report by cross-reference.

## AUDITOR

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

## DIRECTORS

The Directors who served throughout the year, except as noted, are shown on page 1.

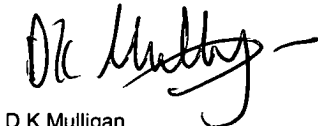
## DIRECTORS INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

## EMPLOYEES

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 14.

On behalf of the Board



D K Mulligan  
Director

18 December 2014

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

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). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether UK 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITOR'S 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 2014 which comprise the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated and company balance sheet, the statement of changes in equity, consolidated cashflow statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and auditor**

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Parent Company's affairs as at 31 March 2014 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Jacqueline Holden (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

18 December 2014

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 £000	2013 £000
Turnover	2	8,138	7,530
Cost of sales		<u>(7,633)</u>	<u>(7,086)</u>
Gross profit		505	444
Administration expenses		<u>(200)</u>	<u>(111)</u>
Operating profit	3	305	333
Net interest payable	6	(9)	(13)
Profit on ordinary activities before taxation		<u>296</u>	<u>320</u>
Tax on profit on ordinary activities	7	(82)	(103)
Profit for the financial year		<u>214</u>	<u>217</u>

All items in the profit and loss account relate to continuing operations.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

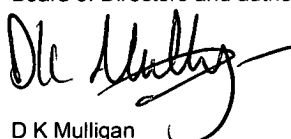
	Notes	2014 £000	2013 £000
Profit for the financial year		214	217
Increase/ (decrease) in fair value of hedging derivatives		<u>1,958</u>	<u>(625)</u>
Deferred tax attributable to hedging derivatives		<u>(553)</u>	<u>96</u>
Total comprehensive income for the year		<u>1,619</u>	<u>(312)</u>

**SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED**

**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH**

	Notes	2014 £000	2013 £000
<b>Current assets</b>			
Debtors		26,790	27,007
- due within one year	9	2,636	2,081
- due after more than one year	9	24,154	24,926
Deferred tax asset	10	577	1,212
Cash at bank and in hand		4,641	4,544
		<u>32,008</u>	<u>32,763</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	11	(4,038)	(3,387)
<b>Net current assets</b>		<u>27,970</u>	<u>29,376</u>
Creditors: amounts falling due after more than one year	11	(27,247)	(30,328)
Provision for liabilities	12	(437)	(381)
<b>Net assets / (liabilities)</b>		<u>286</u>	<u>(1,333)</u>
<b>Capital and reserves</b>			
Called up share capital	15	1	1
Hedging reserve	14	(2,721)	(4,126)
Profit and loss account		3,006	2,792
<b>Shareholder's funds / (deficit)</b>		<u>286</u>	<u>(1,333)</u>

The financial statements of Shanks Dumfries and Galloway Holdings Limited, registered number sc245928, were approved by the Board of Directors and authorised for issue on 18 December 2014. They were signed on its behalf by:



D K Mulligan  
Director

18 December 2014

**SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED**

**COMPANY BALANCE SHEET AS AT 31 MARCH**

	Notes	2014 £000	2013 £000
<b>Fixed asset</b>			
Investments	8	1	1
<b>Current assets</b>			
Debtors		3,617	3,690
- due within one year	9	204	277
- due after more than one year	9	3,413	3,413
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	11	(204)	(277)
<b>Net current assets</b>		<u>3,413</u>	<u>3,413</u>
Creditors: amounts falling due after more than one year	11	(3,413)	(3,413)
<b>Net assets</b>		<u>1</u>	<u>1</u>
<b>Capital and reserves</b>			
Called up share capital	15	1	1
Profit and loss account		-	-
<b>Shareholder's funds</b>		<u>1</u>	<u>1</u>

The financial statements of Shanks Dumfries and Galloway Holdings Limited, registered number sc245928, were approved by the Board of Directors and authorised for issue on 18 December 2014. They were signed on its behalf by:



D K Mulligan  
Director

18 December 2014

**SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH**

	Called up share capital £000	Hedging reserve £000	Profit and loss account £000	Total £000
<b>At 31 March 2012 as previously stated</b>	<b>1</b>	<b>-</b>	<b>1,197</b>	<b>1,198</b>
Changes on transition to FRS 102 (see note 19)	-	(3,597)	1,378	(2,219)
<b>At 1 April 2012 as restated</b>	<b>1</b>	<b>(3,597)</b>	<b>2,575</b>	<b>(1,021)</b>
Profit for the financial year	-	-	217	217
Hedges of variable interest rate risk	-	(625)	-	(625)
Deferred tax relating to items of other comprehensive income	-	96	-	96
<b>At 31 March 2013</b>	<b>1</b>	<b>(4,126)</b>	<b>2,792</b>	<b>(1,333)</b>
<b>At 1 April 2013</b>	<b>1</b>	<b>(4,126)</b>	<b>2,792</b>	<b>(1,333)</b>
Profit for the financial year	-	-	214	214
Hedges of variable interest rate risk	-	1,958	-	1,958
Deferred tax relating to items of other comprehensive income	-	(553)	-	(553)
<b>At 31 March 2014</b>	<b>1</b>	<b>(2,721)</b>	<b>3,006</b>	<b>286</b>

**COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH**

	Called up share capital £000	Profit and loss account £000	Total £000
<b>At 1 April 2012</b>	<b>1</b>	<b>-</b>	<b>1</b>
Profit for the financial year	-	-	-
<b>At 31 March 2013</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>At 1 April 2013</b>	<b>1</b>	<b>-</b>	<b>1</b>
Profit for the financial year	-	-	-
<b>At 31 March 2014</b>	<b>1</b>	<b>-</b>	<b>1</b>

**SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED**

**CONSOLIDATED CASHFLOW STATEMENT**

**FOR THE YEAR ENDED 31 MARCH 2014**

	Notes	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
<b>Net cash flows from operating activities</b>	17	<b>1,151</b>	<b>1,340</b>
<b>Cash flows from investing activities</b>			
Interest received		11	10
Interest received on financial asset		<u>1,789</u>	<u>1,883</u>
<b>Net cash flows from investing activities</b>		<b>1,800</b>	<b>1,893</b>
<b>Cash flows from financing activities</b>			
Interest paid		(1,882)	(1,629)
Repayment of borrowings		<u>(972)</u>	<u>(724)</u>
<b>Net cash flows from financing activities</b>		<b>(2,854)</b>	<b>(2,353)</b>
<b>Net increase in cash</b>		<b><u>97</u></b>	<b><u>880</u></b>
Cash and cash equivalent at beginning of year		<b>4,544</b>	<b>3,664</b>
<b>Cash and cash equivalent at end of year</b>		<b><u>4,641</u></b>	<b><u>4,544</u></b>

## Notes to the financial statements for the year ended 31 March 2014

## 1 ACCOUNTING POLICIES

a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The principal accounting policies are summarised below.

The Group has chosen to early adopt FRS 102 and has not adopted the transitional arrangements available within FRS 102 and is instead applying FRS 102 Schedule 34 accounting from the commencement of the concession. The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 19.

Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report further describes the Group's financial risk management objectives, details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Group's forecasts and projections, taking account of possible changes in counterparty performance, show that the Group expects to be able to continue to operate as a going concern considering its net assets position and expectation it will continue to be profit making.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

b) Turnover

Construction phase - revenue is recognised based on the fair value of work completed in the period, deemed to be historical cost, in accordance with FRS 102 Schedule 23.

Operational phase - income received in respect of the service concession is allocated between revenue and capital repayment of and interest income on the PFI financial asset using the effective interest rate method. Service revenue is recognised as a margin on non-pass-through operating costs solely, with a zero margin being recognised on lifecycle and other SPV costs.

Revenue and expenses are recognised on an accruals basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue is entirely derived in the United Kingdom.

c) Service Concession - Financial Asset

Shanks Dumfries and Galloway Limited is a special purpose entity that has been established to provide services under certain private finance agreements with Dumfries and Galloway Council (the Authority). Under the terms of these Agreements, the Authority (as grantor) controls the services to be provided by Shanks Dumfries and Galloway Limited over the contract term. Based on the contractual arrangements Shanks Dumfries and Galloway Limited has classified the project as a service concession arrangement, and has accounted for the principal assets of, and income streams from, the project in accordance with FRS 102, Section 34.12 Service Concession Arrangements.

Under the terms of the arrangement, Shanks Dumfries and Galloway Limited has the right to receive a baseline contractual payment stream for the provision of the waste management service from or at the direction of the grantor (the Authority), and as such the asset created is accounted for as a financial asset. The financial asset has initially been recognised at the fair value of the consideration received, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

The financial assets are classified as basic financial instruments in line with FRS 102, Schedule 11 and are subsequently measured at amortised cost using the effective interest method.

At least at each reporting date, the Company tests financial assets not measured at fair value for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the profit and loss immediately.

The Company derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred.

d) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities, including borrowings, are initially measured at transaction price and are subsequently measured at amortised cost using the effective yield basis. Shanks Dumfries and Galloway Limited de-recognises its financial liabilities when its obligations are discharged, cancelled or they expire.

The effective interest rate method is a method of calculating amortised costs of the financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability.

## Notes to the financial statements for the year ended 31 March 2014 (continued)

## 1 ACCOUNTING POLICIES (continued)

e) Taxation

Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

f) Operating costs

Operating costs and maintenance costs for Shanks Dumfries and Galloway Limited are expensed to the profit and loss account.

g) Interest payable

Interest costs on borrowings are expensed to the profit and loss account over the period of concession on an accruals basis.

h) Derivative Financial Instruments

The risk of changes in interest rates on the bank facilities faced by the Group has been hedged at the inception of the project through interest rate swap agreements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value at each Balance Sheet date, in accordance with FRS 102, Schedule 12. The Group has designated and documented the hedging relationship so that the risk being hedged, the hedged item (forecast interest payments) and the hedging instrument are clearly identified and the risk in the hedged item is the risk being hedged with the hedging instrument.

The Group has also tested the effectiveness of the hedging instrument in offsetting the designated hedged risk at each reporting date. The effectiveness of a hedge is the degree to which changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk are offset by changes in the fair value or cash flows of the hedging instrument. The portion of the change in the fair value of the hedging instrument that was effective in offsetting the change in the fair value or expected cash flows of the hedged item is recognised in other comprehensive income. Where ineffectiveness is judged to have occurred, either a proportion or the full amount of the ineffectiveness is taken to the profit and loss account.

The fair values of derivatives at the balance sheet date are obtained from the banks or financial institutions with which the derivatives have been transacted, subject to adjustment if required.

i) Debt issue costs

Costs incurred following the issue of debt are held on the balance sheet and charged to the profit and loss account over the period that the relevant debt is held, using an effective interest rate.

j) Cash

Cash comprise cash at bank and in hand and short term deposits with original maturity of less than three months.

k) Provisions

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 improvements in technology. The dates of payments 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. The Company is required to provide for aftercare costs as part of the 25 year integrated waste management contract with Dumfries and Galloway Council.

## Notes to the financial statements for the year ended 31 March 2014 (continued)

**2 TURNOVER**

	Group 2014 £000	Group 2013 £000
Turnover in the year is analysed as follows:		
Service fee revenue	6,137	6,149
Pass-through revenue	2,001	1,381
	<u>8,138</u>	<u>7,530</u>

The turnover and operating profit are wholly attributable to the Group's business of waste management in the United Kingdom.

**3 Operating profit**

	Group 2014 £000	Group 2013 £000
Operating profit is stated after charging:		
Fees payable to the Group's auditor for the audit of the accounts of the Company and subsidiary Company	16	-

The auditor's remuneration for the audit of the Group for the prior year was borne by Shanks Waste Management Limited.

**4 DIRECTORS' REMUNERATION**

No Directors received any remuneration for services to the Group during the current or prior year. The Group is managed by secondees from the shareholders under a management services contract.

**5 STAFF NUMBERS**

The Group had no employees during the year (2013 - nil).

**6 NET INTEREST PAYABLE**

	Group 2014 £000	Group 2013 £000
Interest receivable and similar income		
Interest receivable on bank deposits	11	10
Interest receivable on financial asset	1,789	1,883
	<u>1,800</u>	<u>1,893</u>
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	(1,395)	(1,425)
Interest payable to immediate parent undertaking	(414)	(481)
	<u>(1,809)</u>	<u>(1,906)</u>
Net interest payable	<u>(9)</u>	<u>(13)</u>



## Notes to the financial statements for the year ended 31 March 2014 (continued)

## 7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Group 2014 £000	Group 2013 £000
<b>Current tax</b>		
Current tax on income in the year	-	-
<b>Deferred tax</b>		
Movement in deferred tax on losses	(568)	(34)
Accelerated capital allowances	330	(40)
Timing differences	156	(29)
<b>Total tax</b>	<b>(82)</b>	<b>(103)</b>

The differences between the total tax charge and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2014 £000	2013 £000
Profit on ordinary activities before taxation	296	320
Tax on profit on ordinary activities at standard UK corporation tax rate	68	77
Effects of:		
Expenses not deductible	13	27
Differences between current tax and deferred tax rate	(15)	(1)
Timing differences	16	0
<b>Total tax for the period</b>	<b>82</b>	<b>103</b>

## 8 INVESTMENTS

	Company Shares in group undertaking £000
<b>Cost and net book value</b>	
At 1 April 2013	1
At 31 March 2014	1

The Company's sole investment is a 100% interest in Shanks Dumfries and Galloway Limited, which is incorporated in Great Britain and registered in England and Wales.

In the opinion of the Directors' the aggregate value of the investment is not less than the amount stated in the balance sheet.

## 9 DEBTORS

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
<b>Due within one year</b>				
Financial asset	772	523	-	-
Trade debtors	217	327	-	-
Amounts owed by group undertakings	-	-	204	277
Amounts owed by related parties	-	138	-	-
Prepayments and accrued income	1,647	1,093	-	-
	<b>2,636</b>	<b>2,081</b>	<b>204</b>	<b>277</b>
<b>Due after more than one year</b>				
Financial asset	24,154	24,926	-	-
Amounts owed by group undertakings	-	-	3,413	3,413
	<b>24,154</b>	<b>24,926</b>	<b>3,413</b>	<b>3,413</b>

## 10 DEFERRED TAX

	Group 2014 £'000	Group 2013 £'000
<b>Deferred tax</b>		
At 1 April	1,212	1,219
Charged to profit and loss account	(82)	(103)
(Charged)/ credited to other comprehensive income	(553)	96
<b>At 31 March</b>	<b>577</b>	<b>1,212</b>
Capital allowances	(2,829)	(3,159)
Tax losses	2,726	3,295
Timing differences	-	(157)
Cash flow hedges	680	1,233
	<b>577</b>	<b>1,212</b>

## Factors that may effect the future tax charges

A reduction in the UK corporation tax rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective 1 April 2014) and then 20% (effective 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Group's future current tax charge accordingly. Deferred tax assets have been calculated based upon the substantively enacted rate of 20%.

## Notes to the financial statements for the year ended 31 March 2014 (continued)

## 11 CREDITORS

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
<b>Amounts falling due within one year</b>				
Bank loans (note 13)	1,124	973	-	-
Amounts owed to parent undertaking	204	277	204	277
Amounts owed to related parties	1,247	493	-	-
Other taxation and social security	48	227	-	-
Accruals and deferred income	1,415	1,417	-	-
	<u>4,038</u>	<u>3,387</u>	<u>204</u>	<u>277</u>
<b>Amounts falling due after more than one year</b>				
Bank loans (note 13)	20,433	21,556	-	-
Amounts owed to parent undertaking	3,413	3,413	3,413	3,413
Derivative financial instruments	3,401	5,359	-	-
	<u>27,247</u>	<u>30,328</u>	<u>3,413</u>	<u>3,413</u>
<b>Analysis of debt:</b>				
Debt can be analysed as falling due:				
In one year or less	1,124	973	-	-
Between one and two years	2,403	1,124	-	-
Between two and five years	4,935	3,941	-	-
In five years or more	19,909	25,263	3,413	3,413
	<u>28,371</u>	<u>31,301</u>	<u>3,413</u>	<u>3,413</u>

## 12 PROVISIONS FOR LIABILITIES

	Group	Group
	2014	2013
	£'000	£'000
<b>Aftercare provision</b>		
At 1 April	381	334
Provided in the year	56	47
At 31 March	<u>437</u>	<u>381</u>

The aftercare provision represents post-closure costs of landfill sites, including such items as monitoring, gas and leachate management and licensing. Amounts are 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 payments of these aftercare costs are uncertain but are anticipated to be over a period of approximately 30 years from closure of the relevant landfill site.

## 13 LOANS

## Bank loans

The Group has a £22.5 million loan facility provided by NIBC Bank N.V in order to finance the construction of the project. The loan is repayable in instalments based on an agreed percentage amount of the total facility per annum until March 2025.

The loan is secured by a fixed and floating charge on the assets of the Group.

Interest on the facilities is charged at rates linked to LIBOR. The Group has entered into fixed interest rate swaps to mitigate its interest exposure, see note 14.

## Other loans

At 31 March 2014 Shanks Dumfries and Galloway Holdings Ltd owed £3,413,000 to the immediate parent John Laing Environmental Assets Group (UK) Limited. The subordinated debt is unsecured and is subject to interest at 12% per annum. The debt is repayable by instalments from surplus funds to 2028.

## Notes to the financial statements for the year ended 31 March 2014 (continued)

## 14 DERIVATIVE FINANCIAL INSTRUMENTS

	Group 2014 £000	Group 2013 £000
Derivatives that are designated and effective as hedging instruments carried at fair value		
Liabilities:		
Interest rate swaps	(3,401)	(5,359)
Deferred Tax on cash flow hedges	680	1,233
	<u>(2,721)</u>	<u>(4,126)</u>

Interest rate swap contracts designated as hedges of variable interest rate risk of recognised financial liabilities

	Notional principal value	
	2014 £000	2013 £000
Outstanding receive floating pay fixed contracts:		
5 years +	<u>21,560</u>	<u>22,533</u>
	<u>21,560</u>	<u>22,533</u>

The expiry dates of the swaps range from 30 September 2025 to 31 March 2026. The fixed interest rate is between 6.20% and 6.30%, and accretes and amortises in line with the expected profile of repayments.

The interest rate swaps settle on a semi-annual basis. The floating rate on the interest rate swaps is six months' LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts are designated as hedges of variable interest rate risk of the Group's floating rate borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swaps.

## 15 CALLED UP SHARE CAPITAL

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Allotted, called up and fully paid				
1,000 Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

## Other reserves

## Group

The Group's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses.

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

## Company

The Company's other reserves are the profit and loss reserve, which represents cumulative profits or losses.

## 16 TRANSACTIONS WITH RELATED PARTIES

During the year the Group had transactions with John Laing Investments Limited and Shanks Waste Management Limited (SWM Ltd). SWM Ltd holds 20% of Shanks Dumfries and Galloway Holdings Limited and it holds the sub-contract to operate the waste management services. On 31 March 2014, John Laing Investments Limited sold its investment to John Laing Environmental Assets Group (UK) Limited.

	2014 £000	2013 £000
John Laing Investments Limited		
- Interest payable on sub-debt	210	481
- Balance payable at 31 March	-	3,690
John Laing Environmental Assets Group (UK) Limited		
- Interest payable on sub-debt	204	-
- Balance payable at 31 March	3,617	-
Shanks Waste Management Limited		
- Unitary gate fees and lifecycle	7,577	6,547
- Management fees	72	70
- Balance payable at 31 March	1,247	493

## Notes to the financial statements for the year ended 31 March 2014 (continued)

## 17 RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2014 £000	2013 £000
Operating profit	305	333
Decrease in debtors	217	220
Increase in creditors	629	787
Net cash inflow from operating activities	<u>1,151</u>	<u>1,340</u>

## 18 ULTIMATE PARENT UNDERTAKING

The Company's immediate and ultimate parent and controlling entity is John Laing Environmental Assets Group (UK) Limited, a company incorporated in Jersey, Channel Islands.

## 19 EXPLANATION OF TRANSITION TO FRS 102

This is the first year that the Group has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 March 2013 and the date of transition to FRS 102 was therefore 1 April 2012. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

Adopting FRS 102 has resulted in a reclassification of the project from fixed asset accounting treatment to a service concession arrangement. The concession has been classified as a financial asset, assumed to be from the start of the contract.

	At 1 April 2012 £000
Equity reported under previous UK GAAP	1,198
Adjustments to equity on transition to FRS 102:	
1. Impact on profit and loss account reserves from change to financial asset from fixed asset	1,517
2. Recognition of interest rate swap on the balance sheet	(4,734)
3. Deferred tax adjustments due to change to financial asset from fixed asset	(670)
4. Deferred tax for interest rate swap recognised in the balance sheet	1,136
5. Removal of the lifecycle provision previously recognised	532
Equity reported under FRS 102	<u>(1,021)</u>
	At 31 March 2013 £000
Equity reported under previous UK GAAP	430
Adjustments to equity on transition to FRS 102:	
1. Impact on profit and loss account reserves from change to financial asset from fixed asset	2,706
2. Recognition of interest rate swap on the balance sheet	(5,359)
3. Deferred tax adjustments due to change to financial asset from fixed asset	(1,021)
4. Deferred tax for interest rate swap recognised in the balance sheet	1,233
5. Removal of the lifecycle provision previously recognised	678
Equity reported under FRS 102	<u>(1,333)</u>
Reconciliation of profit for 2013	£000
Loss for the financial year under previous UK GAAP	(768)
1. Impact on income recognition and amortisation from change to financial asset from fixed asset	1,051
2. Deferred tax adjustments due to change to financial asset from fixed asset	(212)
3. Removal of the lifecycle provision previously recognised	146
Profit for the financial year under FRS 102	<u>217</u>