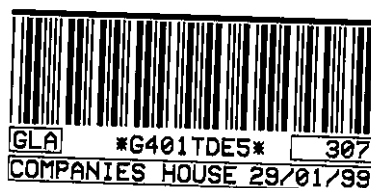


SHANKS & McEWAN (MIDLANDS) LIMITED
(Registered Number 43286)

REPORT AND ACCOUNTS

YEAR ENDED 28 MARCH 1998



SHANKS & McEWAN (MIDLANDS) LIMITED

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SHANKS & McEWAN (MIDLANDS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 28 MARCH 1998

The Directors present their Annual Report and Financial Statements for the year ended 28 March 1998.

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 enjoyed a healthy increase in turnover and profit over the previous year. The new landfill at Pen-y-Bont opened in autumn 1997.

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 28 March 1998 was £3,238,000 (1997 : £2,079,000).

The Directors recommend that a dividend of £1,078,000 be paid in respect of the year ended 28 March 1998 (1997 : £627,000). The profit transferred to reserves for the year was £1,142,000 (1997 : £409,000).

YEAR 2000 AND INTRODUCTION OF THE EURO

In conjunction with the other companies in the Shanks & McEwan group, the company has a programme designed to address the business risk arising from the year 2000. As part of this programme, software and hardware are being audited and renewed or amended where appropriate. It is not possible to distinguish between replacements due to year 2000 and other technical obsolescences. The overall cost of IT upgrades is not material. As the company does not trade outside the UK, the impact of the introduction of the Euro is not significant.

DIRECTORS

The following were Directors of the Company during the year.

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

DIRECTORS' INTERESTS

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

SHANKS & McEWAN (MIDLANDS) LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

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 28 March 1998</u> | | <u>As at 29 March 1997</u> | |
|--------------|-----------------------------------|----------------|-----------------------------------|----------------|
| | <u>Ordinary Shares of 10p</u> | <u>Options</u> | <u>Ordinary Shares of 10p</u> | <u>Options</u> |
| J R Meredith | - | 280,000 | - | 280,000 |
| K R Morin | 8,350 | 199,161 | 8,167 | 268,363 |

At 28 March 1998, Mrs J V Meredith, who is not a Director of the Company or Shanks & McEwan Group PLC, held 3,000 ordinary shares (1997 : 3,000) in Shanks & McEwan Group PLC.

At 28 March 1998, Mrs M Morin, who is not a Director of the Company or Shanks & McEwan Group PLC, held 80,384 ordinary shares (1997 : 43,262) in Shanks & McEwan Group PLC.

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

| | <u>Share Save</u> | | <u>Executive</u> | |
|--------------|-----------------------------|-------------------------|---------------------------------|---------------------------|
| | <u>Number of Shares</u> | <u>Excise Price</u> | <u>Number Shares of 10p</u> | <u>Exercise Price</u> |
| J R Meredith | | | 10,000 | 205p |
| | | | 75,000 | 88p |
| | | | 75,000 | 99p |
| | | | 60,000 | 110p |
| | | | 60,000 | 135p |
| K R Morin | 8,363 | 82.5p | 25,000 | 279.4p |
| | | | 5,000 | 270.6p |
| | | | 75,000 | 88p |
| | | | 75,000 | 99p |
| | | | 60,000 | 110p |
| | | | 20,000 | 135p |

SHANKS & McEWAN (MIDLANDS) LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

During the year ended 28 March 1998 the Directors were granted the following share options:

| | <u>Option Scheme</u> | <u>Granted</u> | <u>Exercise Price</u> |
|-----------|----------------------|----------------|-----------------------|
| K R Morin | Sharesave | 5,798 | 1.19p |

During the year ended 28 March 1998, K R Morin exercised options in respect of 75,000 shares at 88p. Market value on the date of exercise was 178.5p giving rise to a potential profit of £67,875.

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.

PAYMENT OF SUPPLIERS

It is the Company's payment policy for the year ended 28 March 1988, 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 as a number of days, was 33 days (1997: 21 days).

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

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

Following the merger of Price Waterhouse and Coopers & Lybrand on 1 July 1998, Price Waterhouse resigned in favour of the new firm, PricewaterhouseCoopers and the directors appointed PricewaterhouseCoopers to fill the casual vacancy created by the resignation. A resolution to appoint PricewaterhouseCoopers as auditors of the company will be proposed at the Annual General Meeting.

By Order of the Board



D J Downes
Director
23 July 1998

Registered Office:
A8 Edinburgh Road
Coatbridge
Lanarkshire ML5 4UG

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

We have audited the financial statements on pages 6 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10.

Respective responsibilities of Directors and Auditors

As described on page 4 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 28 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

23 July 1998

SHANKS & McEWAN (MIDLANDS) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 28 MARCH 1998

| | <u>1998</u> £'000 | <u>1997</u> £'000 |
|--|----------------------|----------------------|
| TURNOVER (Notes 1.2 & 2) | 16,684 | 11,208 |
| Cost of sales | <u>(13,446)</u> | <u>(9,129)</u> |
| GROSS PROFIT | 3,238 | 2,079 |
| ADMINISTRATION EXPENSES | <u>—</u> | <u>—</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Notes 2 & 3) | 3,238 | 2,079 |
| Taxation (Note 6) | <u>(1,018)</u> | <u>(1,043)</u> |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | 2,220 | 1,036 |
| Dividends (Note 7) | <u>(1,078)</u> | <u>(627)</u> |
| RETAINED PROFIT FOR THE FINANCIAL YEAR (Note 16) | <u>1,142</u> | <u>409</u> |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 28 MARCH 1998.

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 28 MARCH 1998.

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 8 to 18 form part of these financial statements.

SHANKS & McEWAN (MIDLANDS) LIMITED

BALANCE SHEET – 28 MARCH 1998

| | <u>1998</u> £'000 | <u>1997</u> £'000 |
|--|----------------------|----------------------|
| FIXED ASSETS | | |
| Tangible assets (Note 8) | 10,328 | 9,411 |
| Investments (Note 9) | <u>4</u> | <u>4</u> |
| | 10,332 | 9,415 |
| CURRENT ASSETS | | |
| Stocks (Note 10) | - | 1 |
| Debtors (Note 11) | <u>2,672</u> | <u>1,909</u> |
| | 2,672 | 1,910 |
| CREDITORS – Amounts falling due within one year (Note 12) | <u>(4,956)</u> | <u>(4,159)</u> |
| NET CURRENT LIABILITIES | <u>(2,284)</u> | <u>(2,249)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>8,048</u> | <u>7,166</u> |
| PROVISIONS FOR LIABILITIES AND CHARGES (Note 13) | <u>(3,005)</u> | <u>(3,265)</u> |
| TOTAL NET ASSETS | <u>5,043</u> | <u>3,901</u> |
| CAPITAL RESERVES | | |
| Called up share capital (Note 14) | 100 | 100 |
| Revaluation reserve (Note 15) | 37 | 37 |
| Profit and loss account (Note 15) | <u>4,906</u> | <u>3,764</u> |
| TOTAL EQUITY SHAREHOLDERS FUNDS | <u>5,043</u> | <u>3,901</u> |

APPROVED BY THE BOARD ON
23 July 1998



D J Downes
DIRECTOR

The notes on pages 8 to 18 form part of these financial statements.

SHANKS & McEWAN (MIDLANDS) LIMITED

NOTES TO THE ACCOUNTS – 28 MARCH 1998

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 s228 of 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.

SHANKS & McEWAN (MIDLANDS) LIMITED

NOTES TO THE ACCOUNTS – 28 MARCH 1998 (CONTINUED)

(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.

(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.

All leases other than finance leases are treated as operating leases.

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.

SHANKS & McEWAN (MIDLANDS) LIMITED

NOTES TO THE ACCOUNTS – 28 MARCH 1998 (CONTINUED)

(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.

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>1998</u> £'000 | <u>1997</u> £'000 |
|---------------------------------------|----------------------|----------------------|
| Depreciation of tangible fixed assets | | |
| - owned | 994 | 780 |
| Operating leases | | |
| - plant and machinery | - | 18 |
| - property | - | - |
| Auditors remuneration | <u>-</u> | <u>-</u> |

No amounts were paid to auditors in respect of non-audit services (1997 : £Nil)

The auditors' fees were paid by the ultimate holding company and not recharged to the company.

SHANKS & McEWAN (MIDLANDS) LIMITED

NOTES TO THE ACCOUNTS – 28 MARCH 1998 (CONTINUED)

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 (1997 : £Nil).

The Directors estimate that no emoluments paid by other Shanks & McEwan Group undertakings relate to services provided to the Company. No retirement benefits accrue to the directors in respect of their service to the company.

5 EMPLOYEES

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

| | <u>1998</u> | <u>1997</u> |
|-------------------------|--------------|--------------|
| Waste management | <u>219</u> | <u>219</u> |
| | <u>1998</u> | <u>1997</u> |
| | £'000 | £'000 |
| Staff costs comprise: | | |
| - Wages and salaries | 2,055 | 1,523 |
| - Social security costs | 179 | 135 |
| - Other pension costs | <u>54</u> | <u>106</u> |
| | <u>2,288</u> | <u>1,764</u> |

SHANKS & McEWAN (MIDLANDS) LIMITED

NOTES TO THE ACCOUNTS – 28 MARCH 1998 (CONTINUED)

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

| | <u>1998</u> £'000 | <u>1997</u> £'000 |
|-------------------------------------|----------------------|----------------------|
| Corporation tax at 31% (1997 : 33%) | 1,290 | 773 |
| Deferred taxation | <u>(272)</u> | <u>270</u> |
| | <u>1,018</u> | <u>1,043</u> |

7 DIVIDENDS

| | <u>1998</u> £'000 | <u>1997</u> £'000 |
|----------|----------------------|----------------------|
| Paid | 718 | 209 |
| Proposed | <u>360</u> | <u>418</u> |
| | <u>1,078</u> | <u>627</u> |

SHANKS & McEWAN (MIDLANDS) LIMITED

NOTES TO THE ACCOUNTS – 28 MARCH 1998 (CONTINUED)

8 TANGIBLE FIXED ASSETS

| | <u>Land and Buildings</u> £'000 | <u>Landfill sites</u> £'000 | <u>Plant & machinery</u> £'000 | <u>Total</u> £'000 |
|--|--|------------------------------------|---|-----------------------|
| Cost or valuation at 29 March 1997 | 475 | 10,146 | 4,615 | 15,236 |
| Additions | 2 | 576 | 1,265 | 1,843 |
| Disposals | - | - | - | - |
| Transfers from/(to) group undertakings | <u>-</u> | <u>67</u> | <u>309</u> | <u>376</u> |
| At 28 March 1998 | <u>477</u> | <u>10,789</u> | <u>6,189</u> | <u>17,455</u> |
| Depreciation at 29 March 1997 | 41 | 3,164 | 2,620 | 5,825 |
| Eliminated in respect of disposals | - | - | - | - |
| Charge for year | 22 | 407 | 565 | 994 |
| Transfers to group undertakings | <u>-</u> | <u>-</u> | <u>308</u> | <u>308</u> |
| At 28 March 1998 | <u>63</u> | <u>3,571</u> | <u>3,493</u> | <u>7,127</u> |
| Net book amount at 28 March 1998 | <u>414</u> | <u>7,218</u> | <u>2,696</u> | <u>10,328</u> |
| At 29 March 1997 | <u>434</u> | <u>6,982</u> | <u>1,995</u> | <u>9,411</u> |

The net book value of land and buildings comprises:

| | <u>1998</u> £'000 | <u>1997</u> £'000 |
|-----------------|----------------------|----------------------|
| Freehold | 369 | 380 |
| Short leasehold | <u>45</u> | <u>54</u> |
| | <u>414</u> | <u>434</u> |

The net book value of landfill sites comprises:

| | | |
|-----------------|--------------|--------------|
| Freehold | 7,217 | 6,982 |
| Short leasehold | <u>-</u> | <u>-</u> |
| | <u>7,217</u> | <u>6,982</u> |

SHANKS & McEWAN (MIDLANDS) LIMITED

NOTES TO THE ACCOUNTS – 28 MARCH 1998 (CONTINUED)

8 TANGIBLE FIXED ASSETS (CONTINUED)

The cost of landfill sites at 28 March 1998 includes capitalised interest of £897,000 (1997 : £897,000). Included in plant and machinery and landfill sites are assets under construction with a net book value of £117,000 (1997 : £Nil).

Freehold land and buildings includes land at 1980 valuation of £57,000 (1997 : £57,000). The comparable amount determined under the historical cost convention was £20,000.

9 FIXED ASSET – INVESTMENTS

Share in subsidiary undertaking at cost: £'000

At 28 March 1998 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

| | <u>1998</u> £'000 | <u>1997</u> £'000 |
|-------------------------------|----------------------|----------------------|
| Raw materials and consumables | <u>=</u> | <u>1</u> |

SHANKS & McEWAN (MIDLANDS) LIMITED

NOTES TO THE ACCOUNTS – 28 MARCH 1998 (CONTINUED)

11 DEBTORS

| | <u>1998</u> £'000 | <u>1997</u> £'000 |
|------------------------------------|----------------------|----------------------|
| Trade debtors | 2,389 | 1,854 |
| Amounts owed by group undertakings | - | - |
| Prepayments and accrued income | <u>283</u> | <u>55</u> |
| | <u>2,672</u> | <u>1,909</u> |

12 CREDITORS: Amounts falling due within one year

| | | |
|------------------------------------|--------------|--------------|
| Trade creditors | - | - |
| Amounts owed to group undertakings | 3,254 | 2,583 |
| Other creditors | - | - |
| Corporation tax payable | 1,000 | 898 |
| Other taxation and social security | - | - |
| Proposed dividend | 360 | 417 |
| Accruals | <u>208</u> | <u>261</u> |
| | <u>4,822</u> | <u>4,159</u> |

13 PROVISION FOR LIABILITIES AND CHARGES

| | <u>Deferred</u> <u>taxation</u> £'000 | <u>Environ-</u> <u>mental</u> <u>provision</u> £'000 | <u>Site</u> <u>restoration</u> <u>provision</u> £'000 | <u>Total</u> £'000 |
|------------------|---|---|--|-----------------------|
| At 29 March 1997 | 414 | 1,871 | 980 | 3,265 |
| Utilised in year | - | - | (191) | (191) |
| Provided in year | <u>(272)</u> | <u>337</u> | <u>-</u> | <u>65</u> |
| | <u>142</u> | <u>2,208</u> | <u>789</u> | <u>3,139</u> |

SHANKS & McEWAN (MIDLANDS) LIMITED

NOTES TO THE ACCOUNTS – 28 MARCH 1998 (CONTINUED)

11 DEBTORS

| | <u>1998</u> £'000 | <u>1997</u> £'000 |
|------------------------------------|----------------------|----------------------|
| Trade debtors | 2,389 | 1,854 |
| Amounts owed by group undertakings | - | - |
| Prepayments and accrued income | <u>283</u> | <u>55</u> |
| | <u>2,672</u> | <u>1,909</u> |

12 CREDITORS: Amounts falling due within one year

| | | |
|------------------------------------|--------------|--------------|
| Trade creditors | - | - |
| Amounts owed to group undertakings | 3,254 | 2,583 |
| Other creditors | - | - |
| Corporation tax payable | 1,134 | 898 |
| Other taxation and social security | - | - |
| Proposed dividend | 360 | 417 |
| Accruals | <u>208</u> | <u>261</u> |
| | <u>4,956</u> | <u>4,159</u> |

13 PROVISION FOR LIABILITIES AND CHARGES

| | <u>Deferred</u> <u>taxation</u> £'000 | <u>Environ-</u> <u>mental</u> <u>provision</u> £'000 | <u>Site</u> <u>restoration</u> <u>provision</u> £'000 | <u>Total</u> £'000 |
|---------------------------|---|---|--|-----------------------|
| At 29 March 1997 | 414 | 1,871 | 980 | 3,265 |
| Adjustment re prior years | (134) | - | - | (134) |
| Utilised in year | - | - | (191) | (191) |
| Provided in year | <u>(272)</u> | <u>337</u> | <u>-</u> | <u>65</u> |
| | <u>8</u> | <u>2,208</u> | <u>789</u> | <u>3,005</u> |

SHANKS & McEWAN (MIDLANDS) LIMITED

NOTES TO THE ACCOUNTS – 28 MARCH 1998 (CONTINUED)

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

| | <u>1998</u> | | <u>1997</u> | |
|--------------------------------|------------------------|------------------|------------------------|------------------|
| | <u>Amount provided</u> | <u>Potential</u> | <u>Amount provided</u> | <u>Potential</u> |
| | <u>in the accounts</u> | <u>(asset)/</u> | <u>in the accounts</u> | <u>(asset)/</u> |
| | <u>£'000</u> | <u>liability</u> | <u>£'000</u> | <u>liability</u> |
| | | <u>£'000</u> | | <u>£'000</u> |
| Accelerated capital Allowances | 8 | 284 | 414 | 1,138 |
| Other timing differences | — | — | — | (310) |
| | <u>8</u> | <u>284</u> | <u>414</u> | <u>828</u> |

14 CALLED UP SHARE CAPITAL

| | <u>1998</u> | <u>1997</u> |
|---|--------------|--------------|
| | <u>£'000</u> | <u>£'000</u> |
| 1000,000 ordinary shares of £1 each authorised, allotted and fully paid | <u>100</u> | <u>100</u> |

15 RESERVES

| | <u>Profit</u> | <u>Revaluation</u> |
|---------------------|-----------------|--------------------|
| | <u>and loss</u> | <u>reserves</u> |
| | <u>£'000</u> | <u>£'000</u> |
| At 29 March 1997 | 3,764 | 37 |
| Profit for the year | 2,220 | - |
| Dividends | (1,078) | — |
| At 28 March 1998 | <u>4,906</u> | <u>37</u> |

The cumulative goodwill written off reserves for continuing businesses is £1,529,000 (1997 : £1,529,000).

SHANKS & McEWAN (MIDLANDS) LIMITED

NOTES TO THE ACCOUNTS – 28 MARCH 1998 (CONTINUED)

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 CASHFLOW 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 in accordance with exemption available under FRS 8 "Related Party Transactions". The company did not enter any transactions with any related parties other than those within the Group.