

SHANKS & McEWAN (MIDLANDS) LIMITED

REPORT AND ACCOUNTS

Year ended 26 March 1994



**SHANKS & McEWAN ( MIDLANDS ) LIMITED**

**REPORT AND ACCOUNTS**

**YEAR ENDED 26 MARCH 1994**

<b>CONTENTS</b>	<b>Page</b>
<b>Report of the directors</b>	<b>1-2</b>
<b>Report of the auditors</b>	<b>3</b>
<b>Profit &amp; loss account</b>	<b>4</b>
<b>Balance sheet</b>	<b>5</b>
<b>Notes on the accounts</b>	<b>6-14</b>

## SHANKS &amp; McEWAN ( MIDLANDS ) LIMITED

## Directors

M C E Averill  
 D J Downes  
 J R Meredith  
 K R Morin  
 G J Newman

## Secretary and registered office

J L King, 22 Woodside Place, Glasgow, G3 7QY

## REPORT OF THE DIRECTORS

The directors submit their report and statement of accounts for the year ended 26 March 1994.

Company law requires the directors to prepare accounts that give a true and fair view of the state of affairs of the company and of the profit and loss for its financial year. In doing so the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

## 1. 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.

2. Trading results and dividend	£000	£000
Profit for the year after taxation		1,295
Dividends:		
Interim paid	525	
Final proposed	1050	1,575
Transfer from reserves		<u>(280)</u>

**SHANKS & McEWAN ( MIDLANDS ) LIMITED****REPORT OF THE DIRECTORS****3. Directors**

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

R L Tasker and D F Wheeler resigned on 29 March 1993, A J N Fowler resigned on 30 September 1993 and M R Hewitt resigned on 12 January 1994.

J S Martin was appointed on 29 March 1993 and resigned on 25 November 1993.

M C E Averill and D J Downes were appointed on 12 January and J R Meredith on 16 February 1994.

The interests of D J Downes 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 M C E Averill in the shares of the ultimate parent company, Shanks & McEwan Group PLC, are shown in the accounts of Shanks & McEwan (Environmental Services) Limited.

The interests of J R Meredith and K R Morin in the shares of the ultimate parent company, Shanks & McEwan Group PLC, are shown in the accounts of Shanks & McEwan (Waste Services) Limited.

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

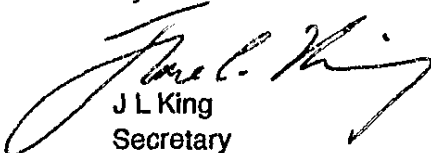
**4. Changes in fixed assets**

During the year the company spent £1,945,000 on plant and machinery and landfill sites.

**5. 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.

By order of the board



J L King  
Secretary  
22 June 1994

SHANKS & McEWAN ( MIDLANDS ) LIMITED

REPORT OF THE AUDITORS

TO THE MEMBERS OF SHANKS & McEWAN ( MIDLANDS ) LIMITED

We have audited the accounts on pages 4 to 14.

Respective responsibilities of directors and auditors

As described in the directors' report the company's directors are responsible for the preparation of accounts. It is our responsibility as auditors to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with the 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 accounts. 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 that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 26 March 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MOORES ROWLAND

Chartered Accountants

Registered Auditors

25 Bothwell Street

Glasgow G2 6NL

22 June 1994

## SHANKS &amp; McEWAN ( MIDLANDS ) LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 26 MARCH 1994

		1994	1993
	Note	£000	£000
TURNOVER	3	10,717	10,126
Cost of sales		7,577	7,151
<b>GROSS PROFIT</b>		<b>3,140</b>	<b>2,975</b>
Administrative expenses		733	872
<b>TRADING PROFIT</b>		<b>2,407</b>	<b>2,103</b>
Interest payable	5	53	44
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>2&amp;3</b>	<b>2,354</b>	<b>2,059</b>
Taxation	6	1,059	897
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>1,295</b>	<b>1,162</b>
Dividend	7	1,575	704
<b>TRANSFERRED (FROM) TO RESERVES</b>	<b>16</b>	<b>(280)</b>	<b>458</b>

All disclosures relate only to continuing operations. There are no recognised gains or losses other than the profit for the year.

The notes on pages 6 to 14 form part of these accounts

## SHANKS &amp; McEWAN ( MIDLANDS ) LIMITED

## BALANCE SHEET

26 MARCH 1994

	Note	1994 £000	1993 £000
<b>FIXED ASSETS</b>			
Tangible assets	8	8,314	9,140
Investments	9	<u>4</u>	<u>4</u>
		8,318	9,144
<b>CURRENT ASSETS</b>			
Stocks	10	16	26
Debtors	11	3,941	2,653
Cash at bank and in hand		1	3
		<u>3,958</u>	<u>2,682</u>
CREDITORS: amounts falling due within one year	12	8,447	7,690
<b>NET CURRENT LIABILITIES</b>		<u>(4,489)</u>	<u>(5,008)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,829	4,136
CREDITORS: amounts falling due after more than one year	13	-	59
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14	<u>712</u>	<u>680</u>
		<u>3,117</u>	<u>3,397</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	100	100
Revaluation reserve	16	37	37
Profit and loss account	17	<u>2,980</u>	<u>3,260</u>
		<u>3,117</u>	<u>3,397</u>



D J Downes

Director

22 June 1994

The notes on pages 6 to 14 form part of these accounts

## SHANKS &amp; McEWAN ( MIDLANDS ) LIMITED

## NOTES ON THE ACCOUNTS

## 1. Accounting policies

## (i) Basis of presentation

The accounts have been prepared using the historical cost convention, modified by the revaluation of certain land and buildings, and in accordance with applicable Accounting Standards.

As the company is included within the consolidated accounts of Shanks & McEwan Group PLC, 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.

## (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	: 25 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 ( MIDLANDS ) 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) Environmental provision**

The provision relates to the current cost of:

- i) capping the pit areas in landfill reclamation; and
- ii) gas and leachate control during the life of the site and after the site has been closed.

The estimated current cost of capping and gas and leachate control 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.

**(vi) Stocks**

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

**(vii) 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.

**(viii) 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.

**(ix) Research and development**

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

## NOTES ON THE ACCOUNTS

	1994	1993
2. Profit on ordinary activities before taxation	£000	£000

The profit is stated after charging:

Depreciation of tangible fixed assets		
– owned	2367	1431
– held under finance lease and hire purchase contracts	52	58
Operating leases		
– plant and machinery	116	238
– property	23	–
Research and development	–	71
Auditors' remuneration	17	16
Loss on disposal of fixed assets	32	–

and after crediting:

Gain on disposal of fixed assets	–	8
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## 3. Turnover and profit

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

	1994	1993
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	114	101
Staff costs comprise:	£000	£000
Wages and salaries	1,292	1,287
Social security costs	124	116
Other pension costs	46	45
	1,462	1,448

The directors received no remuneration during the year (1993:Nil).

## SHANKS &amp; McEWAN ( MIDLANDS ) LIMITED

## NOTES ON THE ACCOUNTS

	1994 £000	1993 £000
<b>5. Interest payable</b>		
Interest payable on loans and bank borrowings repayable within five years	142	263
Interest payable on finance leases and hire purchase contracts	<u>46</u>	<u>44</u>
	188	307
Interest received during year	<u>(9)</u>	<u>-</u>
	179	307
Interest capitalised during year	<u>(126)</u>	<u>(263)</u>
	<u>53</u>	<u>44</u>
<b>6 Taxation</b>		
Taxation charge based on the profits of the year is made up as follows:		
UK Corporation tax at 33% (1993:33%)	1,276	807
UK Corporation tax prior year adjustment	(90)	-
Deferred taxation	<u>(127)</u>	<u>90</u>
	<u>1,059</u>	<u>897</u>
<b>7. Dividend</b>		
Paid	525	-
Proposed	<u>1,050</u>	<u>704</u>
	<u>1,575</u>	<u>704</u>

## SHANKS &amp; McEWAN ( MIDLANDS ) LIMITED

## NOTES ON THE ACCOUNTS

## 8. Tangible fixed assets

	Freehold Land and Buildings £000	Freehold Landfill sites £000	Plant & Machinery £000	Total £000
Cost or valuation:				
At 28 March 1993	455	6,959	7,280	14,694
Additions	-	1,268	677	1,945
Disposals	(15)	-	(350)	(365)
Transfers from group undertakings	-	-	(215)	(215)
Reclassifications	242	(1,085)	843	-
At 26 March 1994	<u>682</u>	<u>7,142</u>	<u>8,235</u>	<u>16,059</u>
Depreciation:				
At 28 March 1993	101	1,670	3,783	5,554
Eliminated in respect of disposals	-	-	(254)	(254)
Charge for year	-	903	1,516	2,419
Transfers from group undertakings	-	-	26	26
Reclassifications	(29)	49	(20)	-
At 26 March 1994	<u>72</u>	<u>2,622</u>	<u>5,051</u>	<u>7,745</u>
Net book amount:				
At 26 March 1994	<u>610</u>	<u>4,520</u>	<u>3,184</u>	<u>8,314</u>
Net book amount of assets held under finance leases and hire purchase contracts included above	-	-	223	223
At 27 March 1993	<u>354</u>	<u>5,289</u>	<u>3,497</u>	<u>9,140</u>
Net book amount of assets held under finance leases and hire purchase contracts included above	-	-	275	275

Interest amounting to £1,091,000 (1993: £965,000) is included in the cost of landfill sites. Included in plant and machinery and landfill sites are assets under construction with a net book value of £594,000 (1993: £4,488,000).

## SHANKS &amp; McEWAN ( MIDLANDS ) LIMITED

## NOTES ON THE ACCOUNTS

## 8. Tangible fixed assets (continued)

Freehold land and buildings includes land at 1980 valuation of £57,000 (1993:£57,000)  
The comparable amount determined under the historical cost convention was £20,000.

## 9. Fixed Assets – Investments

£000

Shares in subsidiary undertaking at cost:

At 28 March 1993 and 26 March 1994

4

At 26 March 1994 the following company was a subsidiary undertaking of the company:

Easidispose Ltd.

Registered in England  
100% of issued ordinary shares held  
Non – trading

The directors are of the opinion that the value of the investment in the subsidiary undertaking is not less than the book value.

	1994 £000	1993 £000
<b>10. Stocks</b>		
Raw materials and consumables	<u>16</u>	<u>26</u>
<b>11. Debtors</b>		
Trade debtors	2,363	2,110
Amounts owed by parent and fellow subsidiary undertakings	1,322	304
Other debtors	–	46
Prepayments and accrued income	104	193
Corporation tax recoverable	<u>152</u>	<u>–</u>
	<u>3,941</u>	<u>2,653</u>

## SHANKS &amp; McEWAN ( MIDLANDS ) LIMITED

## NOTES ON THE ACCOUNTS

	1994 £000	1993 £000	
<b>12. Creditors: amounts falling due within one year</b>			
Bank overdraft	1,341	2,040	
Trade creditors	290	224	
Amounts owed to parent and fellow subsidiary undertakings	2,909	2,362	
Taxation and social security	141	139	
Other creditors	26	209	
Hire purchase and finance lease obligations	60	92	
Accruals	175	536	
Corporation tax payable	2,455	1,384	
Proposed dividend	1,050	704	
	<u>8,447</u>	<u>7,690</u>	
<b>13. Creditors: amounts falling due after more than one year</b>			
Hire purchase and finance lease obligations	<u>-</u>	<u>59</u>	
<b>14. Provision for liabilities and charges</b>			
	Deferred Taxation £000	Environ- -mental Provisions £000	Total £000
At 28 March 1993	141	539	680
Utilised in year	-	(84)	(84)
Provided (released) in year	(127)	243	116
At 26 March 1994	<u>14</u>	<u>698</u>	<u>712</u>

At 27 March 1993 £60,000 of environmental provisions were included in other creditors. This amount has now been reclassified and is included in the opening balance above.

## SHANKS &amp; McEWAN ( MIDLANDS ) LIMITED

## NOTES ON THE ACCOUNTS

## 14. Provision for liabilities and charges (continued)

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

	19 94		19 93	
	Provision £000	Total Potential Liability £000	Provision £000	Total Potential Liability £000
Accelerated capital allowances	-	(5)	62	196
Other timing differences	14	19	79	263
	<u>14</u>	<u>14</u>	<u>141</u>	<u>459</u>
		1994		1993
		£000		£000

## 15. Called up share capital

Authorised, allotted and fully paid  
100,000 ordinary shares of £1 each

<u>100</u>	<u>100</u>
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## 16. Reconciliation of shareholders funds

	Share Capital £000	Profit and loss £000	Revaluation Reserve £000	Total £000
At 28 March 1993	100	3,260	37	3,397
Profit for the year	-	1,295	-	1,295
Dividends	-	(1,575)	-	(1,575)
At 26 March 1994	<u>100</u>	<u>2,980</u>	<u>37</u>	<u>3,117</u>

The cumulative goodwill written off reserves for continuing businesses is £1,354,000 (1993: £1,354,000).

## 17. Capital commitments

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

	1994 £000	1993 £000
Expenditure contracted for	<u>170</u>	<u>78</u>
Expenditure not contracted for	<u>-</u>	<u>415</u>

## SHANKS &amp; McEWAN ( MIDLANDS ) LIMITED

## NOTES ON THE ACCOUNTS

	1994 Land and Buildings £000	1993 Land and Buildings £000
18. Financial commitments		
Annual commitments under operating leases expiring:		
Within 1 year	4	5
Between 2 and 5 years	-	5
Over 5 years	19	-
	<u>23</u>	<u>10</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 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 valuation 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.

## 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 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.