

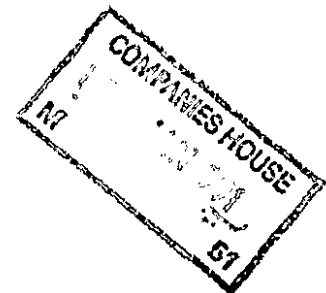
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COMPANY NO. 988844

**Moore
Rowland**

SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT AND ACCOUNTS

Year ended 31 March 1990



SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT AND ACCOUNTS

Year ended 31 March 1990

CONTENTS	Page
Report of the directors	1
Report of the auditors	4
Profit and loss account	5
Balance sheet	6
Statement of source and application of funds	7
Notes on the accounts	8

Directors

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

Secretary and registered office

J A Smith, Woodside House, Church Road, Woburn Sands,
 Milton Keynes, Buckinghamshire MK17 8TA

REPORT OF THE DIRECTORS

The directors submit their report and the audited accounts of the company for the year ended 31 March 1990.

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 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

The company profit and dividend for the year ended 31 March 1990 were as follows:

	£000
Profit for year after taxation	6,396
Proposed dividend	3,308
Profit retained	<u>3,088</u>

3. 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.

4. Directors

The composition of the Board of Directors at the date of this report is shown above.

SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT OF THE DIRECTORS

5. Directors' interests

Messrs M R Hewitt and H L I Runciman are directors of the ultimate holding company Shanks & McEwan Group PLC in whose accounts their interests in that company are shown. No director had any interest in the shares of the company nor any of its fellow subsidiaries. The interests of the other directors in the ordinary share capital of the holding company on 31 March 1990 together with their interests on 26 March 1989 or on the date of appointment if later, were as follows:

	Ordinary shares of 50p each		Share options	
	At 31.3.90	At 26.3.89	At 31.3.90	At 26.3.89
G J Newman	10,000	—	20,042	37,741
P R Spencer	150	150	5,469	17,469
J A Smith	3,000	—	6,042	17,741
C W Basson	100	100	13,363	25,062
R L Strachan	—	—	3,000	12,000
H D T Moss	3,100	100	6,042	14,741

6. Acquisitions

On 13 July 1989 the company acquired the entire issued share capital of Quick Skips (London) Limited and Muck Away Limited.

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 Shanks & McEwan (Southern) Limited 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.

SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT OF THE DIRECTORS


8. Charitable donations

During the period donations made by the Company for charitable purposes amounted to £2,510. 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 A SMITH 

Secretary

19 June 1990

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 affairs of the company at 31 March 1990 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.

MOORES ROWLAND

Chartered Accountants

25 Bothwell Street
Glasgow G2 6NL

19 June 1990

SHANKS & McEWAN (SOUTHERN) LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 1990

		1990	1989
	Note	£000	£000
TURNOVER	3	44,516	29,875
Cost of sales		<u>28,266</u>	<u>19,389</u>
GROSS PROFIT		16,250	10,486
Administrative expenses		<u>4,440</u>	<u>3,277</u>
		11,810	7,209
Investment income - dividend receivable from subsidiary undertaking		<u>-</u>	<u>21</u>
		11,810	7,230
Interest payable	5	<u>(1,656)</u>	<u>(830)</u>
		10,154	6,400
Exceptional item	6	<u>-</u>	<u>400</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2,3	10,154	6,800
Tax on profit on ordinary activities	7	<u>3,758</u>	<u>2,049</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		6,396	4,751
Extraordinary item	8	<u>-</u>	<u>(138)</u>
PROFIT FOR YEAR		6,396	4,613
Dividend	9	<u>3,308</u>	<u>2,317</u>
TRANSFER TO RESERVES	17	<u><u>3,088</u></u>	<u><u>2,296</u></u>

The statement of accounting policies and the notes on pages 8 to 16 form part of these accounts

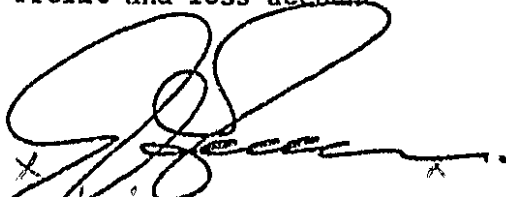
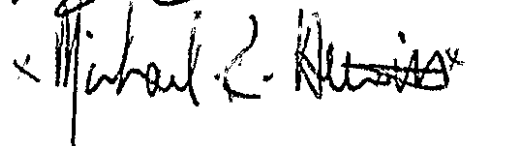
SHANKS & McEWAN (SOUTHERN) LIMITED

6

BALANCE SHEET

31 MARCH 1990

	Note	1990 £000	1989 £000
FIXED ASSETS			
Tangible assets	10	18,042	15,746
Investments	11	307	119
		<u>18,349</u>	<u>15,865</u>
CURRENT ASSETS			
Stock		39	42
Debtors	12	10,975	8,144
Cash at bank and in hand		3	3
		<u>11,017</u>	<u>8,189</u>
CREDITORS: amounts falling due within one year	13	23,769	19,432
NET CURRENT LIABILITIES		<u>(12,752)</u>	<u>(11,243)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,597</u>	<u>4,622</u>
CREDITORS: amounts falling due outside one year	14	1,091	—
PROVISIONS FOR LIABILITIES AND CHARGES	15	119	233
ACCRUALS AND DEFERRED INCOME			
Government grants		35	53
		<u>1,245</u>	<u>286</u>
		<u>4,352</u>	<u>4,336</u>
CAPITAL AND RESERVES			
Called up share capital	16	1	1
Profit and loss account	17	4,351	4,335
		<u>4,352</u>	<u>4,336</u>

Director

G. J. NEWMAN

Director

M. L. HEWITT

19 June 1990

The statement of accounting policies and the notes on pages 8 to 16 form part of these accounts

SHANKS & McEWAN (SOUTHERN) LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended 31 March 1990

	1990	1989
	£000	£000
SOURCE OF FUNDS		
FUNDS GENERATED FROM OPERATIONS		
Profit on ordinary activities before taxation	10,154	6,800
Extraordinary item before taxation	—	(138)
	<u>10,154</u>	<u>6,662</u>
Adjustment for items not involving the movement of funds:		
Profit on disposal of tangible fixed assets	(27)	(100)
Depreciation of tangible fixed assets	3,469	2,259
Provision for restoration	(186)	(112)
Grant credit	(18)	(18)
Hendon provision	—	(400)
	<u>13,392</u>	<u>8,291</u>
Total generated from operations		
Funds from other sources:		
Disposal of tangible fixed assets	355	257
	<u>13,747</u>	<u>8,548</u>
APPLICATION OF FUNDS		
Purchase of investment	188	114
Purchase of tangible fixed assets	6,094	10,238
Dividend paid	2,317	1,857
Purchase of goodwill	3,072	2,438
Tax paid	5	2,303
Group relief	—	247
	<u>11,676</u>	<u>17,197</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>2,071</u>	<u>(8,649)</u>
COMPONENTS OF INCREASE (DECREASE) IN WORKING CAPITAL		
Stock	(3)	18
Debtors	2,816	2,951
Creditors	(2,956)	(810)
Amounts owed by/to group companies	(218)	(1,256)
Net liquid funds:		
Cash and bank balances	—	(554)
Bank borrowings	2,432	(8,998)
	<u>2,071</u>	<u>(8,649)</u>

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

1. Accounting policies

(i) Accounting convention

The accounts are prepared using the historical cost convention modified by the revaluation of certain land and buildings.

As the company is a wholly owned subsidiary undertaking of another body corporate incorporated in Great Britain, group accounts have not been prepared as permitted by S229(2) of the Companies Act 1985.

(ii) Goodwill

Purchased goodwill is written off against reserves in the year in which it arises.

(iii) Turnover

Turnover is computed as the invoiced value of work executed and services provided during the year excluding, where applicable, value added tax.

(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 8 years
Motor vehicles	:	3 to 6 years

(b) Landfill sites

Acquisition and commissioning costs 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 Group companies 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.

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.

NOTES ON THE ACCOUNTS

(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) Capital 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 and work in progress 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 where 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 period in which it is incurred.

	1990	1989
2. Profit on ordinary activities before taxation	£000	£000

Trading profit is stated after charging:

Depreciation of tangible fixed assets	3,469	2,259
Auditors' remuneration	34	25
Hire of plant and machinery - operating leases	1,529	1,483
Hire of plant and machinery - finance leases	33	77
Property rents payable	294	191
Research and development	316	100
Ex-gratia payment to former director	-	30
	<u> </u>	<u> </u>

NOTES ON THE ACCOUNTS

3. Turnover and profit

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

	1990		1989	
	Turnover	Profit before taxation	Turnover	Profit before taxation
	£000	£000	£000	£000
Waste management	<u>44,516</u>	<u>10,154</u>	<u>29,875</u>	<u>6,800</u>

4. Directors and other employees

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

	1990	1989
	Number	Number

	<u>501</u>	<u>433</u>
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Staff costs comprise:

	£000	£000
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Wages and salaries	8,216	5,812
Social security costs	714	573
Other pension costs	236	170

	<u>9,166</u>	<u>6,555</u>
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The remuneration of the directors was as follows:

Fees	—	—
Other emoluments	<u>288</u>	<u>236</u>

Excluding contributions to pension schemes the emoluments of the individual directors were as follows:

Chairman	<u>Nil</u>	<u>Nil</u>
Highest paid director	<u>62</u>	<u>49</u>

Other directors

	Number	Number
--	--------	--------

£0 to £5,000	1	1
£25,001 to £30,000	—	1
£30,001 to £35,000	—	4
£35,001 to £40,000	3	—
£40,001 to £45,000	2	—

Other employees earning over £30,000

£30,001 - £35,000	2	1
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SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

	1990	1989
5. Interest	£000	£000
Interest payable on loans and bank borrowings repayable within five years	1,650	830
Interest payable on finance leases and hire purchase contracts	55	—
	<u>1,705</u>	<u>£30</u>
Interest receivable	(49)	—
	<u>1,656</u>	<u>830</u>
	1990	1989
	£000	£000
6. Exceptional item		
Write back of Hendon provision	—	400
	<u>—</u>	<u>400</u>
	1990	1989
7. Taxation	£000	£000
Taxation charge based on the profits for the year is made up as follows:		
UK corporation tax @ 35% (1989: 35%)	3,757	2,040
UK corporation tax — prior year adjustment	1	9
	<u>3,758</u>	<u>2,049</u>
The charge for the year reflects the benefit of deferred taxation not provided of £81,000.		
8. Extraordinary items	£000	£000
Costs of business acquisitions	—	138
	<u>—</u>	<u>138</u>

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

		1990	1989		
		£	£		
9.	Dividend				
	Proposed final dividend	<u>3,308</u>	<u>2,317</u>		
10.	Tangible fixed assets				
		Land and buildings	Plant and machinery	Motor vehicles	Total
		£000	£000	£000	£000
	Cost:				
	At 26 March 1989	2,944	16,343	4,617	23,904
	Additions	14	4,386	1,694	6,094
	Disposals	—	(223)	(449)	(672)
	Intra group transfers	—	(18)	(79)	(97)
	At 31 March 1990	<u>2,958</u>	<u>20,488</u>	<u>5,783</u>	<u>29,229</u>
	Depreciation:				
	At 26 March 1989	—	6,809	1,350	8,159
	Eliminated in respect of disposals	—	(62)	(255)	(417)
	Charge for year	15	2,318	1,136	3,469
	Intra group transfers	—	32	(56)	(24)
	At 31 March 1990	<u>15</u>	<u>8,997</u>	<u>2,175</u>	<u>11,187</u>
	Net book amount: At 31 March 1990	<u>2,943</u>	<u>11,491</u>	<u>3,608</u>	<u>18,042</u>
	Consisting of:				
	Freehold	2,943			
	Short leasehold	—			
	At 25 March 1989	<u>3,831</u>	<u>11,859</u>	<u>56</u>	<u>15,746</u>

Included in plant and machinery are assets under construction with a net book value of £753,000 (1989: £809,058).

11. /

NOTES ON THE ACCOUNTS

	1990
	£000
11. Fixed assets - Investments	
Investments in subsidiary undertakings	
Shares at cost less amounts written off:	
At 26 March 1989	119
Additions	-
Transfer from holding company	3,260
Amounts written off to reserves	(3,072)
	<u>307</u>

On 13 July 1989, the holding company, Shanks & McEwan Group PLC, acquired the entire issued share capital of Quick Skips (London) Limited and Muck Away Limited, the interest being then transferred to this company for a consideration of £3,259,556. The net assets acquired as shown in the unaudited accounts at date of acquisition are considered to be at fair value and amounted to £188,000. The goodwill arising amounting to £3,071,556, has been written off in accordance with company policy.

The company holds 100% of the equity of the following companies:

Name of company	Country of registration	Class of share	Nature of business
Avenger Skips Limited	England	Ordinary	Dormant
Shanks & McEwan (Gas) Limited	England	Ordinary	Dormant
Ring-Mack Demolition Limited	England	Ordinary	Dormant
B E Elliott (Haulage Contractors) Limited	England	Ordinary	Dormant
Abel (Waste Disposal) Limited	England	Ordinary	Dormant
Quick Skips (London) Limited	England	Ordinary	Dormant
Muck Away Limited	England	Ordinary	Dormant
		1990	1989
12. Debtors		£000	£000
Trade debtors		10,679	7,963
Amounts owed by fellow subsidiaries		34	19
Other debtors		91	1
Prepayments and accrued income		171	161
		<u>10,975</u>	<u>8,144</u>

13. /

NOTES ON THE ACCOUNTS

13. Creditors: amounts falling due within one year	1990	1989
	£000	£000
Bank overdraft		
Trade creditors	6,566	8,998
Amounts owed to group companies:	3,510	3,491
Fellow subsidiaries		
Subsidiaries	705	850
Holding company	644	207
Taxation and social security	773	—
Other creditors	1,303	720
Hire purchase and finance lease obligations	351	29
Accruals and deferred income	368	—
Corporation tax payable	691	191
Proposed dividend	5,550	1,797
	3,308	2,317
	<u>23,769</u>	<u>19,432</u>

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

Hire purchase and finance lease obligations

1,091

Hire purchase and finance lease obligations are repayable between two and five years.

15. Provisions for liabilities and charges

	Reclamation Provision
At 26 March 1989	£000
Utilised in year	233
Provided in year	(185)
Transfer to current creditors	371
	(300)
At 31 March 1990	<u>119</u>

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

	1990		1989	
	Provision	Total Potential Liability	Provision	Total Potential Liability
	£000	£000	£000	£000
Accelerated capital allowances	—	1,674	—	1,593
Other timing differences	—	—	—	—
	<u>—</u>	<u>1,674</u>	<u>—</u>	<u>1,593</u>

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

	1990	1989
16. Called up share capital	£	£
Authorised, allotted, called up and fully paid:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
17. Profit and loss account	£000	£000
At 26 March 1989	4,335	4,477
Retained profit for year	3,088	2,296
Goodwill written off on acquisition of waste disposal businesses	<u>(3,072)</u>	<u>(2,438)</u>
At 31 March 1990	<u>4,351</u>	<u>4,335</u>

18. Capital commitments

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

	1990	1989
	£000	£000
Expenditure contracted for	1,087	412
Expenditure not contracted for	<u>4,511</u>	<u>1,481</u>
	<u>5,598</u>	<u>1,893</u>

19. Financial commitments

Annual commitments under operating leases expiring:

	1990		1989	
	Building	Other	Building	Other
	£000	£000	£000	£000
Within 1 year	41	—	34	41
Between 2 and 5 years	—	4	—	4
Over 5 years	<u>158</u>	—	<u>135</u>	—
	<u>199</u>	<u>4</u>	<u>169</u>	<u>45</u>

20. Pension commitments

The company along with other companies in the Shanks & McEwan Group, participates in pension arrangements providing benefits based on final pensionable salary. The assets are held separately from those of the group companies and are invested by professional investment managers.

The/

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

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

Group bank guarantees:

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 holding company

The company's ultimate holding company is Shanks & McEwan Group PLC, a company incorporated in Great Britain.