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SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT AND ACCOUNTS

Year ended 30 March 1991

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SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT & ACCOUNTS

YEAR ENDED 30 MARCH 1991

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SHANKS & MCEWAN (SOUTHERN) LIMITED

Directors

H L I Runciman
M R Hewitt
A J N Fowler (appointed 7 June 1990)
G J Newman
L Steiner (appointed 15 May 1990)
C W Basson
J A Smith
H D T Moss

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 30 March 1991.

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 it's 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	8,646
Proposed dividend	4,287
Retained profit	<u>4,359</u>
	=====

3. Directors

The composition of the board at the date of this report is shown at the head of this report. R L Strachan resigned on 30 September 1990 and P R Spencer resigned on 31 March 1991.

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 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 30 March 1991 together with their interests on 31 March 1990 or at date of appointment, if later, were as follows:

	Ordinary shares of 50p each		Share options	
	30.3.91	31.3.90	30.3.91	31.3.90
P R Spencer	-	150	7,000	5,469
J A Smith	2,200	3,000	6,042	6,042
C W Basson	100	100	4,363	13,363
H D T Moss	3,100	3,100	6,042	6,042
L Steiner	-	-	14,835	-

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 £7,791,000 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

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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.

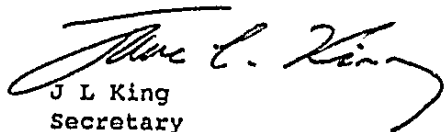
8. Charitable and political donations

During the year donations made by the company for charitable purposes amounted to £3185. No donations were made for political purposes as defined by the Companies Act 1985.

9. 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

18 June 1991

SHANKS & MCEWAN (SOUTHERN) LIMITED

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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 affairs of the company at 30 March 1991 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Moore Rowland

MOORES ROWLAND

Chartered Accountants

25 Bothwell Street
Glasgow G2 6NL

18 June 1991.

SHANKS & MGEWAN (SOUTHERN) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 MARCH 1991

		1991	1990
	Note	£000	£000
TURNOVER	3	47,311	44,516
Cost of sales		27,034	28,266
GROSS PROFIT		20,277	16,250
Administrative expenses		6,957	4,440
TRADING PROFIT		13,320	11,810
Interest	5	486	1,656
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2&3	12,834	10,154
Tax on profit on ordinary activities	6	4,188	3,758
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		8,646	6,396
Dividend	7	4,287	3,308
RETAINED PROFIT FOR THE YEAR	17	4,359	3,088

The notes on pages 8 to 17 form part of these accounts

SHANKS & MCEWAN (SOUTHERN) LIMITED

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BALANCE SHEET

30 MARCH 1991

	Note	1991 £000	1990 £000
FIXED ASSETS			
Tangible assets	8	21,961	18,043
Investments	9	307	307
		<hr/>	<hr/>
CURRENT ASSETS		22,268	18,350
Stocks	10	45	39
Debtors	11	9,323	10,975
Cash at bank and in hand		4	2
		<hr/>	<hr/>
CREDITORS: amounts falling due within one year	12	9,372	11,016
		21,710	23,469
NET CURRENT LIABILITIES		(12,338)	(12,453)
TOTAL ASSETS LESS CURRENT LIABILITIES		9,930	5,897
CREDITORS: amounts falling due after more than one year	13	800	1,091
PROVISIONS FOR LIABILITIES AND CHARGES	14	402	419
ACCRUALS AND DEFERRED INCOME			
Government grants		17	35
		<hr/>	<hr/>
		1219	1545
		<hr/>	<hr/>
		8,711	4,352
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	16	1	1
Profit and loss account	17	8,710	4,351
		<hr/>	<hr/>
		8,711	4,352
		<hr/>	<hr/>

H L I Runciman  DirectorM R Hewitt  Director

18 June 1991

The notes on pages 8 to 17 form part of these accounts

SHANKS & McEWAN (SOUTHERN) LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED 30 MARCH 1991

	1991 £000	1990 £000
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	12,834	10,154
Adjustment for items not involving the movement of funds:		
Depreciation of tangible fixed assets	3,704	3,469
Gain on disposal of tangible fixed assets	(165)	(27)
Provision for restoration	(17)	(186)
Grant credit	(18)	(18)
Total generated from operations	<u>16,338</u>	<u>13,392</u>
Funds from other sources:		
Disposal of tangible fixed assets	334	355
	<u>16,672</u>	<u>13,747</u>
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	7,791	6,094
Tax paid	1,797	5
Dividend paid	3,308	2,317
Goodwill purchased	-	3,072
Purchase of investment	-	188
	<u>12,896</u>	<u>11,676</u>
Increase in working capital	<u>3,776</u> =====	<u>2,071</u> =====
COMPONENTS OF INCREASE IN WORKING CAPITAL		
Stocks	6	(3)
Debtors	(1,756)	2,816
Creditors	(96)	(2,956)
Amounts owing by group undertakings	727	(218)
Net liquid funds:		
Bank borrowing	4,895	2,432
	<u>3,776</u> =====	<u>2,071</u> =====

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.

(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 or valuation 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.

NOTES ON THE ACCOUNTS

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.

NOTES ON THE ACCOUNTS

	1991	1990
2. Profit on ordinary activities before taxation	£000	£000

The profit is stated after charging:

Depreciation of tangible fixed assets		
- owned	3490	3212
- held under finance lease and hire purchase contracts	214	257
Hire of plant and machinery - operating leases	1,723	1,529
Research and development	241	316
Auditors' remuneration	37	34
Emoluments of the directors (note 4)	277	288
Property rents payable	231	294
	=====	=====

and after crediting:

Government grants	18	18
Gain on disposal of fixed assets	165	27
	=====	=====

3. Turnover and profit

Turnover and profit on ordinary activities before taxation are analysed as follows:

	1991		1990	
	Turnover	Profit before taxation	Turnover	Profit before taxation
	£000	£000	£000	£000
Waste management	47311	13,320	44,516	11,810
	=====		=====	
Interest		486		1,656
		-----		-----
		12834		10154
		=====		=====

SHANKS & MCEWAN (SOUTHERN) LIMITED

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NOTES ON THE ACCOUNTS

	1991	1990
	Number	Number
4. Directors and other employees		
The average weekly number of persons employed by the company during the year was as follows:		
Waste management	477 =====	501 =====
Staff costs comprise:		
Wages and salaries	£000	£000
Social security costs	8550	8216
Other pension costs	793	714
	376	236
	<u>9719</u> =====	<u>9166</u> =====

The remuneration of the directors was as follows:

Fees	Nil	Nil
Other emoluments	277	288
	<u>277</u> =====	<u>288</u> =====

Particulars of directors remuneration excluding pension contributions:

Chairman	Nil	Nil
Highest paid director	49 =====	62 =====
Other directors	Number	Number
£0 to £5000	2	1
£10001 to £15000	1	-
£20001 to £25000	1	-
£35001 to £40000	3	3
£40001 to £45000	1	2

SHANKS & McEWAN (SOUTHERN) LIMITED

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NOTES ON THE ACCOUNTS

	1991 £000	1990 £000
5. Interest		
Interest payable on loans and bank borrowings repayable within five years	447	1,650
Interest payable on finance leases and hire purchase contracts	125	55
	<u>572</u>	<u>1,705</u>
Interest capitalised during year	(86)	-
Interest received	-	(49)
	<u>486</u>	<u>1,656</u>
	=====	=====

6. Taxation

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

UK Corporation tax at 34% (1990:35%)	4,233	3,757
UK Corporation tax - prior year adjustment	(45)	1
	<u>4,188</u>	<u>3,758</u>
	=====	=====

The charge for the year reflects the benefit of deferred taxation not provided of £69,000 (1990: £81,000)

	1991 £000	1990 £000
7. Dividend		
Proposed final dividend	4,287	3,308
	=====	=====

NOTES ON THE ACCOUNTS

8. Tangible fixed assets

	Freehold Land and B'ldings	Plant & Machinery	Motor Vehicles	Total
	£000	£000	£000	£000
Cost				
At 1 April 1990	2,959	20,488	5,783	29,230
Additions	226	7,010	555	7,791
Disposals	-	(995)	(352)	(1,347)
Intra group transfers	-	-	(14)	(14)
At 30 March 1991	<u>3,185</u>	<u>26,503</u>	<u>5,972</u>	<u>35,660</u>
Depreciation:				
At 1 April 1990	14	8,998	2,175	11,187
Eliminated in respect of disposals	-	(855)	(327)	(1,182)
Charge for year	24	2,554	1,126	3,704
Intra group transfers	-	-	(10)	(10)
At 30 March 1991	<u>38</u>	<u>10,697</u>	<u>2,964</u>	<u>13,699</u>
Net book amount:				
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:	-	545	542	1,087
At 31 March 1990	<u>2,945</u>	<u>11,490</u>	<u>3,608</u>	<u>18,043</u>
Net book amount of assets held under finance leases and hire purchase contracts included above:	-	654	809	1,463

Included in plant and machinery are assets under construction with a net book value of £1,996,000 (1990: £753,000). Interest amounting to £86,000 (1990: nil) is included in the cost of plant and machinery.

NOTES ON THE ACCOUNTS

9. Fixed assets- Investments

Investments in subsidiary undertakings

Shares at cost less amounts written off:

	£000
At 1 April 1990 and 30 March 1991	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

	1991 £000	1990 £000
10. Stocks		
Raw materials and consumables	45	39
	=====	=====

NOTES ON THE ACCOUNTS

	1991 £000	1990 £000
11. Debtors		
Trade debtors	8,666	10,679
Amounts owed by parent and fellow subsidiary undertakings	138	34
Other debtors	1	91
Prepayments and accrued income	518	171
	<u>9,323</u>	<u>10,975</u>
	=====	=====

12. Creditors: amounts falling due within one year

Bank overdraft	1,672	6,566
Trade creditors	4,138	3,510
Amounts owed to parent and fellow subsidiary undertakings	909	1,637
Amounts owed to other subsidiary undertakings	591	485
Taxation and social security	775	1,303
Other creditors	105	51
Hire purchase and finance lease obligations	311	368
Accruals	981	691
Corporation tax payable	7,941	5,550
Proposed dividend	4,287	3,308
	<u>21,710</u>	<u>23,469</u>
	=====	=====

13. Creditors: amounts falling due after more than one year

Hire purchase and finance lease obligations	800	1,091
	=====	=====

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

NOTES ON THE ACCOUNTS

14. Provisions for liabilities and charges

	Reclamation Provision £000
At 1 April 1990	419
Utilised in year	(354)
Provided in year	337
At 30 March 1991	<u>402</u> =====

15. Deferred taxation

No deferred tax has been provided and the full potential deferred tax liability is as follows:

	1991 £000	1990 £000
Accelerated capital allowances	1,752	1,674
Other timing differences	(9)	-
	<u>1,743</u> =====	<u>1,674</u> =====

16. Called up share capital

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

	£	£
	100	100
	<u>100</u> =====	<u>100</u> =====

17. Profit and loss account

At 1 April 1990
Retained profit for the year

At 30 March 1991

	£000
	4,351
	4,359
	<u>8,710</u> =====

The cumulative goodwill written off reserves for continuing businesses since January 1986, when the company was acquired by Shanks & McEwan Group PLC, is £6,973,000. An accurate figure is not available for any goodwill written off 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:

	1991 £000	1990 £000
Expenditure contracted for	6,944	1,087
Expenditure not contracted for	3,632	4,511
	<u>10,576</u> =====	<u>5,598</u> =====

19. Financial commitments

Annual commitments under operating leases expiring:

	1991		1990	
	Building £000	Other £000	Building £000	Other £000
Within 1 year	-	-	41	-
Between 2 and 5 years	132	-	-	4
Over 5 years	117	-	158	-
	<u>249</u> =====	<u>-</u> =====	<u>199</u> =====	<u>4</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.