

**SHANKS & McEWAN (MIDLANDS) LIMITED**  
(Registered Number 43286)

**REPORT AND ACCOUNTS**

**YEAR ENDED 29 MARCH 1997**



# SHANKS & McEWAN (MIDLANDS) LIMITED

## CONTENTS

	Page
DIRECTORS' REPORT	1-2
AUDITORS' REPORT	3
PROFIT AND LOSS ACCOUNT	4
BALANCE SHEET	5
NOTES TO THE ACCOUNTS	6-14

## SHANKS & McEWAN (MIDLANDS) LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 29 MARCH 1997

The Directors present their Annual Report and Financial Statements for the year ended 29 March 1997.

#### PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE PROSPECTS

The principal activities of the Company are 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 disposal sector and will invest in additional landfill void at economic costs and in new geographical areas with growth potential.

#### TRADING RESULTS AND DIVIDENDS

The profit on ordinary activities before taxation for the year ended 29 March 1997 was £2,079,000 (1996: £4,718,000).

The Directors recommend that a dividend of £627,000 be paid in respect of the year ended 29 March 1997. (1996: £3,038,000). The profit transferred to reserves for the year was £409,000 (1996: Loss £187,000).

#### DIRECTORS

The following were Directors of the Company during the year.

M C E Averill  
D J Downes  
J R Meredith  
K R Morin  
G J Newman (resigned 30/8/96)

#### DIRECTORS' INTERESTS

None of the Directors had a direct interest in the share capital of the Company.

Those Directors who were not also Directors of Shanks & McEwan Group PLC had interests in that Company's share capital as follows:

	<u>As at 29 March 1997</u>		<u>As at 30 March 1996</u>	
	<u>Ordinary Shares of 10p</u>	<u>Options</u>	<u>Ordinary Shares of 10p</u>	<u>Options</u>
J R Meredith	-	280,000	-	161,370
K R Morin	48,000	268,363	48,000	188,363

At 29 March 1997, Mrs JV Meredith, who is not a Director of the company or Shanks & McEwan Group PLC, held 3,000 ordinary shares (1996: 3,000) in Shanks & McEwan Group PLC.

The share options held at the beginning of the year had the following exercise prices:

	<u>Number of Shares</u>	<u>Share Save</u>	<u>Number Shares of 10p</u>	<u>Executive</u>
		<u>Exercise Price</u>		<u>Exercise Price</u>
J R Meredith	1,370	765p	10,000	205p
			75,000	88p
			75,000	99p
K R Morin	8,363	82.5P	25,000	279.4p
			5,000	270.6p
			75,000	88p
			75,000	99p

## SHANKS & McEWAN (MIDLANDS) LIMITED

### DIRECTORS' REPORT (CONTINUED)

#### DIRECTORS' INTERESTS (Continued)

During the year ended 29 March 1997 the Directors were granted the following share options:

	<u>Granted</u>	<u>Exercise Price</u>
J R Meredith	60,000 60,000	110p 135p
K R Morin	60,000 20,000	110p 135p

The other Directors were also Directors of Shanks & McEwan Group PLC. Their interests in the share capital are shown in that Company's financial statements.

The Directors had no interests in the shares of any other Company in the group.

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial 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.

#### AUDITORS

Price Waterhouse have expressed their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the next Annual General Meeting.

By Order of the Board

  
J L King  
Secretary  
14 November 1997

Registered Office:  
A8 Edinburgh Road  
Coatbridge  
Lanarkshire  
ML5 4UG

*Price Waterhouse*



AUDITORS' REPORT TO THE MEMBERS OF  
SHANKS & McEWAN (MIDLANDS) LIMITED

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 7.

**Respective responsibilities of Directors and Auditors**

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and report our opinion to you.

**Basis of Opinion**

We conducted our audits in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates and judgements made by the directors in preparing the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and prepared 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 company's affairs as at 29 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

Price Waterhouse  
Chartered Accountants  
and Registered Auditors

14 November 1997

**SHANKS & McEWAN (MIDLANDS) LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 29 MARCH 1997**

	<u>1997</u> £'000	<u>1996</u> £'000
<b>TURNOVER</b> (Notes 1.2 & 2)	11,208	14,903
Cost of sales	<u>(9,129)</u>	<u>(10,304)</u>
<b>GROSS PROFIT</b>	2,079	4,599
Administrative expenses	<u>-</u>	<u>119</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> (Notes 2&3)	2,079	4,718
Taxation (Note 6)	<u>(1,043)</u>	<u>(1,867)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	1,036	2,851
Dividends (Note 7)	<u>(627)</u>	<u>(3,038)</u>
<b>RETAINED PROFIT /(LOSS) FOR THE FINANCIAL YEAR</b> (Note 16)	<u>409</u>	<u>(187)</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 29 MARCH 1997**

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

**NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 29 MARCH 1997**

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

The notes on pages 6 to 14 form part of these financial statements.

# SHANKS & McEWAN (MIDLANDS) LIMITED

## BALANCE SHEET - 29 MARCH 1997

	<u>1997</u> £'000	<u>1996</u> £'000
<b>FIXED ASSETS</b>		
Tangible assets (Note 8)	9,411	10,574
Investments (Note 9)	4	4
	<u>9,415</u>	<u>10,578</u>
<b>CURRENT ASSETS</b>		
Stocks (Note 10)	1	125
Debtors (Note 11)	1,909	3,180
Cash at bank and in hand	-	1,222
	<u>1,910</u>	<u>4,527</u>
<b>CREDITORS - Amounts falling due within one year (Note 12)</b>	<u>(4,159)</u>	<u>(9,278)</u>
<b>NET CURRENT LIABILITIES</b>	<u>(2,249)</u>	<u>(4,751)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>7,166</u>	<u>5,827</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES (Note 13)</b>	<u>(3,265)</u>	<u>(2,160)</u>
	<u>3,901</u>	<u>3,667</u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital (Note 14)	100	100
Revaluation reserve (Note 15)	37	37
Profit and loss account (Note 15)	3,764	3,530
	<u>3,901</u>	<u>3,667</u>

APPROVED BY THE BOARD ON  
14 November 1997



D J Downes  
DIRECTOR

The notes on pages 6 to 14 form part of these financial statements.

## SHANKS & McEWAN (MIDLANDS) LIMITED

### NOTES TO THE ACCOUNTS - 29 MARCH 1997

#### 1 ACCOUNTING POLICIES

##### (1) Basis of presentation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings, and in accordance with applicable UK Accounting Standards.

As the Company is included in the consolidated accounts of Shanks & McEwan Group PLC, group accounts have not been prepared as permitted by the Companies Act 1985.

##### (2) Turnover

Turnover represents the invoiced value of waste streams processed and other services provided excluding value added tax. Turnover is recognised when processing occurs or the service is provided.

##### (3) Goodwill

Purchased goodwill is written off against reserves in the year in which it arises. On disposal or closure, goodwill previously written off to reserves is written back and the profit or loss is adjusted accordingly.

##### (4) Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation, except for freehold land which is not depreciated, and less permanent reductions in value.

###### (i) Land and buildings, plant and vehicles

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

The estimated lives are:

Buildings	50 years (or the lease period if shorter)
Plant and machinery	3 to 10 years
Motor vehicles	3 to 6 years

###### (ii) Landfill

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

###### (iii) Capitalisation of interest

The interest attributable to the financing of separately identifiable major capital projects prior to their date of completion is capitalised as part of the cost of the assets.



**SHANKS & McEWAN (MIDLANDS) LIMITED**  
**NOTES TO THE ACCOUNTS - 29 MARCH 1997 (CONTINUED)**

**1 ACCOUNTING POLICIES (CONTINUED)**

**(5) Leased assets**

Where the Company has substantially all the risks and rewards of ownership of a leased asset, the lease 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.

**(6) Environmental provision**

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

**(7) Site restoration provision**

Provision is made for closure costs over the operating life of disposal sites based on the quantity of waste deposited in the year. The costs of final capping and covering are charged to the provision when incurred.

**(8) Stocks**

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

**(9) Deferred taxation**

Provision is made for deferred taxation arising from timing differences between profits as computed for taxation purposes and profits as stated in the financial statements to the extent that the liability will crystallise in the foreseeable future.

**(10) 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 scheme are treated as assets or liabilities in the balance sheet.

**(11) Research and development**

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

**SHANKS & McEWAN (MIDLANDS) LIMITED**  
**NOTES TO THE ACCOUNTS - 29 MARCH 1997 (CONTINUED)**

**2 SEGMENT 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 turnover and operating profit relates to continuing operations.

**3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

The profit is stated after charging/ (crediting):

	<u>1997</u> £'000	<u>1996</u> £'000
Depreciation of tangible fixed assets		
- owned	780	1,339
Operating leases		
- plant and machinery	18	88
- property	-	25
Auditors' remuneration	-	9
Profit on disposal of fixed assets	(20)	(196)
	<u>          </u>	<u>          </u>

No amounts were paid to auditors in respect of non-audit services (1996: £nil).

**4 EMOLUMENTS OF DIRECTORS**

The salaries of the Chairman and other Directors were paid by other Shanks & McEwan Group undertakings and no remuneration was paid or is payable by Shanks & McEwan (Midlands) Limited (1996: £Nil).

The Directors estimate that no emoluments paid by other Shanks & McEwan Group undertakings relate to services provided to the Company.

**SHANKS & McEWAN (MIDLANDS) LIMITED**  
**NOTES TO THE ACCOUNTS - 29 MARCH 1997 (CONTINUED)**

**5 EMPLOYEES**

The average number of persons employed by the Company during the year was:

	<u>1997</u>	<u>1996</u>
Waste management	219	218
Staff costs comprise:		
	<u>1997</u>	<u>1996</u>
	£'000	£'000
Wages and salaries	1,523	1,519
Social security costs	135	134
Other pension costs	<u>106</u>	<u>66</u>
	<u>1,764</u>	<u>1,719</u>

**6 TAX ON PROFIT ON ORDINARY ACTIVITIES**

The taxation charge based on the profits for the year is made up as follows:

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Corporation tax at 33% (1996: 33%)	773	1,723
Deferred taxation	<u>270</u>	<u>144</u>
	<u>1,043</u>	<u>1,867</u>

**SHANKS & McEWAN (MIDLANDS) LIMITED**  
**NOTES TO THE ACCOUNTS - 29 MARCH 1997 (CONTINUED)**

**7 DIVIDENDS**

	1997 £'000	1996 £'000
Paid	209	1,012
Proposed	<u>418</u>	<u>2,026</u>
	<u>627</u>	<u>3,038</u>

**8 TANGIBLE FIXED ASSETS**

	Land and buildings £'000	Landfill sites £'000	Plant & machinery £'000	Total £'000
Cost or valuation				
At 30 March 1996	800	9,952	6,993	17,745
Additions	79	410	726	1,215
Disposals	(264)	-	(17)	(281)
Transfers from/(to) group undertakings	<u>(140)</u>	<u>(216)</u>	<u>(3087)</u>	<u>(3,443)</u>
At 29 March 1997	<u>475</u>	<u>10,146</u>	<u>4,615</u>	<u>15,236</u>
Depreciation				
At 30 March 1996	280	2,965	3,926	7,171
Eliminated in respect of disposals	(264)	-	(17)	(281)
Charge for year	25	316	439	780
Transfers to group undertakings	<u>-</u>	<u>(117)</u>	<u>(1,728)</u>	<u>(1,845)</u>
At 29 March 1997	<u>41</u>	<u>3,164</u>	<u>2,620</u>	<u>5,825</u>
Net book amount at 29 March 1997	<u>434</u>	<u>6,982</u>	<u>1,995</u>	<u>9,411</u>
At 30 March 1996	<u>520</u>	<u>6,987</u>	<u>3,067</u>	<u>10,574</u>

The net book value of land and buildings comprises:

	1997 £'000	1996 £'000
Freehold	380	465
Short leasehold	<u>54</u>	<u>55</u>
	<u>434</u>	<u>520</u>

The net book value of landfill sites comprises:

	1997 £'000	1996 £'000
Freehold	6,982	5,013
Short leasehold	<u>-</u>	<u>1,974</u>
	<u>6,982</u>	<u>6,987</u>

**SHANKS & McEWAN (MIDLANDS) LIMITED**  
**NOTES TO THE ACCOUNTS - 29 MARCH 1997 (CONTINUED)**

**8 TANGIBLE FIXED ASSETS (CONTINUED)**

The tangible fixed assets have been reviewed by the Directors after taking appropriate professional advice and prudent revaluation adjustments have been made where necessary.

The cost of landfill sites at 29 March 1997 includes capitalised interest of £897,000 (1996: £897,000). Included in plant and machinery and landfill sites are assets under construction with a net book value of £nil (1996: £14,000).

Freehold land and buildings includes land at 1980 valuation of £57,000 (1996: £57,000). The comparable amount determined under the historical cost convention was £20,000.

**9 FIXED ASSET - INVESTMENTS**

£'000

Shares in subsidiary undertaking at cost:

At 30 March 1996 and 29 March 1997

4

At 29 March 1997 the following Company was a subsidiary undertaking of the Company:

	<u>Country of registration</u>	<u>Type of shares</u>	<u>Type of business</u>	<u>Proportion of shares held</u>
Shanks & McEwan (Dogsthorpe Power Generation) Limited	England	Ordinary	Non-trading	100%

The Directors are of the opinion that the value of the investment in the subsidiary undertaking is not less than the amount at which it is stated in the balance sheet.

**10 STOCKS**

1997      1996  
£'000      £'000

Raw materials and consumables

1      125

**11 DEBTORS**

1997      1996  
£'000      £'000

Trade debtors  
Amounts owed by group undertakings  
Prepayments and accrued income

1,854      2,476  
-      416  
55      288  
1,909      3,180

**SHANKS & McEWAN (MIDLANDS) LIMITED**  
**NOTES TO THE ACCOUNTS - 29 MARCH 1997 (CONTINUED)**

**12 CREDITORS: Amounts falling due within one year**

	<u>1997</u> £'000	<u>1996</u> £'000
Trade creditors	-	270
Amounts owed to group undertakings	2,583	3,627
Other creditors	-	50
Corporation tax payable	898	2,205
Other taxation and social security	-	106
Proposed dividend	417	2,026
Accruals	<u>261</u>	<u>994</u>
	<u>4,159</u>	<u>9,278</u>

**13 PROVISION FOR LIABILITIES AND CHARGES**

	<u>Deferred taxation</u> £'000	<u>Environ- mental provision</u> £'000	<u>Site Restoration provision</u> £'000	<u>Total</u> £'000
At 30 March 1996	144	934	1,082	2,160
Utilised in year	-	-	-	-
Provided in year	<u>270</u>	<u>937</u>	<u>(102)</u>	<u>1,105</u>
	<u>414</u>	<u>1,871</u>	<u>980</u>	<u>3,265</u>

The deferred taxation balances and potential amount of deferred taxation for all timing differences are as follows:

	<u>Amount provided in the accounts</u> £'000	<u>1997 Potential (asset)/ liability</u> £'000	<u>Amount provided in the accounts</u> £'000	<u>1996 Potential (asset)/ liability</u> £'000
Accelerated capital allowances	414	1,138	144	793
Other timing differences	<u>-</u>	<u>(310)</u>	<u>-</u>	<u>(360)</u>
	<u>414</u>	<u>828</u>	<u>144</u>	<u>433</u>

**SHANKS & McEWAN (MIDLANDS) LIMITED**  
**NOTES TO THE ACCOUNTS - 29 MARCH 1997 (CONTINUED)**

**14 CALLED UP SHARE CAPITAL**

	<u>1997</u> £'000	<u>1996</u> £'000
100,000 ordinary shares of £1 each Authorised, allotted and fully paid	100	100
	<u>          </u>	<u>          </u>

**15 RESERVES**

	<u>Profit and loss</u> £'000	<u>Revaluation Reserves</u> £'000
At 30 March 1996	3,530	37
Profit for the year	1,036	-
Dividends	(627)	-
Goodwill written off	(175)	-
At 29 March 1997	<u>3,764</u>	<u>37</u>

The cumulative goodwill written off reserves for continuing businesses is £1,529,000 (1996: £1,354,000).

**16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>1997</u> £'000	<u>1996</u> £'000
Total recognised gains and losses for the year	1,036	2,851
Goodwill	(175)	-
Dividends	(627)	(3,083)
Net addition to / (reduction of) shareholders' funds	234	(187)
Opening shareholders' funds	<u>3,667</u>	<u>3,854</u>
Closing shareholders' funds	<u>3,901</u>	<u>3,667</u>

**17 CAPITAL COMMITMENTS**

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

	<u>1997</u> £'000	<u>1996</u> £'000
Expenditure contracted for	717	295
	<u>          </u>	<u>          </u>
Expenditure not contracted for	827	11
	<u>          </u>	<u>          </u>

**SHANKS & McEWAN (MIDLANDS) LIMITED**  
**NOTES TO THE ACCOUNTS - 29 MARCH 1997 (CONTINUED)**

**18 COMMITMENTS UNDER OPERATING LEASES**

The annual commitments under operating leases are as follows:

	<u>1997</u> <u>Land and</u> <u>buildings</u> <u>£'000</u>	<u>1996</u> <u>Land and</u> <u>buildings</u> <u>£'000</u>
Leases expiring:		
Within 1 year	-	-
Over 5 years	<u>-</u>	<u>19</u>
	-	19
	<u>    </u>	<u>    </u>

**19 PENSION COMMITMENTS**

The Company, along with other companies in the Shanks & McEwan Group, participates in pension arrangements providing benefits based on final salary. The assets of the scheme 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 triennial valuations using the Projected Unit Method. The pension charge for the year was £106,000 (1996: £66,000). Details of the latest actuarial valuation of the scheme on 6 April 1995 are contained in the financial statements of Shanks & McEwan Group PLC.

**20 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 the normal course of business given guarantees and performance bonds relating to the Company's own contracts.

**21 ULTIMATE PARENT COMPANY**

The immediate holding company is Shanks & McEwan (Landfill) Limited. The ultimate parent Company is Shanks & McEwan Group PLC, a Company registered in Scotland. Copies of the Group financial statements can be obtained from the Company Secretary, Shanks & McEwan Group PLC, Astor House, Station Road, Bourne End, Buckinghamshire, SL8 5YP.

**22 CASH FLOW STATEMENT**

The Company is exempt from preparing a cash flow statement under FRS 1 (Revised 1996) as more than 90 per cent of the voting rights are controlled within the Shanks & McEwan Group and the Consolidated Financial Statements in which these results are included are publicly available.

**23 RELATED PARTY TRANSACTIONS**

The Company is not required to disclose transactions with other group companies as it is a wholly owned subsidiary. The Company did not enter any transactions with any related parties other than those within the Group.