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

REPORT AND ACCOUNTS

YEAR ENDED 30 MARCH 1996



SCT #SRL205X1# 399
COMPANIES HL SE 04/02/97

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SHANKS & McEWAN (MIDLANDS) LIMITED

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SHANKS & McEWAN (MIDLANDS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 MARCH 1996

The Directors present their Annual Report and Financial Statements for the year ended 30 March 1996.

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 30 March 1996 was £4,718,000 (1995: £2,905,000).

The Directors recommend that a dividend of £3,038,000 be paid in respect of the year ended 30 March 1996. (1995: £1,263,000). The loss transferred from reserves for the year was £187,000 (1995: Profit £737,000).

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 30 March 1996</u>		<u>As at 1 April 1995</u>	
	<u>Ordinary Shares of 10p</u>	<u>Options</u>	<u>Ordinary Shares of 10p</u>	<u>Options</u>
J R Meredith	-	161,370	-	86,370
K R Morin	48,000	188,363	58,955	109,583

At 30 March 1996, Mrs JV Meredith, who is not a Director of the company or Shanks & McEwan Group PLC, held 3,000 ordinary shares (1995: 3,000) in Shanks & McEwan Group PLC.

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

SHANKS & McEWAN (MIDLANDS) 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:

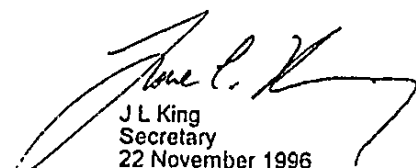
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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.

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
22 November 1996

Registered Office:
A8 Edinburgh Road
Coalbridge
Lanarkshire
ML5 4UG

Price Waterhouse



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

We have audited the financial statements on page 4 to 14 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 6 and 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 to report our opinion to you.

Basis of 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 accounts, 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 the Company's affairs as at 30 March 1996 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

22 November 1996

SHANKS & McEWAN (MIDLANDS) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 MARCH 1996**

	<u>1996</u> £'000	<u>1995</u> £'000
TURNOVER (Notes 1.2 & 2)	14,903	13,234
Cost of sales	<u>10,304</u>	<u>10,209</u>
GROSS PROFIT	4,599	3,025
Administrative expenses	<u>(119)</u>	<u>111</u>
OPERATING PROFIT	4,718	2,914
Net interest payable (Note 6)	<u>-</u>	<u>9</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Notes 2&3)	4,718	2,905
Taxation (Note 7)	<u>1,867</u>	<u>905</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	2,851	2,000
Dividends (Note 8)	<u>3,038</u>	<u>1,263</u>
RETAINED (LOSS) / PROFIT FOR THE FINANCIAL YEAR (Note 17)	<u>(187)</u>	<u>737</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 MARCH 1996

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 30 MARCH 1996

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

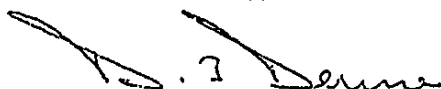
The notes on pages 6 to 14 form part of these financial statements

SHANKS & McEWAN (MIDLANDS) LIMITED

BALANCE SHEET - 30 MARCH 1996

	<u>1996</u> £'000	<u>1995</u> £'000
FIXED ASSETS		
Tangible assets (Note 9)	10,574	9,738
Investments (Note 10)	<u>4</u>	<u>4</u>
	10,578	9,742
CURRENT ASSETS		
Stocks (Note 11)	125	213
Debtors (Note 12)	3,180	3,255
Cash at bank and in hand	<u>1,222</u>	<u>1</u>
	4,527	3,469
CREDITORS - Amounts falling due within one year (Note 13)	<u>9,278</u>	<u>7,885</u>
NET CURRENT LIABILITIES	<u>(4,751)</u>	<u>(4,416)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>5,827</u>	<u>5,326</u>
PROVISIONS FOR LIABILITIES AND CHARGES (Note 14)	<u>2,160</u>	<u>1,472</u>
	<u>3,667</u>	<u>3,854</u>
CAPITAL AND RESERVES		
Called up share capital (Note 15)	100	100
Revaluation reserve (Note 16)	37	37
Profit and loss account (Note 16)	<u>3,530</u>	<u>3,717</u>
	<u>3,667</u>	<u>3,854</u>

APPROVED BY THE BOARD ON
22 November 1996



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 - 30 MARCH 1996

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 - 30 MARCH 1996 (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 - 30 MARCH 1996 (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):

	1996 £'000	1995 £'000
Depreciation of tangible fixed assets		
- owned	1,339	1,103
- held under finance lease and hire purchase contracts	-	18
Operating leases		
- plant and machinery	88	374
- property	25	25
Auditors' remuneration	9	18
(Profit)/Loss on disposal of fixed assets	(196)	76
	<hr/>	<hr/>

No amounts were paid to auditors in respect of non-audit services.

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 (1995: 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 - 30 MARCH 1996 (CONTINUED)

5 EMPLOYEES

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

	<u>1996</u>	<u>1995</u>
Waste management	82	93
Staff costs comprise:		
	<u>£'000</u>	<u>£'000</u>
Wages and salaries	1,519	1,947
Social security costs	134	176
Other pension costs	<u>66</u>	<u>58</u>
	1,719	2,181
Staff costs comprise:		

6 NET INTEREST PAYABLE

	<u>1996</u>	<u>1995</u>
	<u>£'000</u>	<u>£'000</u>
Interest payable on finance leases and hire purchase contracts	-	9

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	<u>1996</u>	<u>1995</u>
	<u>£'000</u>	<u>£'000</u>
Corporation tax at 33% (1995: 33%)	1,723	919
Deferred taxation	<u>144</u>	<u>(14)</u>
	1,867	905

SHANKS & McEWAN (MIDLANDS) LIMITED

NOTES TO THE ACCOUNTS - 30 MARCH 1996 (CONTINUED)

8	DIVIDENDS				1996 £'000	1995 £'000
	Paid				1,012	421
	Proposed				<u>2,026</u>	<u>341</u>
					3,038	1,263
9	TANGIBLE FIXED ASSETS					
		Land and buildings £'000	Landfill sites £'000	Plant & machinery £'000	Total £'000	
	Cost or valuation					
	At 1 April 1995	1025	9,019	6,289	16,333	
	Additions	-	69	1,402	1,471	
	Disposals	(116)	-	(604)	(720)	
	Transfers from/(to) group undertakings	<u>(109)</u>	<u>864</u>	<u>(94)</u>	<u>561</u>	
	At 30 March 1996	<u>800</u>	<u>9,952</u>	<u>6,993</u>	<u>17,745</u>	
	Depreciation					
	At 1 April 1995	375	2,339	3,881	6,595	
	Eliminated in respect of disposals	(28)	-	(545)	(573)	
	Charge for year	3	626	710	1,339	
	Transfers to group undertakings	<u>(70)</u>	<u>-</u>	<u>(120)</u>	<u>(190)</u>	
	At 30 March 1996	<u>280</u>	<u>2,965</u>	<u>3,926</u>	<u>7,171</u>	
	Net book amount at 30 March 1996	<u>520</u>	<u>6,987</u>	<u>3,067</u>	<u>10,574</u>	
	At 1 April 1995	<u>650</u>	<u>6,680</u>	<u>2,408</u>	<u>9,738</u>	
	The net book value of land and buildings comprises:				1996 £'000	1995 £'000
	Freehold				465	497
	Short leasehold				<u>55</u>	<u>15</u>
					520	512
	The net book value of landfill sites comprises:				1996 £'000	1995 £'000
	Freehold				5,013	4,629
	Short leasehold				<u>1,974</u>	<u>2,051</u>
					6,987	6,680

SHANKS & McEWAN (MIDLANDS) LIMITED

NOTES TO THE ACCOUNTS - 30 MARCH 1996 (CONTINUED)

9 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 30 March 1996 includes capitalised interest of £897,000 (1995: £1,091,000). Included in plant and machinery and landfill sites are assets under construction with a net book value of £14,000 (1995: £189,000).

Freehold land and buildings includes land at 1980 valuation of £57,000 (1995: £57,000). The comparable amount determined under the historical cost convention was £20,000.

10 FIXED ASSET - INVESTMENTS

£'000

Shares in subsidiary undertaking at cost:

At 1 April 1995 and 30 March 1996 4

At 30 March 1996 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.

11 STOCKS

1996 1995
£'000 £'000

Raw materials and consumables 125 213

12 DEBTORS

1996 1995
£'000 £'000

Trade debtors	2,476	2,523
Amounts owed by group undertakings	416	610
Prepayments and accrued income	<u>288</u>	<u>122</u>
	<u>3,180</u>	<u>3,255</u>

SHANKS & McEWAN (MIDLANDS) LIMITED

NOTES TO THE ACCOUNTS - 30 MARCH 1996 (CONTINUED)

13	CREDITORS: Amounts falling due within one year	1996 <u>£'000</u>	1995 <u>£'000</u>
	Bank overdraft	-	1,238
	Trade creditors	270	287
	Amounts owed to group undertakings	3,627	3,499
	Other creditors	50	72
	Corporation tax payable	2,205	1,181
	Other taxation and social security	106	118
	Proposed dividend	2,026	842
	Accruals	<u>994</u>	<u>648</u>
		<u>9,278</u>	<u>7,885</u>

14 **PROVISION FOR LIABILITIES AND CHARGES**

	Deferred taxation £'000	Site Restoration provision £'000	Environ- mental provision £'000	Total £'000
At 1 April 1995	-	370	1,102	1,472
Utilised in year	-	-	(340)	(340)
Provided in year	<u>144</u>	<u>564</u>	<u>320</u>	<u>1,028</u>
	144	934	1,082	2,160
	4444	4444	44444	44444

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

	Amount provided in the accounts £'000	1996 Potential (asset)/ liability £'000	Amount provided in the accounts £'000	1995 Potential (asset)/ liability £'000
Accelerated capital allowances	144	793	-	97
Other timing differences	<u>-</u>	<u>(360)</u>	-	<u>(313)</u>
	144	433	-	(216)

SHANKS & McEWAN (MIDLANDS) LIMITED

NOTES TO THE ACCOUNTS - 30 MARCH 1996 (CONTINUED)

15 CALLED UP SHARE CAPITAL

	<u>1996</u> £'000	<u>1995</u> £'000
100,000 ordinary shares of £1 each Authorised, allotted and fully paid	100	100

16 RESERVES

	<u>Profit and loss</u> £'000	<u>Revaluation Reserves</u> £'000
At 1 April 1995	3,717	37
(Loss) / Profit for the year	2,851	-
Dividends	<u>(3,038)</u>	<u>-</u>
At 30 March 1996	<u>3,530</u>	<u>37</u>

The cumulative goodwill written off reserves for continuing businesses is £1,354,000 (1995: £1,354,000).

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1996</u> £'000	<u>1995</u> £'000
Total recognised gains and losses for the year	2,851	2,000
Dividends	<u>(3,038)</u>	<u>(1,263)</u>
Net (reduction of) / addition to shareholders' funds	(187)	737
Opening shareholders' funds	<u>3,854</u>	<u>3,117</u>
Closing shareholders' funds	<u>3,667</u>	<u>3,854</u>

18 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>1996</u> £'000	<u>1995</u> £'000
Expenditure contracted for	295	265
Expenditure not contracted for	11	108

SHANKS & McEWAN (MIDLANDS) LIMITED

NOTES TO THE ACCOUNTS - 30 MARCH 1996 (CONTINUED)

19 COMMITMENTS UNDER OPERATING LEASES

The annual commitments under operating leases are as follows:

	<u>1996</u> Land and buildings £'000	<u>1995</u> Land and buildings £'000
Leases expiring:		
Within 1 year	-	4
Over 5 years	<u>19</u>	<u>19</u>
	<u>19</u>	<u>23</u>

20 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 £66,000 (1995: £58,000). Details of the latest actuarial valuation of the scheme on 6 April 1995 are contained in the financial statements of Shanks & McEwan Group PLC.

21 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.

22 ULTIMATE PARENT COMPANY

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.