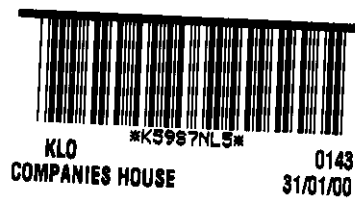


**SHANKS WASTE SERVICES LIMITED**  
**(formerly SHANKS & McEWAN (SOUTHERN WASTE SERVICES)**  
**LIMITED)**  
**(Registered Number 988844)**

**REPORT AND ACCOUNTS**

**YEAR ENDED 27 MARCH 1999**



# SHANKS WASTE SERVICES LIMITED

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# SHANKS WASTE SERVICES LIMITED

## DIRECTORS' REPORT

The Directors present their Annual Report and financial statements for the year ended 27 March 1999.

### PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE PROSPECTS

The principal activity of the Company continues 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 management sector and will invest in additional landfill void at economic cost and in new geographical areas with growth potential.

The company changed its name to Shanks Waste Services Ltd on 24th May 1999.

### TRADING RESULTS AND DIVIDEND

The profit on ordinary activities before taxation for the year ended 27 March 1999 was £19,133,000 (1998: £16,375,000).

The Directors recommended that a Dividend of £6,062,000 be paid in respect of the year ended 27 March 1999 (1998 : £4,658,000) The profit transferred to the reserves for the year was £7,601,000 (1998 : £5,832,000).

### YEAR 2000 AND INTRODUCTION OF THE EURO

In conjunction with the other companies in the Shanks 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 Directors who held office during the year were as follows:

M C E Averill	C W Basson (appointed 29.4.99)
D J Downes	A Cordiner (appointed 29.4.99)
J R Meredith	R D Lucas (appointed 29.4.99)
M J Clarke (appointed 29.4.99)	R C Reid (appointed 29.4.99)
A M Ryan (appointed 29.4.99)	

### DIRECTORS' INTERESTS

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

Directors who are also Directors of Shanks Group PLC have their interests in that Company's share capital disclosed in the Group accounts.

Those Directors who were not also Directors of Shanks Group PLC had interests in that Company's share capital as follows:

	<u>As at 27 March 1999</u>			<u>As at 28 March 1998</u>		
	<u>Ordinary Shares of 10p</u>	<u>Share Save</u>	<u>Executive Options</u>	<u>Ordinary Shares of 10p</u>	<u>Share Save</u>	<u>Executive Options</u>
J R Meredith	-	-	205,000	-	-	280,000

At 27 March 1999, Mrs J V Meredith, who is not a Director of the company or Shanks Group PLC, held 3,000 ordinary shares (1998: 3,000) in Shanks Group PLC.

## SHANKS WASTE SERVICES LIMITED

### DIRECTORS' REPORT (Continued)

#### DIRECTORS' INTERESTS (Continued)

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

J R Meredith – Number of Shares

Exercise Price	Opening	Exercised	Granted	Closing			Mid Mkt Price
205p	10,000	-	-	10,000			
88p	75,000	75,000	-	-	Exercised	02.12.98	211p
99p	75,000	75,000	-	-	Exercised	02.12.98	211p
110p	60,000	-	-	60,000			
135p	60,000	-	-	60,000			
199p	-	-	75,000	75,000	Granted	08.08.98	

The Directors had no interests in the shares of any other Company in the group.

#### 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 £48,000 (1998 £33,000) were incurred in the year which have been written off to the profit and loss account.

#### 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 Savings-Related Share Option and Executive Share Options 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.

#### 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 Group Plc.

## SHANKS WASTE SERVICES 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.

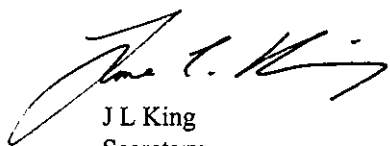
#### PAYMENT OF SUPPLIERS

It is the Company's payment policy for the year ending 27 March 1999, 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 by the number of days, was 31 days (1998 32 days)

#### AUDITORS

PricewaterhouseCoopers have indicated their willingness to continue in office. A resolution concerning the reappointment of PricewaterhouseCoopers will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



J L King  
Secretary  
22 July 1999

Registered Office:  
Dunedin House  
Auckland Park  
Mount Farm  
Milton Keynes  
Buckinghamshire  
MK1 1BU

## **AUDITORS' REPORT TO THE MEMBERS OF SHANKS WASTE SERVICES LIMITED**

We have audited the financial statements on pages 5 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 9.

### **Respective responsibilities of Directors and auditors**

The Directors are responsible for preparing the Annual Report, including as described on page 3 of the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of opinion**

We conducted our audit in accordance with 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 financial statements. 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 which 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 financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company as at 27 March 1999 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PRICE WATERHOUSECOOPERS**  
Chartered Accountants  
and Registered Auditors  
London  
22 July 1999

22 July 1999.

## SHANKS WASTE SERVICES LIMITED

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 27 MARCH 1999

	<u>1999</u> £'000	<u>Restated</u> <u>1998</u> £'000
<b>TURNOVER</b> (Note 2)	135,276	101,015
Cost of sales	<u>(102,642)</u>	<u>(72,383)</u>
<b>GROSS PROFIT</b>	32,634	28,632
Administrative expenses	<u>(10,926)</u>	<u>(10,286)</u>
<b>PROFIT BEFORE INTEREST</b>	21,708	18,346
Net interest payable (Note 6)	(1,875)	(1,571)
Unwinding of discount (Note 7)	<u>(700)</u>	<u>(400)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> (Note 3)	19,133	16,375
Taxation (Note 8)	<u>(5,470)</u>	<u>(5,885)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b> (Note 18)	13,663	10,490
Dividends (Note 9)	<u>(6,062)</u>	<u>(4,658)</u>
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>	<u>7,601</u>	<u>5,832</u>

#### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 27 MARCH 1999

The Company has no recognised gains or losses other than the profit for the year.

#### NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 27 MARCH 1999

There is no material difference between the reported profits for the year and those that would be reported under the historical cost convention.

The notes on pages 7 to 20 form part of these financial statements.

# SHANKS WASTE SERVICES LIMITED

## BALANCE SHEET - 27 MARCH 1999

	<u>1999</u> £'000	<u>Restated</u> <u>1998</u> £'000
<b>FIXED ASSETS</b>		
Tangible assets (Note 10)	87,255	81,361
Intangible assets (Note 11)	1,825	-
Investments (Note 12)	8,173	8,086
	<u>97,253</u>	<u>89,447</u>
<b>CURRENT ASSETS</b>		
Stocks (Note 13)	526	268
Debtors (Note 14)	25,372	23,229
Cash at bank and in hand	-	3
	<u>25,898</u>	<u>23,500</u>
<b>CREDITORS - Amounts falling due within one year (Note 15)</b>	<u>(56,882)</u>	<u>(55,111)</u>
<b>NET CURRENT LIABILITIES</b>	<u>(30,984)</u>	<u>(31,611)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	66,269	57,836
<b>CREDITORS - Amounts falling due after more than one year (Note 16)</b>	(21,155)	(23,303)
<b>PROVISIONS FOR LIABILITIES AND CHARGES (Note 17)</b>	<u>(19,915)</u>	<u>(16,935)</u>
<b>TOTAL NET ASSETS</b>	<u><u>25,199</u></u>	<u><u>17,598</u></u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital (Note 18)	-	-
Profit and loss account (Note 19)	25,199	17,598
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	<u><u>25,199</u></u>	<u><u>17,598</u></u>

APPROVED BY THE BOARD ON  
22 July 1999



D J Downes  
DIRECTOR

The notes on pages 7 to 20 form part of these financial statements.



# SHANKS WASTE SERVICES LIMITED

## NOTES TO THE ACCOUNTS - 27 MARCH 1999

### 1. ACCOUNTING POLICIES

#### 1) Basis of preparation

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. Where changes in presentation are made comparative figures are adjusted accordingly (see note 17).

As the Company is included in the consolidated accounts of Shanks 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, power generated, and other services provided excluding value added tax. Turnover is recognised when processing occurs or the service is provided.

#### 3) Goodwill

Purchased goodwill is now held as an intangible asset and amortised over its estimated useful life in accordance with FRS10. As permitted by FRS10 the goodwill previously written off to reserves has not been reinstated in the balance sheet. 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 and plant and machinery

Depreciation is provided on assets other than land to write off their cost by equal annual instalments over their estimated useful economic lives.

The expected lives are:

Buildings	50 years
Plant and machinery	3 to 10 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.

##### (iii) 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 assets.

# SHANKS WASTE SERVICES LIMITED

## NOTES TO THE ACCOUNTS - 27 MARCH 1999 (Continued)

### 1. ACCOUNTING POLICIES (Continued)

#### 5) Leased assets

Where the Company has substantially all the risks and rewards of ownership of a leased asset, it 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.

Rentals paid under operating leases are charged to the profit and loss account as incurred over the term of the lease.

#### 6) Site restoration provision

Full provision is made for the net present value (NPV) of the Group's minimum unavoidable costs in relation to restoration liabilities at its landfill sites and this value is capitalised as a fixed asset. This represents a change in accounting policy from previous years. The impact of this change on the presentation of the financial statements is described in note 17 to the accounts. The Group continues to provide for the NPV of intermediate restoration costs over the life of its landfill sites, based on the quantity of waste deposited in the year.

#### 7) Aftercare provision

Provision is made for the NPV of post closure costs based on the quantity of waste deposited in the year. Similar costs incurred during the operational life of the sites are written off directly and not charged against the provision.

#### 8) Government grants

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

#### 9) Stocks

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

#### 10) 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 it is thought reasonably probable that a liability will crystallise in the foreseeable future.

#### 11) 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 schemes are treated as assets or liabilities in the balance sheet.

# SHANKS WASTE SERVICES LIMITED

## NOTES TO THE ACCOUNTS - 27 MARCH 1999 (Continued)

### 12) 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 business turnover and operating profit relates to continuing operations.

### 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1999</u> £'000	<u>1998</u> £'000
The profit is stated after charging / (crediting):		
Depreciation of tangible fixed assets		
- owned	8,244	7,024
- held under finance lease or hire purchase	21	40
Hire of plant and machinery		
- operating leases	6,727	5,580
Research and development	48	33
Auditors' remuneration:		
- Audit	52	43
Property rents payable	564	268
Gain on disposal of fixed assets	<u>(42)</u>	<u>(149)</u>

### 4. DIRECTORS' EMOLUMENTS

	<u>1999</u> £'000	<u>1998</u> £'000
Aggregate emoluments	<u>159</u>	<u>147</u>

Retirement benefits are accruing to three (1998: three) directors under a defined benefit scheme.

## SHANKS WASTE SERVICES LIMITED

### NOTES TO THE ACCOUNTS - 27 MARCH 1999(Continued)

#### 5. EMPLOYEES

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

	<u>1999</u> Number	<u>1998</u> Number
Waste Management	724	585
Staff costs comprise:	£'000	£'000
Wages and salaries	15,470	11,419
Social security costs	1,345	1035
Other pension costs	855	706
	<u>17,670</u>	<u>13,160</u>

#### 6. NET INTEREST PAYABLE

	<u>1999</u> £'000	<u>1998</u> £'000
Bank overdraft	1,833	1,560
Interest payable on finance leases and hire purchase contracts	42	11
	<u>1,875</u>	<u>1,571</u>

#### 7. UNWINDING OF DISCOUNT

The unwinding of discount of £700,000 (1998: £400,000) relating to long term landfill liabilities (see also note 17) is now separately disclosed, as required by FRS 12 and has resulted in restatement of prior year operating profit figures.

# SHANKS WASTE SERVICES LIMITED

## NOTES TO THE ACCOUNTS - 27 MARCH 1999 (Continued)

### 8. TAXATION

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

	<u>1999</u> £'000	<u>1998</u> £'000
Corporation tax at 31% (1998: 31%)	5,514	6,119
Corporation tax prior year adjustment	-	93
Deferred taxation (note 17)	<u>(44)</u>	<u>(327)</u>
	<u>5,470</u>	<u>5,885</u>

### 9. DIVIDENDS

	<u>1999</u> £'000	<u>1998</u> £'000
Interim paid £21,280 per share (1998:£15,530)	2,128	1,553
Final proposed £39,340 (1998: £31,050)	<u>3,934</u>	<u>3,105</u>
	<u>6,062</u>	<u>4,658</u>

**SHANKS WASTE SERVICES LIMITED**

**NOTES TO THE ACCOUNTS - 27 MARCH 1999 (Continued)**

**10. TANGIBLE FIXED ASSETS**

	Freehold landfill £'000	Long leasehold landfill £'000	Freehold land and buildings £'000	Short Lease land and buildings £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>						
At 28 March 1998	47,932	1,773	12,607	2,079	52,782	117,173
FRS 12 restatement (see note 17)	5,700	-	-	-	-	5,700
At 28 March 1998 restated	53,632	1,773	12,607	2,079	52,782	122,873
Additions	107	-	2,215	-	10,961	13,283
Disposals	-	-	(396)	-	(2,139)	(2,535)
Transfers from group undertakings	-	-	488	-	2,285	2,773
At 27 March 1999	53,739	1,773	14,914	2,079	63,889	136,394
<b>Depreciation</b>						
At 28 March 1998	6,963	791	4,841	1,904	27,013	41,512
Disposals	-	-	(68)	-	(1,464)	(1,532)
Charge for year	2,390	63	390	125	5,297	8,265
Transfers from group undertakings	-	-	-	-	894	894
At 27 March 1999	9,353	854	5,163	2,029	31,740	49,139

**SHANKS WASTE SERVICES LIMITED**

**NOTES TO THE ACCOUNTS - 27 MARCH 1999 (Continued)**

**10. TANGIBLE FIXED ASSETS (Continued)**

	Freehold landfill £'000	Long leasehold landfill £'000	Freehold land and buildings £'000	Short Lease land and buildings £'000	Plant and machinery £'000	Total £'000
<b>Net book amount</b>						
At 27 March 1999	44,386	919	9,751	50	32,149	87,255
At 28 March 1998 restated	46,669	982	7,766	175	25,769	81,361

Included in plant and machinery are assets held under finance leases with a cost of £98,250(1998: £98,250) and net book value of £37,390 (1998 : £58,390).

Included in plant and machinery and freehold land and buildings are assets under construction with a value of £2,735,000 (1998 : £1,650,000)

The addition to landfill sites under FRS 12 comprises the net present value of the future restoration expenditure which the company is obliged to undertake by the permissions under which it operates landfill sites (see note 17).

The cost of Freehold Landfill sites at 27 March 1999 includes capitalised interest of £523,000 (1998: £523,000).

## SHANKS WASTE SERVICES LIMITED

### NOTES TO THE ACCOUNTS - 27 MARCH 1999 (Continued)

#### 11. INTANGIBLE ASSETS

	<u>1999</u>	<u>1998</u>
	£'000	£'000
Goodwill on purchase of businesses in year	<u>1,825</u>	<u>-</u>

The amount of goodwill amortisation for the year was £Nil due to the timings of the purchases. There was no movement in intangible assets during the year other than the addition of the above goodwill.

During the year the company acquired the following businesses:

Activities & Geographical Area		
10.12.98	Whites Environmental	Waste collection and disposal – East Midlands
22.2.99	W.E. Jenkins & Son	Materials recycling – South Wales
26.3.99	A.B. Hendry	Waste collection and disposal – Central Scotland

The net assets acquired at provisional fair values comprised:

	£'000
Tangible assets	3,829
Goodwill on purchase of businesses in year	1,825
Consideration	<u>5,654</u>

#### 12. FIXED ASSETS - INVESTMENTS

	Shares in Subsidiary <u>Undertakings</u>	Other investments other than <u>loans</u>	<u>Total</u>
	£'000	£'000	£'000
At 28 March 1998	5,320	2,766	8,086
Acquisitions in the year	328	-	328
Adjustments to consideration paid in prior years	(241)	-	(241)
	<u>5,407</u>	<u>2,766</u>	<u>8,173</u>
At 27 March 1999	<u>5,407</u>	<u>2,766</u>	<u>8,173</u>

All investments are stated at cost.



## SHANKS WASTE SERVICES LIMITED

### NOTES TO THE ACCOUNTS - 27 MARCH 1999 (Continued)

#### 12. FIXED ASSETS – INVESTMENTS CONT.

The company had the following investments in subsidiary undertakings:

<u>Name of Company</u>	<u>Country of Registration</u>	<u>Type of shares</u>	<u>Type of business</u>	<u>Proportion of shares and voting rights held</u>
Shanks & McEwan (Bletchley Power Generation) Limited	England	Ordinary	Dormant	100%
Shanks & McEwan (L'field Power Generation Limited)	England	Ordinary	Dormant	100%
Shanks & McEwan (Calvert Power Generation) Limited	England	Ordinary	Dormant	100%
Shanks & McEwan (Arlesey Power Generation) Limited	England	Ordinary	Dormant	100%
Muck Away Limited	England	Ordinary	Dormant	100%
Shanks & McEwan (Camden) Limited	England	Ordinary	Dormant	100%
Goodwin's Mini-Skips Limited	England	Ordinary	Dormant	100%
Capital Waste Management Limited	England	Ordinary	Dormant	100%
Shanks & McEwan (Technical Services) Limited	England	Ordinary	Dormant	100%
Greenacre Waste Management Limited	England	Ordinary	Waste Services	100%
Safewaste Ltd	England	Ordinary	Waste Services	100%
Robinsons Brothers (Environmental Ltd)	England	Ordinary	Waste Services	100%
Pembrokeshire Environmental Ltd	England	Ordinary	Waste Services	100%

The Directors are of the opinion that the value of investments in subsidiary undertakings and other investments are not less than the amounts at which they are recorded in the balance sheet.

## SHANKS WASTE SERVICES LIMITED

### NOTES TO THE ACCOUNTS - 27 MARCH 1999(Continued)

#### 13. STOCK

	<u>1999</u> £'000	<u>1998</u> £'000
Raw materials and consumables	<u>526</u>	<u>268</u>

#### 14. DEBTORS – Amounts falling due within one year

	<u>1999</u> £'000	<u>1998</u> £'000
Trade debtors	22,698	20,061
Amounts owed by group undertakings	-	913
Prepayments and accrued income	<u>2,674</u>	<u>2,255</u>
	<u>25,372</u>	<u>23,229</u>

#### 15. CREDITORS – Amounts falling due within one year

	<u>1999</u> £'000	<u>1998</u> £'000
Bank overdraft	20,427	18,853
Trade creditors	5,180	6,571
Amounts owed to group undertakings	4,094	1,753
Hire purchase creditors	283	19
Corporation tax payable	4,273	7,287
Other taxation and social security	8,518	9,779
Proposed dividend	3,934	3,105
Accruals	9,503	6,967
Deferred purchase consideration	<u>670</u>	<u>777</u>
	<u>56,882</u>	<u>55,111</u>

The company has granted to its bankers an unlimited guarantee and a right of set off against accounts outstanding on advances to its parent and fellow subsidiary undertakings.

## SHANKS WASTE SERVICES LIMITED

### NOTES TO THE ACCOUNTS - 27 MARCH 1999 (Continued)

#### 16. CREDITORS - Amounts falling due after more than one year

	<u>1999</u> £'000	<u>1998</u> £'000
Amounts owed to group undertakings	21,155	23,263
Deferred purchase consideration	-	40
	<u>21,155</u>	<u>23,303</u>
Finance leases repayable as follows:		
Between one and two years	283	19
Between two and five years	-	-
	<u>283</u>	<u>19</u>

#### 17. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Deferred taxation</u> £'000	<u>Site restoration</u> £'000	<u>Aftercare</u> £'000	<u>Total</u> £'000
At 28 March 1998	490	3,570	7,175	11,235
FRS 12 adjustment	-	5,700	-	5,700
At 28 March 1998 restated	<u>490</u>	<u>9,270</u>	<u>7,175</u>	<u>16,935</u>
Provided (Released)	(44)	819	2,415	3,190
Utilised	-	(210)	-	(210)
At 27 March 1999	<u>446</u>	<u>9,879</u>	<u>9,590</u>	<u>19,915</u>

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

	<u>1999</u>		<u>1998</u>	
	<u>Amount provided in the accounts</u> £'000	<u>Potential liability</u> £'000	<u>Amount provided in the accounts</u> £'000	<u>Potential liability</u> £'000
Accelerated capital allowances	2,313	3,306	1,723	2,704
Other timing differences	(1,867)	(1,867)	(1,233)	(1,233)
	<u>446</u>	<u>1,439</u>	<u>490</u>	<u>1,471</u>

## SHANKS WASTE SERVICES LIMITED

### NOTES TO THE ACCOUNTS - 27 MARCH 1999

In September 1998, the Accounting Standards Board (ASB) published Financial Reporting Standard (FRS) 12. "Provisions, Contingent Liabilities and Contingent Assets". In accordance with FRS 12, full provision has been made for the net present value (NPV) of the Company's minimum unavoidable costs, in relation to restoration liabilities at its landfill sites, which has been capitalised in fixed assets. The Company continues to provide for intermediate restoration costs and total aftercare costs over the life of its landfill sites, based on the quantity of waste deposited in the year, since the liabilities in relation to these costs increase as waste is deposited.

All long term provisions for restoration and aftercare costs are calculated based on the NPV of estimated future costs. Current cost estimates are inflated at 3% and discounted at 5% to calculate the NPV. The effects of inflation and the unwinding of the discount element on existing provisions are reflected within the financial statements as a financial item. Previously all such items were treated as part of cost of sales.

The implementation of FRS 12 has increased tangible fixed assets and restoration liabilities as at 28 March 1998 by £5.7m. There is no impact on opening retained earnings as a result of the implementation of this standard, since the results are not materially different to those previously reported.

To ensure consistency of presentation, the element of the provision movement in the prior year relating to inflation and discount amounting to £0.7m has been reclassified from cost of sales to a financial item.

#### 18. CALLED UP SHARE CAPITAL

	<u>1999</u>	<u>1998</u>
	£	£
100 ordinary shares of £1 each		
Authorised, allotted and fully paid	<u>100</u>	<u>100</u>

#### 19. RESERVES

	<u>Profit and loss £'000</u>
At 28 March 1998	17,598
Profit for the year	13,663
Dividends	<u>(6,062)</u>
At 27 March 1999	<u>25,199</u>

The cumulative goodwill written off reserves from continuing businesses since January 1986, when the company was acquired by Shanks PLC is £6,920,000 (1998: £6,920,000).

## SHANKS WASTE SERVICES LIMITED

### NOTES TO THE ACCOUNTS - 27 MARCH 1999 (Continued)

#### 20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1999</u> £'000	<u>1998</u> £'000
Profit on ordinary activities after taxation	13,663	10,490
Dividends	(6,062)	(4,658)
Goodwill	-	(95)
	<hr/>	<hr/>
Net addition to shareholders' funds	7,601	5,737
Opening shareholders' funds	17,598	11,861
	<hr/>	<hr/>
Closing shareholders' funds	<u>25,199</u>	<u>17,598</u>

#### 21. CAPITAL COMMITMENTS

The approximate amount of capital expenditure authorised by the Directors for which no provision has been made in the financial statements is:

	<u>1999</u> £'000	<u>1998</u> £'000
Expenditure contracted for	<u>5,205</u>	<u>5,307</u>

#### 22. COMMITMENTS UNDER OPERATING LEASES

The annual commitments under operating leases for buildings are as follows:-

	<u>1999</u> £'000	<u>1998</u> £'000
Leases expiring:		
Within 1 year	138	-
Between 2 and 5 years	145	205
Over 5 years	-	337
	<hr/>	<hr/>
	<u>283</u>	<u>542</u>

## **SHANKS WASTE SERVICES LIMITED**

### **NOTES TO THE ACCOUNTS - 27 MARCH 1999 (Continued)**

#### **23. PENSION COMMITMENTS**

The company along with other companies in the Shanks Group, participates in funded 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 a triennial valuation using the Projected Unit Method.

The pension charge for the year was £915,000 (1998: £706,000).

Details of the latest actuarial value of the scheme on 5 April 1997 are given in the accounts of Shanks Group PLC.

#### **24. RELATED PARTY TRANSACTIONS**

As permitted by FRS8, the Company, being a wholly owned subsidiary of another company which prepares a statement of related party transactions including that of this company, has not prepared such a statement itself.

#### **25. CASH FLOW STATEMENT**

As permitted by paragraph 8(c) of FRS1 (revised 1996), the company, being the wholly owned subsidiary of another company which prepares a cash flow statement including that of this company, has not prepared such a statement itself.

#### **26. CONTINGENT LIABILITIES**

The company has granted to its bankers an unlimited guarantee and a right of set off against accounts outstanding on advances to its parent and fellow subsidiary undertakings. The Company has in normal course of business given guarantees and performance bonds relating to the Company's own contracts.

#### **27. IMMEDIATE & ULTIMATE PARENT COMPANY**

The immediate and ultimate parent Company is Shanks Group PLC, a Company registered in Scotland. Copies of the group accounts may be obtained from the Company Secretary, Shanks Group PLC, Astor House, Station Road, Bourne End, Buckinghamshire, SL8 5YP.