

COPY FOR REGISTRAR OF COMPANIES
COMPANY No.

988844

SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT AND ACCOUNTS

Year ended 27 March 1993



SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT & ACCOUNTS

YEAR ENDED 27 MARCH 1993

CONTENTS	Page
Report of the directors	1-3
Report of the auditors	4
Profit & loss account	5
Balance sheet	6
Notes on the accounts	7-17

SHANKS & McEWAN (SOUTHERN) LIMITED

Directors

M R Hewitt
 A J N Fowler
 J S Martin
 J R Meredith
 G J Newman
 M J Philpott

Secretary and registered office

J L King, Woodside House, Church Road, Woburn Sands, Milton Keynes,
 Buckinghamshire MK17 8TA

REPORT OF THE DIRECTORS

The directors submit their report and statement of accounts for the year ended 27 March 1993.

1. Principal activities, business review and future prospects

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

2. Trading results and dividend	£000
Profit for the year after taxation	5,734
Paid and proposed dividends	<u>2,863</u>
Transfer to reserves	<u>2,871</u>

3. Directors

The composition of the board at the date of this report is shown at the head of this report.

A R Platts and G Roskell resigned on 31 March 1992 and 15 May 1992 respectively, H L I Runciman resigned on 31 December 1992 and H D T Moss, J A Smith and R L Tasker resigned on 29 March 1993.

D F Wheeler was appointed on 1 July 1992 and resigned on 29 March 1993.

J S Martin was appointed on 1 July 1992.

The other directors served throughout the year.

SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT OF THE DIRECTORS

4. Directors' Interests

The interests of M R Hewitt, A J N Fowler and G J Newman in the shares of the ultimate parent company are disclosed in the accounts of the ultimate parent company, Shanks & McEwan Group PLC.

The interests of J S Martin, M J Philpott, R L Tasker and D F Wheeler in the shares of the ultimate parent company, Shanks & McEwan Group PLC, are disclosed in the accounts of Shanks & McEwan (Waste Services) Limited.

The interests of the other directors in the shares of the ultimate parent company, Shanks & McEwan Group PLC, including ordinary shares over which options have been granted on 27 March 1993 together with their interests on 28 March 1992 were as follows:

	Ordinary shares of 10p each		Share options	
	27.3.93	28.3.92	27.3.93	28.3.92
J R Merodith	-	-	11,370	1,370
H D T Moss	19,700	19,700	25,463	19,604
J A Smith	6,397	13,700	28,233	16,510

The directors had no interests in the shares of any other company in the group.

5. Changes in fixed assets

During the year the company spent £5,368,000 on plant, land & buildings and motor vehicles.

6. Research and development

The company has continued its programme of development of landfill gas which involves research into the safety aspects of gas generation and the practical use of the energy within the gas, which is a natural by-product of modern landfilling techniques. Costs of £213,000 were incurred in the year which have been written off to profit and loss account.

SHANKS & McEWAN (SOUTHERN) LIMITED**REPORT OF THE DIRECTORS****7. 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 & McEwan Savings-Related Share Option and Executive Share Option 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.

8. Directors' and officers' liability insurance

Insurance cover for directors' and officers' liability is maintained under a policy effected by the ultimate parent company, Shanks & McEwan Group PLC.

9. Post balance sheet events

On 28 March 1993 the following events took place (see also note 22 to the accounts):

- (a) The company transferred its interest in the entire share capital of Shanks & McEwan (Greenwich) Limited to the ultimate parent company,
- (b) The company transferred its interest in the entire share capital of Shanks & McEwan (Gas) Limited to Shanks & McEwan (Greenwich) Limited.
- (c) The company sold its gas and energy operations to Shanks & McEwan (Gas) Limited.

10. Auditors

A resolution concerning the re-appointment of Moores Rowland as auditors will be submitted at the forthcoming annual general meeting.

By order of the board


J L King
Secretary

23 June 1993

SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT OF THE AUDITORS

TO THE MEMBERS OF SHANKS & McEWAN (SOUTHERN) LIMITED

We have audited the accounts set out on pages 5 to 17 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 27 March 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Moores Rowland

MOORES ROWLAND

Chartered Accountants
Registered Auditors
25 Bothwell Street
Glasgow G2 6NL

23 June 1993

SHANKS & McEWAN (SOUTHERN) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 27 MARCH 1993

		1993	1992
	Note	£000	£000
TURNOVER	3	42,793	39,468
Cost of sales		25,194	22,920
GROSS PROFIT		17,599	16,548
Administrative expenses		8,510	8,396
TRADING PROFIT		9,089	8,152
Interest payable	5	979	722
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2&3	8,110	7,430
Taxation	6	2,376	2,624
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,734	4,806
Extraordinary item	7	-	3,510
PROFIT AFTER EXTRAORDINARY ITEM		5,734	1,296
Dividend	8	2,863	2,951
TRANSFERRED TO (FROM) RESERVES	17	2,871	(1,655)

The notes on pages 7 to 17 form part of these accounts.

SHANKS & McEWAN (SOUTHERN) LIMITED

BALANCE SHEET

27 MARCH 1993

	Note	1993 £000	1992 £000
FIXED ASSETS			
Tangible assets	9	21,459	20,984
Investments	10	307	307
		<u>21,766</u>	<u>21,291</u>
CURRENT ASSETS			
Stocks	11	19	5
Debtors	12	13,427	8,849
Cash at bank and in hand		2	1
		<u>13,448</u>	<u>8,855</u>
CREDITORS: amounts falling due within one year	13	20,134	20,250
NET CURRENT LIABILITIES		<u>(6,686)</u>	<u>(11,395)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,080	9,896
CREDITORS: amounts falling due after more than one year	14	134	370
PROVISIONS FOR LIABILITIES AND CHARGES	15	3,319	753
ACCRUALS AND DEFERRED INCOME			
Government grants		-	17
		<u>11,627</u>	<u>8,756</u>
CAPITAL AND RESERVES			
Called up share capital	16	1	1
Profit and loss account	17	11,626	8,755
		<u>11,627</u>	<u>8,756</u>

J R Meredith

Director

23 June 1993

The notes on pages 7 to 17 form part of these accounts

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

1. Accounting policies

(i) Basis of presentation

The accounts have been prepared using the historical cost convention and in accordance with applicable Accounting Standards.

As the company is included in the consolidated accounts of Shanks & McEwan Group PLC, registered in Scotland, group accounts have not been prepared as permitted by the Companies Act 1985 and the accounts contain information about the company as an individual undertaking.

(ii) 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.

(iii) 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.

(iv) Fixed assets

a Land and buildings, plant and vehicles.

Depreciation is provided on assets other than land in equal annual instalments over the estimated useful lives of the assets and is calculated on the cost of the assets.

The estimated lives are:	Buildings	: 50 years
	Plant and machinery	: 3 to 10 years
	Motor vehicles	: 3 to 6 years

b Landfill

Acquisition and commissioning costs, including interest thereon until commencement of operations, are capitalised and amortised over the estimated operational life of each site based on the volume of void space consumed.

c Leased assets

Finance leases

Assets financed by lease arrangements under which substantially all the risks and rewards of ownership are transferred to the company are included in tangible fixed assets at the aggregate 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 useful life.

SHANKS & McEWAN (SOUTHERN) LIMITED**NOTES ON THE ACCOUNTS****c Leased assets (continued)****Operating leases**

Rentals paid under operating leases are charged to profit and loss account as incurred. The obligation to pay future rentals on operating leases is shown by way of a note to the accounts.

d Capitalisation of interest

The gross 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 asset.

(v) Reclamation provision

The provision relates to the current cost of capping the pit areas in landfill reclamation. The estimated current cost of capping based on the tonnage of landfill materials deposited in the year is charged against profits and credited to the provision which is reviewed annually for adequacy. Actual costs are charged against the provision when incurred.

(vi) Government grants

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

(vii) Stocks

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

(viii) Deferred taxation

Provision is made under the liability method for taxation deferred in respect of accelerated capital allowances and other timing differences but only to the extent that it is thought reasonably probable that an actual liability will arise in the foreseeable future.

(ix) Pensions

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the period benefiting from the employees' services.

(x) Research and development

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

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

	1993	1992
2. Profit on ordinary activities before taxation	£000	£000
The profit is stated after charging:		
Depreciation of tangible fixed assets		
– owned	3,296	3,077
– held under finance lease and hire purchase contracts	180	188
Hire of plant and machinery		
– operating leases	2,236	2,341
Research and development	213	325
Auditors' remuneration	35	37
Property rents payable	654	722
Loss on disposal of fixed assets	<u>-</u>	<u>138</u>
and after crediting:		
Gain on disposal of fixed assets	82	-
Government grants	<u>17</u>	<u>-</u>

Depreciation is stated exclusive of Nil (1992: £234,000) charged to extraordinary item.

3. Turnover and profit

Turnover and profit on ordinary activities before taxation derive from one principal activity, waste management.

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

	1993	1992
4. Directors and other employees	Number	Number
The average weekly number of persons employed by the company during the year was as follows:		
Waste management	<u>390</u>	<u>439</u>
Staff costs comprise:	£000	£000
Wages and salaries	8,180	8,862
Social security costs	797	1,067
Other pension costs	<u>558</u>	<u>502</u>
	<u>9,535</u>	<u>10,431</u>
The remuneration of the directors was as follows:		
Fees	-	-
Other emoluments	383	348
Compensation for loss of office	<u>-</u>	<u>134</u>
	<u>383</u>	<u>482</u>
Particulars of directors remuneration excluding pension contributions:		
Chairman	Nil	Nil
Highest paid director	<u>59</u>	<u>53</u>
Other directors	Number	Number
£0 to £5000	5	4
£10001 to £15000	-	1
£20001 to £25000	-	2
£25001 to £30000	-	1
£35001 to £40000	2	3
£40001 to £45000	1	1
£50001 to £55000	<u>3</u>	<u>-</u>

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

	1993 £000	1992 £000
5. Interest payable		
Interest payable on loans and bank borrowings repayable within 5 years	992	751
Interest payable on finance leases and hire purchase contracts	<u>108</u>	<u>140</u>
	1,100	891
Interest capitalised during year	<u>(121)</u>	<u>(169)</u>
	<u>979</u>	<u>722</u>
6. Taxation		
Taxation charge based on the profits of the year is made up as follows:		
UK Corporation tax at 33% (1992:33%)		
- current year	2,475	2,599
- prior year	(107)	-
Deferred taxation	<u>8</u>	<u>25</u>
	<u>2,376</u>	<u>2,624</u>
The charge for the year reflects a benefit of a reduction in deferred taxation not provided of £306,000 (1992: cost £67,000)		
7. Extraordinary items	1993 £000	1992 £000
Termination and disposal costs	-	2,267
Goodwill previously eliminated against reserves	-	1,700
Corporation tax	<u>-</u>	<u>(457)</u>
	<u>-</u>	<u>3,510</u>
Termination and disposal costs in the prior year relate to the multibucket and bulk haulage activities in the London area.		
8. Dividends	1993 £000	1992 £000
Interim dividend paid	1,125	-
Proposed final dividend	<u>1,738</u>	<u>2,951</u>
	<u>2,863</u>	<u>2,951</u>

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

9. Tangible fixed assets

Cost	Freehold Land and Buildings £000	Plant & Machinery £000	Motor Vehicles £000	Total £000
At 29 March 1992	3,494	28,209	3,910	35,613
Additions	111	5,233	24	5,368
Disposals	(418)	(2,042)	(522)	(2,982)
Transfers to group undertakings	-	(83)	(130)	(213)
Reclassification	813	(813)	-	-
At 27 March 1993	4,000	30,504	3,282	37,786
Depreciation:				
At 29 March 1992	229	11,811	2,589	14,629
Eliminated in respect of disposals	(181)	(1,095)	(399)	(1,675)
Charge for year	605	2,286	585	3,476
Transfers to group undertakings	-	(27)	(76)	(103)
At 27 March 1993	653	12,975	2,699	16,327
Net book amount:				
At 27 March 1993	3,347	17,529	583	21,459
Net book amount of assets held under finance leases and hire purchase contracts included above:	-	389	-	389
At 28 March 1992	3,265	16,398	1,321	20,984
Net book amount of assets held under finance leases and hire purchase contracts included above:	-	569	-	569

Included in plant and machinery are assets under construction with a net book value of £927,000 (1992: £4,833,000). Interest amounting to £376,000 (1992: £255,000) is included in the cost of plant and machinery.

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

10. Fixed assets- Investments

Investments in subsidiary undertakings

Shares at cost less amounts written off:

£000

At 29 March 1992 and 27 March 1993

307

The company holds 100% of the equity of the following companies:

Name of company	Regist- ered in	Class of share	Business
Avenger Skips Ltd.	England	Ordinary	Dormant
Shanks and McEwan (Gas) Ltd.	England	Ordinary	Dormant
Ring-Mack Demolition Ltd.	England	Ordinary	Dormant
B E Elliott (Haulage Contractors) Ltd.	England	Ordinary	Dormant
Abel (Waste Disposal) Ltd.	England	Ordinary	Dormant
Shanks and McEwan (Greenwich) Ltd.	England	Ordinary	Dormant
Muck Away Ltd.	England	Ordinary	Dormant

The directors are of the opinion that the value of investments in and amounts owing from subsidiary undertakings is not less than the aggregate amounts at which they are recorded in the accounts.

	1993 £000	1992 £000
11. Stocks		
Raw materials and consumables	<u>19</u>	<u>5</u>

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

	1993 £000	1992 £000
12. Debtors		
Trade debtors	7,387	6,960
Amounts owed by parent and fellow subsidiary undertakings	5,016	1,509
Other debtors	84	1
Prepayments and accrued income	940	379
	<u>13,427</u>	<u>8,849</u>
13. Creditors: amounts falling due within one year		
Bank overdraft	6,971	7,311
Trade creditors	5,131	2,983
Amounts owed to parent and fellow subsidiary undertakings	833	1,001
Amounts owed to subsidiary undertakings	592	591
Taxation and social security	1,128	1,197
Other creditors	226	868
Hire purchase and finance lease obligations	219	230
Accruals	380	419
Corporation tax payable	2,916	2,699
Proposed dividend	1,738	2,951
	<u>20,134</u>	<u>20,250</u>
14. Creditors: amounts falling due after more than one year		
Hire purchase and finance lease obligations	<u>134</u>	<u>370</u>

Hire purchase and finance lease obligations all fall due between two and five years.

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

15. Provisions for liabilities and charges

	Deferred Taxation £000	Reclamation Provision £000	Total £000
At 29 March 1992	25	728	753
Utilised in year	-	(37)	(37)
Provided in year	8	474	482
Transferred from parent undertaking	-	2,121	2,121
	<hr/>		
At 27 March 1993	33	3,286	3,319
	<hr/>		

The deferred taxation provision together with the full potential liability for all timing differences is made up as follows:

	19 93 Provision £000	Total Potential Liability £000	19 92 Provision £000	Total Potential Liability £000
Accelerated capital allowances	-	1,898	-	1,614
Other timing differences	33	117	25	87
	<hr/>			
	33	2,015	25	1,701
	<hr/>			
		1993 £		1992 £

16. Called up share capital

Authorised, allotted and fully paid
100 ordinary shares of £1 each

<u>100</u>	<u>100</u>
------------	------------

17. Profit and loss account

At 29 March 1992
Profit for the year

£000

8,755
2,871

At 27 March 1993

11,626

The cumulative goodwill written off reserves for continuing businesses since January 1986, when the company was acquired by Shanks & McEwan Group PLC, is £5,273,000 (1992:£5,273,000). An accurate figure is not available for any goodwill prior to that date.

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

18. Capital commitments

The approximate amount of capital expenditure authorised by the directors for which no provision has been made in the accounts is:

	1993 £000	1992 £000
Expenditure contracted for	229	5,405
Expenditure not contracted for	<u>1,255</u>	<u>7,674</u>
	<u>1,484</u>	<u>13,079</u>

19. Financial commitments

Annual commitments under operating leases expiring:

	19 93 Buildings £000	Other £000	19 92 Buildings £000	Other £000
Within 1 year	-	-	-	-
Between 2 and 5 years	93	-	132	-
Over 5 years	<u>103</u>	<u>-</u>	<u>117</u>	<u>-</u>
	<u>196</u>	<u>-</u>	<u>249</u>	<u>-</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 are held separately from those of the group companies and are invested by professional investment managers.

Pension costs are determined by a qualified actuary on the basis of triennial valuations using the Projected Unit Method.

Details of the latest actuarial value of the scheme on 6 April 1992 are given in the accounts 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.

SHANKS & McEWAN (SOUTHERN) LIMITED**NOTES ON THE ACCOUNTS****22. Post balance sheet events**

On 28 March 1993 the following events took place :

- (a) The company transferred its interest in the entire share capital of Shanks & McEwan (Greenwich) Limited to the ultimate parent company, Shanks & McEwan Group PLC, for a consideration of £227,000 being the net asset value. This gave rise to a gain over the carrying value of the investment of £ 39,000.
- (b) The company transferred its interest in the entire share capital of Shanks & McEwan (Gas) Limited to Shanks & McEwan (Greenwich) Limited for a consideration of £ 100, being the net asset value and equal to the carrying value of the investment.
- (c) The company sold the gas and energy operations of its waste management business to Shanks & McEwan (Gas) Limited for a consideration of £9,188,000 being the value of net assets transferred.

23. Ultimate parent company

The company's ultimate parent company is Shanks & McEwan Group PLC, a company registered in Scotland. Copies of the group accounts may be obtained from the Company Secretary, Shanks & McEwan Group PLC, 22 Woodside Place, Glasgow, G3 7QY.