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SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT AND ACCOUNTS

Year ended 28 March 1992

988844

SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT & ACCOUNTS

YEAR ENDED 28 MARCH 1992

CONTENTS	Page
Report of the directors	1-3
Report of the auditors	4
Profit & loss account	5
Balance sheet	6
Notes on the accounts	7-16

SHANKS & McEWAN (SOUTHERN) LIMITED

Directors

H L I Runciman
 M R Hewitt
 A J N Fowler
 G J Newman
 J A Smith
 H D T Moss
 M J Philpott
 R L Tasker
 J R Meredith

Secretary and registered office

J I. 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 28 March 1992.

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.

During the year the company sold its bulk haulage fleet and now use specialist hauliers. The company also decided to concentrate its solid waste collection business on the use of compactor vehicles, and has withdrawn from the skip hire business which mainly services the construction industry. The cost of disposing of these activities is shown under extraordinary costs in the accounts.

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 and extraordinary item	1,296
Proposed dividend	<u>2,951</u>
Transfer from reserves	<u>(1,655)</u>

3. Directors

The composition of the board at the date of this report is shown at the head of this report. P R Spencer resigned on 31 March 1991, C W Basson on 25 July 1991 and L Steiner on 23 March 1992. A R Platts was appointed on 9 July 1991 and resigned on 31 March 1992. M J Philpott, R L Tasker, J R Meredith and G Roskell were all appointed on 9 July 1991. G Roskell resigned on 15 May 1992.

The other directors served throughout the year.

SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT OF THE DIRECTORS

4. Directors' Interests

The interests of H L I Runciman, 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 M J Philpott and R L Tasker 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 28 March 1992 together with their interests on 30 March 1991 or at date of appointment, if later, were as follows:

	Ordinary shares of 10p each		Share options	
	28.3.92	30.3.91	28.3.92	30.3.91
J A Smith	13,700	11,000	16,510	30,210
H D T Moss	19,700	15,500	19,604	30,210
J R Meredith	-	-	1,370	1,370
G Roskell	-	-	-	-

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 £4,843,000 on plant, buildings and motor vehicles.

6. Research and development

The company is continuing 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.

SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT OF THE DIRECTORS

7. Employment policies

There is a 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. Charitable and political donations

During the year donations made by the company for charitable purposes amounted to £1,315. No donations were made for political purposes as defined by the Companies Act 1985.

9. Directors and officers liability insurance

The company has maintained insurance to cover directors and officers liability.

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

17 June 1992

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 16 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 28 March 1992 and of its profit for the year then ended and have been and have been properly prepared in accordance with the Companies Act 1985.

Moore Rowland

MOORES ROWLAND

Chartered Accountants
Registered Auditor
25 Bothwell Street
Glasgow G2 6NL

17 June 1992

SHANKS & McEWAN (SOUTHERN) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 28 MARCH 1992

		1992	1991
	Note	£000	£000
TURNOVER	3	39,468	47,311
Cost of sales		22,920	27,034
GROSS PROFIT		16,548	20,277
Administrative expenses		8,396	6,957
TRADING PROFIT		8,152	13,320
Interest payable	5	722	486
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2&3	7,430	12,834
Tax on profit on ordinary activities	6	2,624	4,188
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,806	8,646
Extraordinary item	7	3,510	-
PROFIT AFTER EXTRAORDINARY ITEM		1,296	8,646
Dividend	8	2,951	4,287
TRANSFERRED (FROM) TO RESERVES	17	(1,655)	4,359

The notes on pages 7 to 16 form part of these accounts

SHANKS & McEWAN (SOUTHERN) LIMITED

6

BALANCE SHEET

28 MARCH 1992

	Note	1992 £000	1991 £000
FIXED ASSETS			
Tangible assets	9	20,984	21,961
Investments	10	307	307
		<u>21,291</u>	<u>22,268</u>
CURRENT ASSETS			
Stocks	11	5	45
Debtors	12	8,849	9,323
Cash at bank and in hand		1	4
		<u>8,855</u>	<u>9,372</u>
CREDITORS: amounts falling due within one year	13	20,250	21,710
NET CURRENT LIABILITIES		<u>(11,395)</u>	<u>(12,338)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		9,896	9,930
CREDITORS: amounts falling due after more than one year	14	370	800
PROVISIONS FOR LIABILITIES AND CHARGES	15	753	402
ACCRUALS AND DEFERRED INCOME			
Government grants		17	17
		<u>8,756</u>	<u>8,711</u>

CAPITAL AND RESERVES

Called up share capital	16	1	1
Profit and loss account	17	8,755	8,710
		<u>8,756</u>	<u>8,711</u>

M R Hewitt

Michael P. Hewitt
Director

A J N Fowler

A J N Fowler
Director

17 June 1992

The notes on pages 7 to 16 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 a wholly owned subsidiary undertaking of Shanks & McEwan Group PLC, registered in Scotland, group accounts have not been prepared as permitted by the Companies Act 1985.

(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:

Buldings	: 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

	1992	1991
2. Profit on ordinary activities before taxation	£000	£000

The profit is stated after charging:

Depreciation of tangible fixed assets		
– owned	3,077	3,490
– held under finance lease and hire purchase contracts	188	214
Hire of plant and machinery		
– operating leases	2,341	1,723
Research and development	325	241
Auditors' remuneration	37	37
Property rents payable	722	722
Loss on disposal of fixed assets	138	-

and after crediting:

Government grants	-	18
Gain on disposal of fixed assets	-	165

Depreciation is stated exclusive of £234,000 (1991: Nil) 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

10

NOTES ON THE ACCOUNTS

	1992	1991
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>439</u>	<u>477</u>
Staff costs comprise:	£000	£000
Wages and salaries	8,862	8,550
Social security costs	1,067	793
Other pension costs	<u>502</u>	<u>376</u>
	<u>10,431</u>	<u>9,719</u>
The remuneration of the directors was as follows:		
Fees	-	-
Other emoluments	348	277
Compensation for loss of office	<u>134</u>	<u>-</u>
	<u>482</u>	<u>277</u>
Particulars of directors remuneration excluding pension contributions:		
Chairman	Nil	Nil
Highest paid director	<u>53</u>	<u>49</u>
Other directors	Number	Number
£0 to £5000	4	2
£10001 to £15000	1	1
£20001 to £25000	2	1
£25001 to £30000	1	-
£35001 to £40000	3	3
£40001 to £45000	<u>1</u>	<u>1</u>

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

	1992 £000	1991 £000
5. Interest payable		
Interest payable on loans and bank borrowings repayable within five years	751	447
Interest payable on finance leases and hire purchase contracts	<u>140</u>	<u>125</u>
	891	572
Interest capitalised during year	(169)	(86)
	<u><u>722</u></u>	<u><u>486</u></u>

6. Taxation

Taxation charge based on the profits of the year is made up as follows:

UK Corporation tax at 33% (1991:34%)	2,599	4,233
UK Corporation tax – prior year adjustment	-	(45)
Deferred tax	<u>25</u>	<u>-</u>
	<u><u>2,624</u></u>	<u><u>4,188</u></u>

The charge for the year reflects the cost of a reduction in deferred taxation not provided of £67,000 (1991: benefit (£69,000))

	1992 £000	1991 £000
7. Extraordinary items		
Termination and disposal costs	2,267	-
Goodwill previously eliminated against reserves	1,700	-
Corporation tax	<u>(457)</u>	<u>-</u>
	<u><u>3,510</u></u>	<u><u>-</u></u>

Termination and disposal costs relate to the multibucket and bulk haulage activities in the London area.

8. Dividend

Proposed final dividend	<u><u>2,951</u></u>	<u><u>4,287</u></u>
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SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

9. Tangible fixed assets

Cost	Freehold Land and B'ldings £000	Plant & Machinery £000	Motor Vehicles £000	Total £000
At 31 March 1991	3,185	26,503	5,972	35,660
Additions	66	4,680	97	4,843
Disposals	-	(1,667)	(1,774)	(3,441)
Transfers to group undertakings	-	(1,064)	(385)	(1,449)
Reclassification	243	(243)	-	-
At 28 March 1992	<u>3,494</u>	<u>28,209</u>	<u>3,910</u>	<u>35,613</u>
Depreciation:				
At 31 March 1991	38	10,697	2,964	13,699
Eliminated in respect of disposals	-	(730)	(1,033)	(1,763)
Charge for year	191	2,438	870	3,499
Transfers to group undertakings	-	(594)	(212)	(806)
At 28 March 1992	<u>229</u>	<u>11,811</u>	<u>2,589</u>	<u>14,629</u>
Net book amount:				
At 28 March 1992	<u>3,265</u>	<u>16,398</u>	<u>1,321</u>	<u>20,984</u>
Net book amount of assets held under finance leases and hire purchase contracts included above:	<u>-</u>	<u>569</u>	<u>-</u>	<u>569</u>
At 30 March 1991	<u>3,147</u>	<u>15,806</u>	<u>3,008</u>	<u>21,961</u>
Net book amount of assets held under finance leases and hire purchase contracts included above:	<u>-</u>	<u>545</u>	<u>542</u>	<u>1,087</u>

Included in plant and machinery are assets under construction with a net book value of £4,833,000 (1991: £1,996,000). Interest amounting to £255,000 (1991: £86,000) 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 31 March 1991 and 28 March 1992

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 Elliot (Haulage Contractors) Ltd.	England	Ordinary	Dormant
Abel (Waste Disposal) Ltd.	England	Ordinary	Dormant
Quick Skips (London) Ltd.	England	Ordinary	Dormant
Muck Away Ltd.	England	Ordinary	Dormant

Quick Skips (London) Ltd. changed its name to Shanks & McEwan (Greenwich) Limited on 14 April 1992.

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.

	1992 £000	1991 £000
11. Stocks		
Raw materials and consumables	<u>5</u>	<u>45</u>

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

	1992 £000	1991 £000
12. Debtors		
Trade debtors	6,960	8,666
Amounts owed by parent and fellow subsidiary undertakings	1509	138
Other debtors	1	1
Prepayments and accrued income	<u>379</u>	<u>518</u>
	<u>8,849</u>	<u>9,323</u>
13. Creditors: amounts falling due within one year		
Bank overdraft	7,311	1,672
Trade creditors	2,983	4,138
Amounts owed to parent and fellow subsidiary undertakings	1,001	909
Amounts owed to subsidiary undertakings	591	591
Taxation and social security	1,197	775
Other creditors	868	105
Hire purchase and finance lease obligations	230	311
Accruals	419	981
Corporation tax payable	2,699	7,941
Proposed dividend	<u>2,951</u>	<u>4,287</u>
	<u>20,250</u>	<u>21,710</u>
14. Creditors: amounts falling due after more than one year		
Hire purchase and finance lease obligations	<u>370</u>	<u>800</u>

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

NOTES ON THE ACCOUNTS

14. Provisions for liabilities and charges

	Deferred Taxation £000	Reclamation Provision £000	Total £000
At 31 March 1991	-	402	402
Utilised in year	-	(82)	(82)
Provided in year	25	408	433
At 28 March 1992	25	728	753

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

	19 92 Provision £000	Total Potential Liability £000	19 91 Provision £000	Total Potential Liability £000
Accelerated capital allowances	-	1,614	-	1,752
Other timing differences	25	87	-	(9)
	25	1,701	-	1,743

16. Called up share capital

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

	1992 £	1991 £
Authorised, allotted and fully paid 100 ordinary shares of £1 each	100	100

17. Profit and loss account

	£000
At 31 March 1991	8,710
Goodwill previously written off, transferred to extraordinary item	1,700
Transfer for the year	(1,655)
At 28 March 1992	8,755

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 (1991:£6,973,000). An accurate figure is not available for any goodwill prior to that date.

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:

	1992 £000	1991 £000
Expenditure contracted for	5,405	6,944
Expenditure not contracted for	7,674	3,632
	<u>13,079</u>	<u>10,576</u>

19. Financial commitments

Annual commitments under operating leases expiring:

	1992		1991	
	Building £000	Other £000	Building £000	Other £000
Within 1 year	-	-	-	-
Between 2 and 5 years	132	-	132	-
Over 5 years	117	-	117	-
	<u>249</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.

The contributions 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 1989 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.

22. 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.