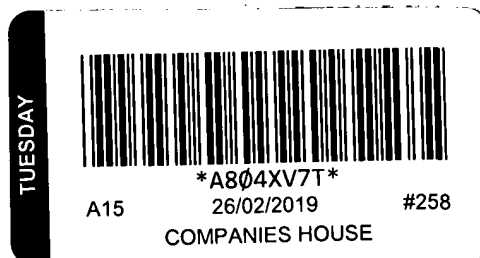


Company Registration No. SC245928 (Scotland)

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018



SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

COMPANY INFORMATION

Directors	J Linney W Spurr A Richford C J Tanner	(Appointed 23 January 2018)
Secretary	P Griffin Smith	
Company number	SC245928	
Registered office	16 Charlotte Square Edinburgh Scotland EH2 4DF	
Auditor	Deloitte LLP Statutory Auditor London United Kingdom EC4A 3TR	
Banker	NIBC Bank NV 7 Bishopsgate London EC2N 3BX	

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

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SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The Directors present the Strategic Report for the year ended 31 March 2018.

Business review and post balance sheet events

The Company is a holding company for its subsidiary, Shanks Dumfries And Galloway Limited. 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 the Group 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 10 September 2018, both the Project and Service Agreements were terminated because the project did not meet the future requirements of Zero Waste Scotland legislation. This resulted in Dumfries and Galloway Council making a payment to the Company of a "PA Termination Sum" (£6,873,434), which included SWAP breakage costs. The "PA Termination Sum" was in turn paid to the Lenders, as a prepayment of the senior debt loan. On 4 October 2018, Renewi UK Services Limited (the Service Company) made the "Service Contract Termination Sum" payment of £10,257,248 directly to the Lenders. This settled the senior debt loan in full.

Principal risks and uncertainties

The Group's activities expose it to a number of financial risks including liquidity risk, interest rate risk and credit risk. These risks are further explained in the Directors' report. In addition, due to the events described in the 'Business review', the company has a going concern risk which is further explained within note 1.2, Accounting Policies.

The Group is in a net liabilities position at 31 March 2018 due to all long-term liabilities being classified as current, given the developments post the balance sheet date as detailed below. The Directors have reviewed the Group's forecasts and projections, taking into account future cash requirements, which show that the Group can continue to meet its debts as they fall due.

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of the termination of both the Project Agreement and Service Agreement on 10 September 2018, and concluded that it is no longer appropriate to prepare the accounts on a going concern basis. The Group is expected to be wound up within 12 months of signing the financial statements and consequently the accounts have been prepared on a basis other than that of a going concern.

Future Developments

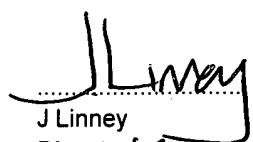
Following the termination of the Project and Service Agreements, the directors anticipate the Company to be wound up within 12 months from the date of signing the financial statements.

Key performance indicators

The principal key performance indicator 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 2018, the Group processed 85,622 tonnes (2017: 87,508 tonnes) and diverted 52,835 tonnes or 62% from landfill disposal (2017: 52,202 tonnes or 60% from landfill disposal).

For the year ended 31 March 2018, there is a loss before tax of £7,672k which is largely explained by an impairment of the financial asset of £8,194k, due to the post balance sheet events described above.

On behalf of the board of directors


J Linney
Director
19 February 2019

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The Directors present their annual report and audited financial statements for the year ended 31 March 2018.

Principal activities

The principal activity of the Group continued to be the provision of waste management services, as part of the PFI contract with Dumfries and Galloway Council.

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

J Linney

W Spurr

A Richford

M Cowan

C J Tanner

(Appointed 23 January 2018)

(Resigned 22 January 2018)

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The Directors do not recommend payment of a final dividend.

Qualifying third party indemnity provisions

The Group has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Financial risk management objectives and policies

Liquidity risk

The Group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Group has sufficient liquid resources to meet the operating needs of the business. At the start of the PFI contract, the Group negotiated debt facilities with an external party to ensure that the Group has sufficient funds over the life of the PFI concession. As explained in the Strategic Report, the external party debt facility (being the senior loan), has been repaid in full post year end.

Interest rate risk

The Group's borrowings expose it to cash flow risk primarily due to the financial risks of changes in interest rates. The Group uses interest rate derivatives to manage the risk and reduce its exposure to changes in interest rates. The interest rate derivatives (SWAPs) were broken post year end due to the termination of the Project Agreement.

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.

Future developments

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 1 and form part of this report by cross-reference.

Auditor

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

Statement of disclosure to auditor

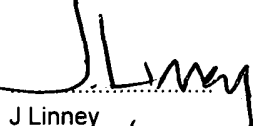
Each of the Directors in office at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware, and
- the Director has taken all the steps that he/ she ought to have taken as a Director in order to make himself, herself aware of any relevant audit information and to establish that the Group'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.

The Directors have considered the use of the going concern basis of preparation of the financial statements in light of the termination of both the Project Agreement and Service Agreement and concluded that it is no longer appropriate. See note 1.2 for further details.

On behalf of the board of directors



J Linney

Director

Date:

19 February 2019

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 Group and Company, and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

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

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Shanks Dumfries And Galloway Holdings Limited (the 'Company') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Group statement of comprehensive income;
- the Group balance sheet;
- the Company balance sheet;
- the Group statement of changes in equity;
- the Company statement of changes in equity;
- the Group statement of cash flows; and
- the related notes on pages 14 - 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Financial statements prepared other than on a going concern basis

We draw attention to note 1.2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of going concern. Our opinion is not modified in respect of these matters.

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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 Group and Company, and the Group's and Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

Report on other legal regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

William Brooks FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London

United Kingdom

Date:

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £'000	2017 £'000
Turnover	3	13,030	10,726
Cost of sales		(11,870)	(9,784)
Gross profit		1,160	942
Administrative expenses		(8,911)	(544)
Operating (loss)/profit	4	(7,751)	398
Interest receivable and similar income	7	1,660	1,716
Interest payable and similar charges	8	(1,581)	(1,671)
(Loss)/profit before taxation		(7,672)	443
Tax on (loss)/profit	9	(1,917)	(6)
(Loss)/profit for the financial year		(9,589)	437
Other comprehensive income			
Fair value gain arising on the cash flow hedge in the year	15	1,028	486
Deferred tax relating to other comprehensive income	18	(175)	(122)
Total comprehensive (loss)/income for the year		(8,736)	801

The statement of comprehensive income has been prepared on a basis other than going concern, given the post balance sheet events explained in the Strategic Report.

The accompanying notes on pages 14 to 30 form an integral part of these financial statements.

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

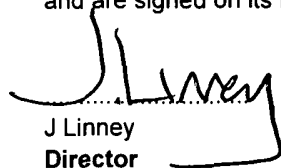
GROUP BALANCE SHEET

AS AT 31 MARCH 2018

	Notes	2018 £'000	2017 £'000	2017 £'000
Current assets				
Debtors falling due after more than one year	13	-	22,848	
Debtors falling due within one year	13	16,934	3,635	
Cash at bank and in hand		3,259	2,855	
		<u>20,193</u>	<u>29,338</u>	
Creditors: amounts falling due within one year	14	<u>(25,967)</u>	<u>(4,442)</u>	
Total assets less current liabilities			(5,774)	24,896
Creditors: amounts falling due after more than one year	15		-	(23,349)
Provisions for liabilities	17		(3,007)	(1,592)
Net liabilities			<u>(8,781)</u>	<u>(45)</u>
Capital and reserves				
Called up share capital	19		1	1
Hedging reserve			(2,006)	(2,859)
Profit and loss reserves			(6,776)	2,813
Total deficit			<u>(8,781)</u>	<u>(45)</u>

The financial statements were approved by the board of directors and authorised for issue on and are signed on its behalf by:

19 February 2019


J Linney
Director

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2018

	Notes	2018 £'000	£'000	2017 £'000	£'000
Fixed assets					
Investments	10		1		1
Current assets					
Debtors falling due after more than one year	13	-		3,413	
Debtors falling due within one year	13	4,027		205	
		<u>4,027</u>		<u>3,618</u>	
Creditors: amounts falling due within one year	14	(4,027)		(205)	
		<u></u>		<u></u>	
Net current assets			-		3,413
Total assets less current liabilities			<u>1</u>		<u>3,414</u>
Creditors: amounts falling due after more than one year	15		-		(3,413)
			<u></u>		<u></u>
Net assets			<u>1</u>		<u>1</u>
Capital and reserves					
Called up share capital	19		1		1
			<u>1</u>		<u>1</u>
Total equity			<u>1</u>		<u>1</u>

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £0 (2017: £0).

The financial statements were approved by the board of directors and authorised for issue on and are signed on its behalf by:


J Linney
Director

Company Registration No. SC245928

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Share capital	Hedging reserve	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2016	1	(3,223)	2,376	(846)
Year ended 31 March 2017:				
Profit for the year	-	-	437	437
Other comprehensive income:				
Fair value gain arising on cash flow hedges in the year	-	486	-	486
Deferred tax relating to other comprehensive income	-	(122)	-	(122)
Total comprehensive income for the year	-	364	437	801
Balance at 31 March 2017	1	(2,859)	2,813	(45)
Year ended 31 March 2018:				
Loss for the year	-	-	(9,589)	(9,589)
Other comprehensive income:				
Fair value gain arising on cash flow hedges in the year	-	1,028	-	1,028
Deferred tax relating to other comprehensive income	-	(175)	-	(175)
Total comprehensive loss for the year	-	853	(9,589)	(8,736)
Balance at 31 March 2018	1	(2,006)	(6,776)	(8,781)

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Share capital £'000
Balance at 1 April 2016	1
	<hr/>
Year ended 31 March 2017:	
Profit and total comprehensive income for the year	-
	<hr/>
Balance at 31 March 2017	1
	<hr/>
Year ended 31 March 2018:	
Profit and total comprehensive income for the year	-
	<hr/>
Balance at 31 March 2018	1
	<hr/> <hr/>

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash generated from operations	23	1,373	1,074
Income taxes paid		(3)	(2)
Net cash inflow from operating activities		1,370	1,072
Investing activities			
Interest received		8	8
Interest received on financial asset		1,652	1,708
Net cash generated from investing activities		1,660	1,716
Financing activities			
Interest paid		(1,088)	(1,593)
Repayment of bank loans		(1,539)	(1,395)
Net cash used in financing activities		(2,627)	(2,988)
Net increase/(decrease) in cash and cash equivalents		404	(200)
Cash and cash equivalents at beginning of year		2,855	3,055
Cash and cash equivalents at end of year		3,259	2,855

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

Company information

Shanks Dumfries And Galloway Holdings Limited ("the Company") is a limited company domiciled and incorporated in Scotland. The registered office is 16 Charlotte Square, Edinburgh, Scotland, EH2 4DF.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in pounds sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value, and in accordance with FRS 102. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £0 (2017: £0).

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking drawn up to 31 March each year.

1.2 Going concern

The Company exists to hold investments in its subsidiary that provides services under a private finance agreement. The subsidiary is set up as a SPV under non-recourse arrangements and therefore the Company has limited its exposure to the liabilities. In the event of default of the subsidiary, the exposure is limited to the extent of the investment it has made.

The Group is in a net liabilities position at 31 March 2018 due to all long-term liabilities being classified as current, given the developments post the balance sheet date as detailed in the strategic report. The Directors have reviewed the Group's forecasts and projections, taking into account future cash requirements, which show that the Group can continue to meet its debts as they fall due.

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of the termination of both the Project Agreement and Service Agreement on 10 September 2018, and concluded that it is no longer appropriate to prepare the accounts on a going concern basis. The Group is expected to be wound up within 12 months of signing the financial statements and consequently the accounts have been prepared on a basis other than that of a going concern.

1.3 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

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.

Pass-through revenue relates to costs incurred by the operator in carrying out its obligations under the service contract, which are charged to Dumfries and Galloway Council with no margin applied by the SPV.

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

(Continued)

1.4 Fixed asset investments

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.5 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.6 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the balance sheet, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

(Continued)

Service Concession

The Group has a subsidiary which is a special purpose entity that has been established to provide services under a private finance agreement with Dumfries and Galloway Council (the Council). Under the terms of this agreement, the Council (as grantor) controls the services to be provided by the Company over the contract term. Based on the contractual arrangements the Company 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.

The Group has chosen to adopt the transitional arrangements available within FRS 102, Section 35.10 (i) and as such the service concession arrangement has continued to be accounted for using the same accounting policies being applied prior to the date of transition to FRS 102 (1 January 2014). The nature of the asset has therefore not changed; however, there was a change in the description from Finance Debtor to Financial Asset.

Under the terms of the arrangement, the Group has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor (the Council), and as such the asset 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.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

The financial asset has been reclassified to current assets and written down to the present value of future cash flows because the financial statements are being prepared on a basis other than going concern.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

All bank loans have been reclassified as current due to the going concern status of the company as described in note 1.2. Accounting Policies.

Other financial liabilities

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.7 Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

1.8 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

The Group does not hold or issue derivative financial instruments for speculative purposes.

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

(Continued)

Hedge accounting

The Group designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line in this item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in the profit or loss in the same line as the recognised hedged item. However when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability concerned.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

(Continued)

1.10 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Hedge accounting

The Directors consider the Group to have met the criteria for hedge accounting and the Group has therefore recognised fair value movements on derivatives in effective hedging relationships through other comprehensive income as well as the deferred tax thereon.

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

2 Critical accounting judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Service concession arrangement

As disclosed in Note 1, the Group accounts for the project as a service concession arrangement. The Directors use their judgement in selecting the appropriate financial asset rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the financial asset; and also the service margin that is used to recognise service revenue. The Directors have also used their judgement in assessing the appropriateness of the future maintenance costs that are included in the Group's forecasts. The Directors will continue to monitor the condition of the assets and undertake a regular review of maintenance spend.

Following the termination of the Project Agreement and Service Agreement on 10 September 2018, the Directors have impaired the financial asset related to the service concession agreement by £8,194k, the best estimate of present value of the net future cash flows to be received under the contract.

Valuation of derivative financial instruments

The Directors use their judgement in selecting a suitable valuation technique for derivative financial instruments. All derivative financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases, the Group uses valuation techniques to assess the reasonableness of the valuation provided by the derivative counterparty. These techniques use a discounted cash flow analysis based on market observable inputs derived from similar instruments in similar and active markets. The fair value of derivative financial instruments at the balance sheet date was a liability of £2,416,000 (2017: £3,445,000 liability). The Directors do not consider the impact of own credit risk to be material.

Aftercare provision

The Group has an aftercare provision resulting from its obligation at the end of the concession with regard to 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.

Details of the provision are set out in Note 14 and 17.

3 Turnover and other revenue

An analysis of the Group's turnover is as follows:

	2018 £'000	2017 £'000
Turnover analysed by class of business		
Service fee income	7,176	7,307
Pass-through income	5,854	3,419
	<u>13,030</u>	<u>10,726</u>
	2018 £'000	2017 £'000
Other significant revenue		
Interest income	<u>1,660</u>	<u>1,716</u>

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

3 Turnover and other revenue (Continued)

	2018 £'000	2017 £'000
Turnover analysed by geographical market		
United Kingdom	13,030	10,726

4 Operating (loss)/profit

	2018 £'000	2017 £'000
Operating (loss)/profit for the year is stated after charging:		
Fees payable to the Group's and the Company's auditor for the audit of the Group's and Company's financial statements	20	19
Impairment of financial asset	8,194	-

An impairment of the financial asset has arisen due to the termination of the project agreement. The financial asset has been impaired down to the value of the future cash flows to be earned plus the value of the service contract termination fee.

5 Employees

The Group had no employees during the current or prior year.

6 Directors' remuneration

No directors received any remuneration for services to the Group during the current or prior year.

7 Interest receivable and similar income

	2018 £'000	2017 £'000
Interest income		
Interest on bank deposits	8	8
Other interest income	1,652	1,708
Total interest income	1,660	1,716

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

8 Interest payable and similar charges

	2018 £'000	2017 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	1,094	1,183
Interest payable to group undertakings	409	410
Total interest expense	1,503	1,593
Other finance costs:		
Unwinding of discount on provisions	78	78
Total finance costs	1,581	1,671

9 Taxation

	2018 £'000	2017 £'000
Current tax		
UK corporation tax on losses for the current period	(1)	-
Adjustments in respect of prior periods	-	2
Total current tax	(1)	2
Deferred tax		
Origination and reversal of timing differences	(1,327)	92
Changes in tax rates	-	(88)
Adjustment in respect of prior periods	313	-
Unutilised tax losses	2,932	-
Total deferred tax	1,918	4
Total tax charge for the year	1,917	6

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected (credit)/charge based on the profit or loss and the standard rate of tax as follows:

	2018 £'000	2017 £'000
(Loss)/profit before taxation	(7,672)	443
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	(1,458)	89
Tax effect of expenses that are not deductible in determining taxable profit	(100)	3
Unutilised tax losses	4,489	-
Adjustments in respect of prior years	313	2
Effect of change in corporation tax rate	-	(88)
Amount arising from deferred tax in the current year	(1,327)	-
Taxation charge for the year	1,917	6

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2018 £'000	2017 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	175	122

For the year ended 31 March 2018, the UK rate of 19% is applied.

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective 1 April 2017 and to 18% effective 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provided a further reduction in the main rate of corporation tax to 17% effective 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

10 Fixed asset investments

	Notes	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Investments in subsidiaries	11	-	-	1	1

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

11 Subsidiaries

Details of the Company's subsidiary at 31 March 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Shanks Dumfries and Galloway Limited	16 Charlotte Square, Edinburgh, Scotland, EH2 4DF	Provision of waste management services in Scotland	Ordinary Shares	100.00

12 Financial instruments

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Carrying amount of financial assets				
Debt instruments measured at amortised cost	14,712	23,826	4,027	3,618
Measured at undiscounted amount receivable	1,736	1,150	-	-
Equity instruments measured at cost less impairment	-	-	1	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount of financial liabilities				
Measured at fair value and designated in an effective hedging relationship	2,416	3,445	-	-
Measured at amortised cost	19,903	21,442	3,618	3,618
Measured at undiscounted amount payable	1,801	2,091	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

13 Debtors

	Notes	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Amounts falling due within one year:					
Trade debtors		1,736	1,100	-	-
Amounts due from subsidiary undertakings		-	-	4,027	205
Financial asset		14,712	978	-	-
Other debtors		-	50	-	-
Prepayments and accrued income		486	1,507	-	-
		<u>16,934</u>	<u>3,635</u>	<u>4,027</u>	<u>205</u>
Amounts falling due after more than one year:					
Amounts due from subsidiary undertakings		-	-	-	3,413
Financial asset		-	22,848	-	-
		<u>-</u>	<u>22,848</u>	<u>-</u>	<u>3,413</u>
Total debtors		<u>16,934</u>	<u>26,483</u>	<u>4,027</u>	<u>3,618</u>

The financial asset has been impaired and reclassified to 'Amounts falling due within one year'. Please refer to Note 4 for further explanation

14 Creditors: amounts falling due within one year

	Notes	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Bank loans and overdrafts	16	16,497	1,539	-	-
Trade creditors		1,417	2,091	-	-
Amounts due to parent undertakings	16	4,028	205	4,027	205
Other taxation		385	-	-	-
Derivative financial instruments		2,416	-	-	-
Aftercare provision		753	-	-	-
Accruals and deferred income		471	607	-	-
		<u>25,967</u>	<u>4,442</u>	<u>4,027</u>	<u>205</u>

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

15 Creditors: amounts falling due after more than one year

	Notes	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Bank loans and overdrafts	16	-	16,491	-	-
Amounts due to parent undertakings	16	-	3,413	-	3,413
Derivative financial instruments		-	3,445	-	-
		<u>-</u>	<u>23,349</u>	<u>-</u>	<u>3,413</u>
		<u>-</u>	<u>23,349</u>	<u>-</u>	<u>3,413</u>

Derivative financial instruments

In accordance with the terms of its credit agreement and as part of its interest rate management, the Group entered into an interest rate swap maturing in March 2025. Under the interest rate swap, the Group receives interest on a variable basis and pays interest at a fixed rate of 5.05%.

The fair value of the derivative financial instrument comprises the fair value of the interest rate swap designated in an effective hedging relationship. The interest rate swap contract was designated as a cash flow hedge 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 swap. The hedge was highly effective in the current and prior period and 100% of the change in fair value of the interest rate swap of £1,028,000 (2017 – £486,000) was recognised in other comprehensive income in the period.

Amounts included above which fall due after five years are as follows:

Payable by instalments	-	7,908	-	-
Payable other than by instalments	-	3,413	-	-
	<u>-</u>	<u>11,321</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>11,321</u>	<u>-</u>	<u>-</u>

16 Loans and overdrafts

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Bank loans	16,491	18,030	-	-
Loans due to parent undertakings	3,413	3,413	3,413	3,413
	<u>19,904</u>	<u>21,443</u>	<u>3,413</u>	<u>3,413</u>
	<u>19,904</u>	<u>21,443</u>	<u>3,413</u>	<u>3,413</u>
Payable within one year	19,904	1,539	3,413	-
Payable after one year	-	19,904	-	3,413
	<u>19,904</u>	<u>21,443</u>	<u>3,413</u>	<u>3,413</u>
	<u>19,904</u>	<u>21,443</u>	<u>3,413</u>	<u>3,413</u>

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

16 Loans and overdrafts

(Continued)

The loans are secured by a fixed and floating charge over all the assets of the Group and a charge over the shares of the Group.

Bank Loans

At the year end the Group has facilities provided by NIBC bank N.V and NordDeutsche Landebanke in order to finance the construction of the project. At the time of signing the financial statements, the loan had been paid in full, as explained in the Business Review of the Strategic Report on page 1. In these financial statements, the bank loan has been reclassified as 'Amounts falling due within one year'. Please refer to note 1.5, Accounting Policies.

Subordinated debt loan

At the year end the Group owed £3,412,500 in loans to the immediate parent company, Shanks Dumfries And Galloway Holdings Limited. The subordinated debt is unsecured and is subject to interest at 12% per annum. The debt is repayable by 2028.

The outstanding interest at year end in relation to the subordinated debt loan was £615,000.

The Directors anticipate the Group to be wound up within 12 months of signing the financial statements and therefore any outstanding interest and principle will be settled as far as the Group's cash position allows. The subordinated debt loan has also been reclassified as 'Amounts falling due within one year'.

17 Provisions for liabilities

		Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
	Notes				
Aftercare provision		-	675	-	-
Deferred tax liabilities	18	3,007	917	-	-
		<u>3,007</u>	<u>1,592</u>	<u>-</u>	<u>-</u>

Movements on provisions apart from deferred tax liabilities:

Group	£'000
At 1 April 2017	675
Reclassification of provision as 'Amounts falling due within one year'	(675)
At 31 March 2018	<u>-</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 improvements in technology.

The aftercare provision has been reclassified as 'Amounts falling within one year' given the termination of the project agreement.

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

18 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2018 £'000	Liabilities 2017 £'000
Group		
Accelerated capital allowances	3,418	3,320
Tax losses	-	(1,817)
Derivative financial instruments	(411)	(586)
	<u>3,007</u>	<u>917</u>

The Company has no deferred tax assets or liabilities.

	Group 2018 £'000	Company 2018 £'000
Movements in the year:		
Liability at 1 April 2017	917	-
Charge to profit or loss	1,915	-
Charge to other comprehensive income	175	-
	<u>3,007</u>	<u>-</u>
Liability at 31 March 2018	<u>3,007</u>	<u>-</u>

The deferred tax asset in relation to the interest rate swap liability is expected to affect profit or loss over the period to maturity of the interest rate swap.

19 Share capital

	Group and Company 2018 £'000	Group and Company 2017 £'000
Ordinary share capital Issued and fully paid		
200 A Ordinary shares of £1 each	-	-
800 B Ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

20 Related party transactions

Transactions with related parties

During the year the Group entered into the following transactions with related parties:

	2018 £'000	2017 £'000
Group		
John Laing Environmental Assets Group (UK) Limited		
Interest payable on sub-debt	410	410
Shanks Waste Management Limited		
Unitary gate fees and lifecycle	-	9,246
Management fees	-	74
Renewi UK Services Limited		
Unitary gate fees and lifecycle	8,929	-
Management fees	78	-
	<u>9,417</u>	<u>9,730</u>

On 28th February 2017, Shanks Group plc merged with Van Gansewinkel Groep B.V. creating Renewi plc.

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2018 £'000	2017 £'000
Group		
John Laing Environmental Assets Group (UK) Limited	4,028	3,618
Renewi UK Services Limited (2017: Shanks Waste Management Limited)	1,366	1,325
	<u>5,394</u>	<u>4,943</u>

John Laing Environmental Assets Group (UK) Limited holds 80% of Shanks Dumfries And Galloway Holdings Limited. Renewi UK Services Limited is a fellow group undertaking of Shanks PFI Investments Limited, which holds 20% of Shanks Dumfries And Galloway Holdings Limited. Renewi UK Services holds the sub-contract to operate the waste management services.

No guarantees have been given or received.

SHANKS DUMFRIES AND GALLOWAY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

21 Controlling party

The Company is a joint venture between John Laing Environmental Assets Group (UK) Limited (80%) and Renewi UK Services Limited (20%) and is jointly controlled by both entities. John Laing Environmental Assets Group (UK) Limited is incorporated in England and Wales. Renewi UK Services Limited is incorporated and registered in England and Wales. The directors consider there to be no ultimate controlling entity.

22 Events after the reporting date

On 10 September 2018, both the Project and Service Agreements were terminated, with the Dumfries and Galloway Council making a payment to the Company of a "PA Termination Sum" (£6,873,434) which included SWAP breakage costs. The "PA Termination Sum" was in turn paid to the Lenders, as a prepayment of the senior debt loan. On 4 October 2018, Renewi UK Services Limited (the Service Company) made the "Service Contract Termination sum" payment of £10,257,248 directly to the Lenders. This settled the senior debt loan in full.

23 Cash generated from operations	2018 £'000	2017 £'000
(Loss)/profit for the year	(9,589)	437
Adjustments for:		
Income tax income / (expense) recognised in profit or loss	1,917	6
Finance costs recognised in profit or loss	1,503	1,593
Investment income recognised in profit or loss	(1,660)	(1,716)
(Decrease)/increase in provisions	-	78
Movements in working capital:		
Decrease/(increase) in debtors	9,510	(488)
(Decrease)/increase in creditors	(309)	1,164
Cash generated from operations	1,373	1,074