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SHANKS WASTE SERVICES LIMITED

Registered Number 988844

REPORT AND FINANCIAL ACCOUNTS

YEAR ENDED 31 MARCH 2003



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SHANKS WASTE SERVICES LIMITED

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SHANKS WASTE SERVICES LIMITED DIRECTORS' REPORT

The Directors present their Report and financial statements for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE PROSPECTS

The principal activity of the Company continues to be the operation of waste collection and disposal services for industry and local authorities.

The Company plans to continue to increase its market share in the waste management sector and will invest in additional landfill void at economic cost and in new geographical areas with growth potential.

TRADING RESULTS AND DIVIDEND

The profit on ordinary activities before taxation for the year ended 31 March 2003 was £1,822,000 (2002: £16,066,000). The Directors recommended that a dividend of £8,509,000 be paid in respect of the year ended 31 March 2003 (2002: £6,302,000). The loss transferred to reserves for the year was £9,471,000 (2002: £4,925,000 profit).

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who held office during the year were as follows:

M C E Averill
D J Downes
M J Clarke
J R Meredith (resigned 31 March 2003)

None of the Directors had a direct interest in the share capital of the Company. Messrs Averill and Downes are also Directors of Shanks Group plc and accordingly their interests in the share capital of that company are disclosed in its report and accounts. Mr J R Meredith was also a Director of Shanks Group plc until his resignation on 1 April 2003. His interests in that company's share capital are also disclosed in that company's report and accounts. The interests of the other Director in the share capital of Shanks Group plc are as follows:

Name of Director	As at 31 March 2002			As at 31 March 2003				
	Granted Price (p)	SAYE Share Save Options	Executive Options	Granted	Exercised/ lapsed	Market price at exercise date (p)	SAYE Share Save Options	Executive Options
M J Clarke	199.0	-	20,000	-	-	-	-	20,000
	233.5	-	20,000	-	-	-	-	20,000
	180.0	-	20,000	-	-	-	-	20,000
	176.5	-	20,000	-	-	-	-	20,000
	145.0	-	-	30,000	-	-	-	30,000
	119.0	14,495	-	-	-	-	14,495	-

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

SHANKS WASTE SERVICES LIMITED DIRECTORS' REPORT - continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

EMPLOYMENT POLICIES

There is a continuing commitment in the Company to provide employees with information and undertake consultation on matters of concern to them with a view to ensuring an awareness of the financial and economic factors affecting the performance of the Company. The procedures adopted involve both formal and informal meetings with employees or their representatives.

Options have been granted under the Shanks Savings-Related Share Option and Executive Share Options Schemes.

It is the continuing policy of the Company to provide employment for disabled people and employees who become disabled provided it is practical to offer suitable work. The training, career development and promotion of disabled employees are undertaken whenever possible, in accordance with the needs of the individuals concerned.

PAYMENT OF SUPPLIERS

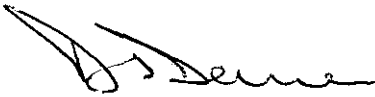
It is the Company's payment policy, in respect of all suppliers, to settle agreed outstanding accounts in accordance with terms and conditions agreed with suppliers when placing orders. The Company will abide by these terms of payment. The amount owed by the Company to trade creditors at year end in proportion to the amounts invoiced by suppliers during the year expressed by the number of days, was 42 days (2002: 34 days).

SHANKS WASTE SERVICES LIMITED
DIRECTORS' REPORT - continued

AUDITORS

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned as auditors on 30 January 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

By Order of the Board



D J Downes
DIRECTOR

9 January 2004

Registered Office:
Dunedin House
Auckland Park
Mount Farm
Milton Keynes
Buckinghamshire
MK1 1BU

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHANKS WASTE SERVICES LIMITED

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

Respective responsibilities of Directors and Auditors

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 March 2003 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Incorporated in the UK
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
9 January 2004

**SHANKS WASTE SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003**

	Note	<u>2003</u> £'000	<u>2002</u> £'000
TURNOVER - CONTINUING ACTIVITIES	2	163,816	158,661
Cost of sales (including in 2003 exceptional leachate treatment costs of £3,207,000, (2002 £Nil))		(142,124)	(126,702)
		-----	-----
GROSS PROFIT		21,692	31,959
Administrative expenses (including in 2003 exceptional redundancy costs of £1,013,000, (2002 £Nil))		(13,916)	(12,521)
		-----	-----
OPERATING PROFIT ON CONTINUING ACTIVITIES	2	7,776	19,438
Profit on disposal of fixed assets		500	-
Income from fixed asset investments		1,057	-
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES AND TAXATION		9,333	19,438
Finance costs:			
Net interest payable	6	(6,587)	(2,472)
Other finance costs - unwinding of discount	7	(924)	(900)
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	1,822	16,066
Taxation	8	(2,784)	(4,839)
		-----	-----
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(962)	11,227
Dividends	9	(8,509)	(6,302)
		-----	-----
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	19	(9,471)	4,925
		=====	=====

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2003**

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

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2003**

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

SHANKS WASTE SERVICES LIMITED
BALANCE SHEET
AS AT 31 MARCH 2003

	Note	31 March 2003 £'000	31 March 2002 £'000
FIXED ASSETS			
Intangible fixed assets	10	4,307	4,406
Tangible fixed assets	11	95,893	84,035
Investments	12	18,044	16,873
		<hr/>	<hr/>
		118,244	105,314
		<hr/>	<hr/>
CURRENT ASSETS			
Stocks	13	1,295	1,348
Debtors	14	85,075	82,899
		<hr/>	<hr/>
		86,370	84,247
CREDITORS: amounts falling due within one year	15	(59,574)	(64,639)
		<hr/>	<hr/>
NET CURRENT ASSETS		26,796	19,608
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		145,040	124,922
CREDITORS: amounts falling due after more than one year	16	(91,056)	(64,931)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(27,305)	(23,841)
		<hr/>	<hr/>
TOTAL NET ASSETS		26,679	36,150
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Share capital	18	-	-
Profit and loss account	19	26,679	36,150
		<hr/>	<hr/>
TOTAL EQUITY SHAREHOLDERS' FUNDS	20	26,679	36,150
		<hr/> <hr/>	<hr/> <hr/>

Approved by the Board of Directors on 9 January 2004.


D J Downes
Director

**SHANKS WASTE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

1 ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards. As the Company is a wholly owned subsidiary of Shanks Group plc, group financial statements have not been prepared as permitted by s228 of the Companies Act 1985 and the financial statements contain information about the Company as an individual undertaking.

(b) New accounting standards and changes in accounting policies.

There have been no changes in accounting policies in the current year.

FRS 17 - Retirement Benefits is applicable to the Company. The Company has applied the transitional arrangements for adoption of the FRS. Accordingly no change has been made to the accounting policy but included in these financial statements are the additional disclosures required by FRS 17 (see Note 24).

(c) Turnover

Turnover represents the invoiced value of waste streams, power generated, and other services provided including landfill tax but excluding value added tax. Turnover is recognised when processing occurs or the service is provided.

(d) Goodwill

Goodwill arises when the cost of acquiring subsidiaries and businesses exceeds the fair value attributed to the net assets acquired. Capitalised goodwill is written off over its useful life in accordance with FRS 10. The useful life of goodwill is not expected to exceed 20 years. The profit or loss on disposal or closure of a business is calculated after taking into account any goodwill previously written off to reserves prior to the adoption of FRS10.

(e) Tangible fixed assets

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

(i) Land & Buildings and Plant & Machinery

Depreciation is provided on assets other than land to write off their cost by equal annual instalments over their estimated useful economic lives. The expected lives are:

Buildings	50 years
Plant & machinery	3 to 10 years

(ii) Landfill

Acquisition costs, commissioning costs and the discounted cost of final site restoration are capitalised and written off over the operational life of each site based on the amount of void space consumed.

(f) Research and development

Expenditure is written off in the year in which it is incurred.

SHANKS WASTE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003 - continued

1 ACCOUNTING POLICIES - continued

(g) Pensions

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the expected working lives of the pension scheme members currently in service. Any differences between the actuarial valuation of the scheme and the value of assets in the scheme are also charged or credited to the profit and loss account over the expected working lives of the scheme members. Differences and payments to the schemes are treated as assets or liabilities in the balance sheet.

(h) Leased assets

Where the Company has substantially all the risks and rewards of ownership of a leased asset, it is treated as a finance lease. Leased assets are included in tangible fixed assets at the total of the capital elements of payments during the lease term and the corresponding obligation is included in creditors. Depreciation is provided to write off the assets over the shorter of the lease term or expected useful life.

Rentals paid under operating leases are charged to the profit and loss account as incurred over the term of the lease.

(i) Site restoration provision

Full provision is made for the net present value (NPV) of the Company's unavoidable costs in relation to restoration liabilities at its landfill sites and this value is capitalised as a fixed asset. The Company continues to provide for the NPV of intermediate restoration costs over the life of its landfill sites, based on the quantity of waste deposited in the year.

(j) Aftercare provision

Provision is made for the NPV of post closure costs based on the quantity of waste deposited in the year. Similar costs incurred during the operational life of the sites are written off directly and not charged against the provision.

(k) Discounting

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

(l) Government grants

Capital grants are released to profit evenly over the estimated useful lives of the assets concerned.

(m) Stocks

Stocks are stated at the lower of cost (on a first in first out basis) and net realisable value.

SHANKS WASTE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003 - continued

1 ACCOUNTING POLICIES - continued

(n) Deferred taxation

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

2 SEGMENTAL INFORMATION

The turnover and operating profit are wholly attributable to the Company's business of waste management in the United Kingdom. All of the Company's business, turnover and operating profit relates to continuing operations.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit is stated after charging:

	<u>2003</u> £'000	<u>2002</u> £'000
Exceptional profit on disposal of property	(500)	-
Exceptional leachate treatment costs	3,207	-
Exceptional redundancy costs	1,013	-
Depreciation of owned tangible fixed assets	11,959	10,742
Amortisation of goodwill	321	263
Hire of plant and machinery held under operating leases	5,938	5,557
Auditors' remuneration for audit services	84	86
Property rents payable	1,249	1,261
Loss/(gain) on disposal of operating fixed assets	74	(245)
	<u> </u>	<u> </u>

The exceptional leachate treatment costs of £3,207,000 in 2003 relate to the regulatory requirement to reduce historical leachate levels at landfill sites. The exceptional reorganisation costs of £1,013,000 in 2003 relate to restructuring costs. An exceptional profit of £500,000 arose on the disposal of property. The tax effect of these exceptional costs is to reduce the current tax charge by £1,266,000.

The profit on ordinary activities before taxation is also stated after charging £208,803 (2002: £Nil) for fines paid in respect of breaches of the Health and Safety at Work, etc., Act 1974.

SHANKS WASTE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003 - continued

4 DIRECTORS' EMOLUMENTS

	<u>2003</u> £'000	<u>2002</u> £'000
Aggregate emoluments	99	421

Retirement benefits are accruing to four (2002: four) Directors under a defined benefit scheme.

5 EMPLOYEES

The average number of employees employed by the Company in waste management during the year was 918 (2002: 947). The total remuneration of employees comprised:

	<u>2003</u> £'000	<u>2002</u> £'000
Wages and salaries	21,974	20,574
Social security costs	1,955	1,853
Other pension costs	1,218	978
	<u>25,147</u>	<u>23,405</u>

6 NET INTEREST PAYABLE

	<u>2003</u> £'000	<u>2002</u> £'000
Bank overdrafts	1,304	993
Group interest payable	5,434	1,548
Net other interest receivable	(151)	(69)
	<u>6,587</u>	<u>2,472</u>

7 FINANCE COSTS - OTHER

Other finance costs relate to the unwinding of discount of £924,000 (2002: £900,000) on long term landfill liabilities (see Note 17). It is treated as a finance cost in accordance with FRS12.

SHANKS WASTE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003 - continued

8 TAXATION

Taxation charge based on the profits of the year is made up as follows:

	<u>2003</u> £'000	<u>2002</u> £'000
Corporation tax at 30% (2002: 30%)		
- current year	2,814	5,519
- prior year	130	(714)
Deferred taxation (see Note 17)		
- current year	(1,699)	(680)
- prior year	1,539	714
	<hr/>	<hr/>
	2,784	4,839
	<hr/> <hr/>	<hr/> <hr/>

The tax assessed for the period is higher than the United Kingdom standard rate of corporation tax of 30% (2002: 30%). The differences are explained below:

	<u>2003</u> £'000	<u>2002</u> £'000
Profit on ordinary activities before tax	1,822	16,066
	<hr/>	<hr/>
Tax charge based on UK tax rate	547	4,820
Tax effect of the following items:		
Expenses not deductible for tax purposes	1,036	1,077
Non-taxable Income from fixed asset investments	(317)	-
Other timing differences	406	(378)
Capital allowances	1,292	-
Utilisation of brought forward capital losses	(150)	-
Adjustment to tax charge in respect of prior periods	130	(714)
	<hr/>	<hr/>
Corporation tax charge for the period	2,944	4,805
	<hr/> <hr/>	<hr/> <hr/>

9 DIVIDENDS

	<u>2003</u> £'000	<u>2002</u> £'000
Interim dividend paid	2,220	2,532
Final dividend proposed	6,289	3,770
	<hr/>	<hr/>
	8,509	6,302
	<hr/> <hr/>	<hr/> <hr/>

SHANKS WASTE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003 - continued

10 INTANGIBLE FIXED ASSETS

	<u>Goodwill</u>
	£'000
Cost:	
At 31 March 2002	5,121
Additions	222
	<hr/>
At 31 March 2003	5,343
	<hr/> <hr/>
Amortisation:	
At 31 March 2002	715
Charge for the year	321
	<hr/>
At 31 March 2003	1,036
	<hr/> <hr/>
Net book value:	
At 31 March 2003	4,307
	<hr/> <hr/>
At 31 March 2002	4,406
	<hr/> <hr/>

11 TANGIBLE FIXED ASSETS

	Freehold <u>landfill</u> £'000	Long leasehold <u>landfill</u> £'000	Freehold land and <u>buildings</u> £'000	Short lease land and <u>buildings</u> £'000	Plant and <u>machinery</u> £'000	<u>Total</u> £'000
Cost:						
At 31 March 2002	63,816	2,053	8,932	517	83,715	159,033
Additions	5,831	-	2	-	10,578	16,411
Disposals	-	-	(956)	-	(10,471)	(11,427)
Transfers	(1,777)	-	1,281	-	9,803	9,307
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	67,870	2,053	9,259	517	93,625	173,324
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:						
At 31 March 2002	21,191	1,122	2,856	225	49,604	74,998
Charge for the year	4,599	106	508	56	6,690	11,959
Disposals	-	-	(277)	-	(9,110)	(9,387)
Transfers	2,609	-	1,116	-	(3,864)	(139)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	28,399	1,228	4,203	281	43,320	77,431
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:						
At 31 March 2003	39,471	825	5,056	236	50,305	95,893
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2002	42,625	931	6,076	292	34,111	84,035
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SHANKS WASTE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003 - continued

11 TANGIBLE FIXED ASSETS - continued

Included in plant and machinery and freehold land and buildings are assets under construction with a value of £12,002,285 (2002: £7,962,000). During the year the Company has reclassified fixed assets as a result of the work undertaken as part of the introduction of a new accounting system.

12 INVESTMENTS

	Shares in subsidiary <u>undertakings</u> £'000	Shares in joint <u>ventures</u> £'000	Loans to joint <u>ventures</u> £'000	<u>Total</u> £'000
Cost:				
As at 31 March 2002	15,298	625	950	16,873
Loan addition	-	-	1,300	1,300
Investments reanalysis	495	(624)	-	(129)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2003	<u>15,793</u>	<u>1</u>	<u>2,250</u>	<u>18,044</u>

During the year the Company has investigated the historic cost of the investments held. Correspondingly an adjustment has been made to correct the book value of investments and intercompany borrowings.

The Company had the following investments in subsidiary undertakings:

	<u>Country of registration</u>	<u>Type of business</u>	<u>Type of shares</u>	<u>Proportion of shares held</u>
Bio-logic Remediation Limited	England	Waste Management	Ordinary	100%
Capital Waste Management Limited	England	Dormant	Ordinary	100%
ELWA Limited	England	Waste Management	Equity Voting	100% 81%
Goodwin's Mini-Skips Limited	England	Dormant	Ordinary	100%
Greenacre Waste Management Limited	England	Dormant	Ordinary	100%
Pembrokeshire Environmental Limited	England	Dormant	Ordinary	100%
Robinson Bros. (Environmental) Limited	England	Dormant	Ordinary	100%
Safewaste Limited	England	Waste Management	Ordinary	100%
Shanks Argyll & Bute Holdings Limited	Scotland	Waste Management	Ordinary	100%
Shanks & McEwan (Camden) Limited	England	Dormant	Ordinary	100%
Shanks & McEwan (Technical Services) Limited	England	Dormant	Ordinary	100%
Vale Collections and Recycling Limited	England	Dormant	Ordinary	100%

and the Company had the following investments in joint ventures:

Geohess (UK) Limited	England	Waste Management	Ordinary	50%
Shanks Avondale Limited	England	Waste Management	Ordinary	50%

The Directors are of the opinion that the value of investments in subsidiary undertakings and other investments are not less than the amounts at which they are recorded in the balance sheet.

SHANKS WASTE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003 - continued

13 STOCK		
	<u>2003</u>	<u>2002</u>
	£'000	£'000
Raw materials and consumables	1,295	1,348
	<u> </u>	<u> </u>
14 DEBTORS		
	<u>2003</u>	<u>2002</u>
	£'000	£'000
Trade debtors	44,927	47,363
Amounts owed from group undertaking	36,907	31,581
Prepayments and accrued income	2,363	3,950
Other debtors	238	5
Corporation tax	640	-
	<u> </u>	<u> </u>
	85,075	82,899
	<u> </u>	<u> </u>
15 CREDITORS: Amounts falling due within one year		
	<u>2003</u>	<u>2002</u>
	£'000	£'000
Bank overdraft	4,297	17,396
Trade creditors	17,118	12,827
Corporation tax	-	4,156
Other taxation and social security	18,100	14,199
Proposed dividend	6,289	3,770
Accruals	13,209	11,163
Other creditors	561	1,128
	<u> </u>	<u> </u>
	59,574	64,639
	<u> </u>	<u> </u>

The Company has granted to its bankers an unlimited guarantee and a right of set off against amounts outstanding on advances to its parent and fellow subsidiary undertakings.

SHANKS WASTE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003 - continued

16 CREDITORS: Amounts falling due after more than one year

	<u>2003</u> £'000	<u>2002</u> £'000
Amounts owed to group undertakings	91,056	64,931
	<u> </u>	<u> </u>

17 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Deferred</u> <u>taxation</u> £'000	<u>Site</u> <u>restoration</u> £'000	<u>Aftercare</u> £'000	<u>Leachate</u> £'000	<u>Total</u> £'000
At 31 March 2002	2,997	7,601	13,243	-	23,841
Provided in the year					
- cost of sales	-	907	(190)	3,207	3,924
- finance charges	-	347	577	-	924
- taxation	(160)	-	-	-	(160)
Utilised in the year	-	(1,224)	-	-	(1,224)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2003	2,837	7,631	13,630	3,207	27,305
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The deferred taxation provision is made up as follows:

	<u>2003</u> £'000	<u>2002</u> £'000
Capital allowances	3,858	4,511
Other timing differences	(1,021)	(1,514)
	<u> </u>	<u> </u>
	2,837	2,997
	<u> </u>	<u> </u>

Site Restoration

Site Restoration provision relates to the cost of both intermediate and final capping and covering of landfill sites. The costs are expected to be paid over a period of up to twenty five years from today. These costs may be impacted by a number of factors including changes in legislation and technology.

SHANKS WASTE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003 - continued

17 PROVISIONS FOR LIABILITIES AND CHARGES - continued

Aftercare

The total post closure costs of landfill sites, including such items as monitoring, gas and leachate management and licensing, have been estimated by management based on current best practice and technology available. These costs may be impacted by a number of factors including changes in legislation and 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.

Leachate

The leachate provision arises on the regulatory requirement to reduce historical leachate levels at landfill sites (see Note 3). This provision will be utilised over the next two years.

18 SHARE CAPITAL

	<u>2003</u>	<u>2002</u>
	£	£
Authorised, allotted, called up and fully paid 100 Ordinary Shares of £1 each	100	100
	<u> </u>	<u> </u>

19 RESERVES

	<u>Profit and loss account</u>
	£'000
At 1 April 2002	36,150
Retained profit for the year	(9,471)
	<u> </u>
At 31 March 2003	26,679
	<u> </u>

The cumulative goodwill written off reserves from continuing businesses since January 1986, when the Company was acquired by Shanks Group plc, is £6,920,000 (2002: £6,920,000).

SHANKS WASTE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003 - continued

20 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2003</u> £'000	<u>2002</u> £'000
(Loss)/profit for the financial year	(962)	11,227
Dividends	(8,509)	(6,302)
	-----	-----
Net movement in equity shareholders' funds	(9,471)	4,925
Opening equity shareholders' funds	36,150	31,225
	-----	-----
Closing equity shareholders' funds	26,679	36,150
	=====	=====

21 CAPITAL COMMITMENTS

The amount of capital expenditure authorised by the Directors for which no provision has been made in the financial statements is:

	<u>2003</u> £'000	<u>2002</u> £'000
Expenditure contracted for	9,217	4,446
	=====	=====

22 COMMITMENTS UNDER OPERATING LEASES

The annual commitments under operating leases are as follows:-

	<u>2003</u> £'000	<u>2002</u> £'000
Leases expiring:		
Within one year	83	44
Between two and five years	736	497
Over five years	828	704
	-----	-----
	1,647	1,245
	=====	=====

**SHANKS WASTE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003 - continued**

23 PENSION COMMITMENTS - current SSAP 24 basis

The Company along with other companies in the Shanks Group, participates in funded pension arrangements providing benefits based on final salary. The assets are held separately from those of the group companies and are invested by professional investment managers. The contributions are determined by a qualified actuary on the basis of a triennial valuation using the Projected Unit Method. The pension charge for the year was £1,218,000 (2002: £978,000). Details of the latest actuarial value of the scheme on 5 April 2000 are given in the accounts of Shanks Group plc.

24 PENSION COMMITMENTS - FRS 17 basis

Whilst the Company continues to account for pension costs in accordance with SSAP 24 - Accounting for pension costs, under FRS 17 - Retirement Benefits the transitional disclosures set out below are required.

The employees of the Company participate in the Shanks Group Pension Scheme, which is a funded, managed, defined benefit scheme, the costs of which are fully provided in accordance with the regular recommendations of a professionally qualified independent actuary. The Company is unable to identify the share of the underlying assets and liabilities of the Group scheme that relates to its business and is permitted under FRS 17 to treat this scheme as a defined contribution scheme. Full disclosures relating to the Group's pension schemes are contained in the financial statements of Shanks Group plc.

25 CONTINGENT LIABILITIES

The Company has granted to its bankers an unlimited guarantee and a right of set off against amounts outstanding on advances to its parent and fellow subsidiary undertakings. The Company has in normal course of business given guarantees and performance bonds relating to the Company's own contracts.

26 RELATED PARTY TRANSACTIONS

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

27 CASH FLOW STATEMENT

As permitted by paragraph 8(c) of FRS1 (revised 1996), the Company, being a wholly owned subsidiary of another company which prepares a cash flow statement has not prepared such a statement itself.

**SHANKS WASTE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003 - continued**

28 IMMEDIATE & ULTIMATE PARENT COMPANY

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