

COPY FOR REGISTRAR OF COMPANIES

COMPANY NO. 988844

**Moores  
Rowland**

SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT AND ACCOUNTS

Year ended 25 March 1989

COMPANIES HOUSE  
6 FEB 1990  
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SHANKS & McEWAN (SOUTHERN) LIMITED

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

Secretary and registered office

E J Glare-Williams, 69-71 Bromham Road, Bedford MK40 2BL

REPORT OF THE DIRECTORS

The directors submit their report and the audited accounts of the company for the year ended 25 March 1989.

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 continues to expand due to the acquisition of smaller businesses in the London area. These acquisitions have helped the company to expand its customer base and through this and the resultant increase in landfill site activity, have made a significant contribution to profit. Further expansion is planned in the coming year and it is anticipated that current growth will be maintained.

2. Trading results

The company profit and dividend for the year ended 25 March 1989 were as follows: £000

Profit for year after taxation and extraordinary item	4,613
Proposed dividend	2,317
	<hr/>
Profit retained	2,296
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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 &amp; 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 25 March 1989 together with their interests on 27 March 1988 or on the date of appointment if later, were as follows:

	Ordinary shares of 50p each		Share options	
	At 25.3.89	At 27.3.88	At 25.3.89	At 27.3.88
G J Newman	—	—	37,741	34,741
P R Spencer	150	150	17,469	14,469
J A Smith	—	—	17,741	14,741
C W Basson	100	100	25,062	23,062
R L Strachan	—	—	12,000	9,000
H D T Moss	100	100	14,741	11,741

## 6. Acquisitions

On 31 March 1988 the company acquired the entire issued share capital of Abel (Waste Disposal) Limited.

The company has also acquired the waste disposal business and assets of the following companies:

29 March 1988	Blackwall Transfer Station Limited
3 May 1988	Joyner Trucking Limited
6 May 1988	Medwaste Limited
1 July 1988	1A Capital Skip Hire Limited
7 July 1988	West London Skips 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.

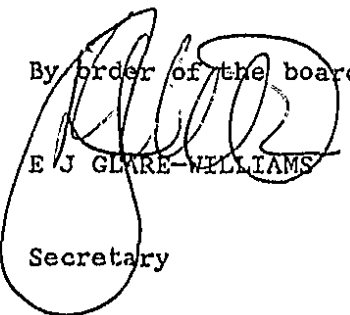
SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT OF THE DIRECTORS

8. 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



E J GLARE-WILLIAMS

Secretary

26 June 1989

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 approved auditing standards.

In our opinion the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the company at 25 March 1989 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

MOORES ROWLAND

Chartered Accountants

25 Bothwell Street  
Glasgow G2 6NL

26 June 1989

## SHANKS &amp; McEWAN (SOUTHERN) LIMITED

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## PROFIT AND LOSS ACCOUNT

Year ended 25 March 1989

		1989	1988
	Note	£000	£000
TURNOVER	5	29,875	18,749
Cost of sales		19,389	11,777
GROSS PROFIT		10,486	6,972
Administrative expenses		3,277	1,951
		7,209	5,021
Investment income - dividend receivable from subsidiary company		21	-
Interest payable	2	7,230 (830)	5,021 -
Exceptional item	3	6,400 400	5,021 -
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4,5	6,800	5,021
Tax on profit on ordinary activities	7	2,049	1,200
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,751	3,821
Extraordinary item	8	(138)	(126)
PROFIT FOR YEAR		4,613	3,695
Dividend	9	2,317	1,857
TRANSFER TO RESERVES	16	2,296	1,838

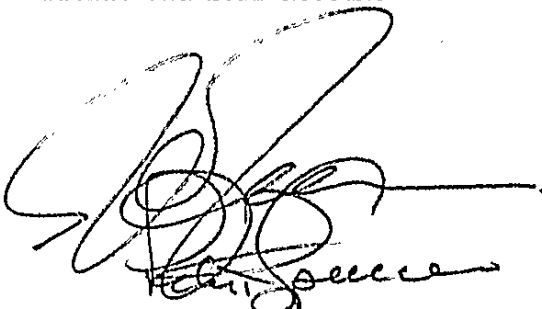
The statement of accounting policies and the notes on pages 8 to 16 form part of these accounts

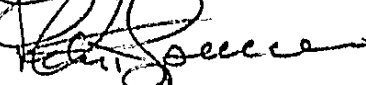
## SHANKS &amp; McEWAN (SOUTHERN) LIMITED

## BALANCE SHEET

25 MARCH 1989

	Note	1989 £000	1988 £000
<b>FIXED ASSETS</b>			
Tangible assets	10	15,746	7,924
Investments	11	119	5
		<u>15,865</u>	<u>7,929</u>
<b>CURRENT ASSETS</b>			
Stock		42	24
Debtors	12	8,144	5,182
Cash at bank and in hand		3	557
		<u>8,189</u>	<u>5,763</u>
CREDITORS: amounts falling due within one year	13	19,432	8,535
<b>NET CURRENT LIABILITIES</b>		<b>(11,243)</b>	<b>(2,772)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,622</b>	<b>5,157</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14	<b>233</b>	<b>608</b>
<b>ACCRUALS AND DEFERRED INCOME</b>			
Government grants		53	71
		<u>286</u>	<u>679</u>
		<u><u>4,336</u></u>	<u><u>4,478</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	1	1
Profit and loss account	16	4,335	4,477
		<u>4,336</u>	<u>4,478</u>

 Director

 Director

26 June 1989

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

## SHANKS &amp; McEWAN (SOUTHERN) LIMITED

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## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended 25 March 1989

	1989	1988
	£000	£000
SOURCE OF FUNDS		
FUNDS GENERATED FROM OPERATIONS		
Profit on ordinary activities before taxation	6,800	5,021
Extraordinary item before taxation	(138)	(132)
	<u>6,662</u>	<u>4,889</u>
Adjustment for items not involving the movement of funds:		
Profit on disposal of tangible fixed assets	(100)	(22)
Depreciation of tangible fixed assets	2,259	1,192
Provision for restoration	(112)	(64)
Grant credit	(18)	(17)
Hendon provision	(400)	-
Total generated from operations	<u>8,291</u>	<u>5,978</u>
Funds from other sources:		
Disposal of tangible fixed assets	<u>257</u>	<u>34</u>
	8,548	6,012
APPLICATION OF FUNDS		
Purchase of investment	114	4
Purchase of tangible fixed assets	10,238	3,314
Dividend paid	1,857	3,292
Purchase of goodwill	2,438	1,463
Tax paid	2,303	393
Group relief	247	483
	<u>17,197</u>	<u>8,949</u>
DECREASE IN WORKING CAPITAL	<u>(8,649)</u>	<u>(2,937)</u>
COMPONENTS OF DECREASE IN WORKING CAPITAL		
Stock	18	15
Debtors	2,951	2,843
Creditors	(810)	(1,737)
Amounts owed by/to group companies	(1,256)	(699)
Net liquid funds:		
Cash and bank balances	(554)	(3,359)
Bank borrowings	(8,998)	-
	<u>(8,649)</u>	<u>(2,937)</u>



## SHANKS &amp; McEWAN (SOUTHERN) LIMITED

## NOTES ON THE ACCOUNTS

## 1. Accounting policies

## (i) Accounting convention

The accounts are prepared under the historical cost convention.

As the company is a wholly owned subsidiary 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) Turnover

Turnover is the amount invoiced, exclusive of VAT, for goods and services to customers after deduction of trade discounts.

## (iii) Deferred taxation

Deferred taxation represents corporation tax calculated on the liability basis deferred by accelerated capital allowances and other timing differences, where it is thought reasonably probable that an actual tax liability will arise in the foreseeable future.

## (iv) Tangible fixed assets

Tangible fixed assets are included at cost, with the exception of those acquired from group companies which are shown at their original cost to the group or subsequent valuation, together with attributable depreciation.

## (v) Capital grants

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

## (vi) Depreciation

No depreciation is provided on land.

Depreciation is provided to write down all other tangible fixed assets to disposable values over their estimated useful lives. Where tangible fixed assets are permanently taken out of use the residual balances are written off. The estimated lives are:

## Land and Buildings

Freehold Buildings : 50 years  
Leasehold Buildings : Amortised over the unexpired period of the lease

## Plant and Machinery

Fixed : 3 to 20 years  
Mobile : 2 to 7 years

Fixtures, Fittings,  
Tools and Equipment : 3 to 10 years

## NOTES ON THE ACCOUNTS

## (vii) Landfill sites

The acquisition and commissioning costs of each site are amortised over the estimated useful life based on the volume of void space consumed.

## (viii) Goodwill

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

## (ix) Research and development

Research and development expenditure is written off in the period in which it is incurred.

## (x) Stocks

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

## (xi) Leasing

The rentals payable on all leases are charged to the profit and loss account as incurred. Assets and the obligation to pay future rentals under finance leases are not shown on the balance sheet due to their immateriality, but the latter is shown by way of a note to the accounts.

## (xii) 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.

	1989	1988
2. Interest payable	£000	£000
Bank overdraft interest	830	-
	<u>          </u>	<u>          </u>
3. Exceptional item		
Write back of Hendon provision (see note 14)	400	-
	<u>          </u>	<u>          </u>
4. Profit on ordinary activities before taxation		
Trading profit is stated after charging:		
Depreciation of tangible fixed assets	2,259	1,192
Auditors' remuneration	25	18
Hire of plant and machinery - operating leases	1,483	913
Hire of plant and machinery - finance leases	77	40
Property rents payable	191	127
Ex-gratia payment to former director	30	-
	<u>          </u>	<u>          </u>

## SHANKS &amp; McEWAN (SOUTHERN) LIMITED

## NOTES ON THE ACCOUNTS

## 5. Turnover and company profit

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

	1989		1988	
	Turnover	Profit before taxation	Turnover	Profit before taxation
	£000	£000	£000	£000
Waste handling	<u>29,875</u>	<u>6,800</u>	<u>18,749</u>	<u>5,021</u>

	1989	1988
	Number	Number
6. Directors and other employees		
The average weekly number of persons employed by the company during the year was	<u>433</u>	<u>236</u>
Staff costs comprise:	£000	£000
Wages and salaries	5,812	3,502
Social security costs	573	288
Other pension costs	170	130
	<u>6,555</u>	<u>3,920</u>

The remuneration of the directors was as follows:

Fees	-	-
Other emoluments	<u>236</u>	<u>159</u>

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

Chairman	Nil	Nil
Highest paid director	<u>49</u>	<u>44</u>

	Number	Number
Other directors		
£0 to £5,000	1	1
£25,001 to £30,000	1	3
£30,001 to £35,000	4	-
Other employees earning over £30,000		
£30,001 - £35,000	1	-

## SHANKS &amp; McEWAN (SOUTHERN) LIMITED

## NOTES ON THE ACCOUNTS

	1989	1988
7. Tax on profit on ordinary activities	£000	£000
Taxation charge based on the profits for the year is made up as follows:		
UK corporation tax @ 35% (1988: 35%)	2,040	1,608
UK corporation tax - prior year adjustment	9	(56)
Transfer from deferred tax	-	(352)
	<u>2,049</u>	<u>1,200</u>
The tax charge has benefited to the extent of £366,000 due to the non-provision of deferred tax.		
	1989	1988
8. Extraordinary items	£000	£000
Costs of business acquisitions	138	132
UK corporation tax relief at 35%	-	(6)
	<u>138</u>	<u>126</u>
9. Dividend		
Proposed final dividend	<u>2,317</u>	<u>1,857</u>

## NOTES ON THE ACCOUNTS

## 10. Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures fittings tools and equipment	Total
	£000	£000	£000	£000
<b>COST</b>				
At 27 March 1988	1,590	12,495	151	14,236
Additions	2,582	6,704	22	9,308
Intra group transfers	425	610	8	1,043
Disposals	—	(682)	—	(682)
At 25 March 1989	<u>4,597</u>	<u>19,127</u>	<u>181</u>	<u>23,905</u>
<b>DEPRECIATION</b>				
At 27 March 1988	677	5,543	92	6,312
Eliminated in respect of disposals	—	(525)	—	(525)
Charge for year	89	2,138	32	2,259
Intra group transfers	—	112	1	113
At 25 March 1989	<u>766</u>	<u>7,268</u>	<u>125</u>	<u>8,159</u>
<b>NET BOOK AMOUNT</b>				
At 25 March 1989	<u>3,831</u>	<u>11,859</u>	<u>56</u>	<u>15,746</u>
At 26 March 1988	<u>913</u>	<u>6,952</u>	<u>59</u>	<u>7,924</u>

Land and buildings comprises freehold property, with a net book value of £2,944,000 (1988: Nil) and short leasehold property with a net book value of £887,000 (1988: £913,000).

Included in plant and machinery are assets under construction with a net book value of £809,058.

	1989	1988
	£000	£000
11. Fixed asset investments		

## Investments in subsidiary companies

## Shares at cost

At 27 March 1988	5	1
Additions	114	4
At 25 March 1989	<u>119</u>	<u>5</u>

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

Name of company	Country of registration	Class of share	Nature of business
Avonger 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	Waste Disposal

## NOTES ON THE ACCOUNTS

	1989	1988	
	£000	£000	
12. Debtors			
Trade debtors	7,963	5,024	
Amounts owed by fellow subsidiaries	19	8	
Prepayments and accrued income	161	149	
Other debtors	1	1	
	<u>8,144</u>	<u>5,182</u>	
13. Creditors: amounts falling due within one year			
Bank overdraft	8,998	—	
Trade creditors	3,491	2,586	
Amounts owed to group companies:			
Fellow subsidiaries	850	69	
Subsidiary companies	201	70	
Parent company	838	483	
Other creditors	29	41	
Taxation and social security	720	632	
Corporation tax payable	1,797	2,298	
Accruals and deferred income	191	499	
Proposed dividend	2,317	1,857	
	<u>19,432</u>	<u>8,535</u>	
14. Provisions for liabilities and charges			
	Hendon Provision	Reclamation Provision	Total
	£000	£000	£000
At 27 March 1988	400	208	608
Utilised in year	—	(122)	(122)
Provided (released) in year	(400)	233	(167)
Transfer to current creditors	—	(86)	(86)
	<u>—</u>	<u>—</u>	<u>—</u>
At 25 March 1989	<u>—</u>	<u>233</u>	<u>233</u>

A dispute arose between Shanks & McEwan (Southern) Limited and the Greater London Council (GLC) now succeeded by the North London Waste Authority (NLWA) and by the London Residuary Body (LRB) relating to certain terms of the contract with the NLWA.

The dispute was referred to arbitration in 1986 and subsequently the arbitrator found in Shanks & McEwan (Southern) Limited's favour in all but one matter which the Directors consider to be immaterial. Following the arbitrator's decision, Shanks & McEwan (Southern) Limited agreed with the NLWA the price in accordance with the contract, for the period ruling from 1 April 1986.

## NOTES ON THE ACCOUNTS

## 14. Provisions for liabilities and charges (continued)

Agreement with the LRB has now been reached in respect of all outstanding claims during the period December 1983 to 31 March 1986 and the view of the Directors is that the matter is now resolved. The provision of £400,000 made against the dispute is thus no longer required and has been brought back into profit at 25 March 1989.

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

	1989		1988	
	Provision	Total Potential Liability	Provision	Total Potential Liability
	£000	£000	£000	£000
Accelerated capital allowances	-	1,593	-	1,329
Other timing differences	-	-	-	(154)
	<u>-</u>	<u>1,593</u>	<u>-</u>	<u>1,175</u>
	<u>-</u>	<u>1,593</u>	<u>-</u>	<u>1,175</u>
			1989	1988
15. Called up share capital			£	£
Authorised, allotted, called up and fully paid:				
100 ordinary shares of £1 each			<u>100</u>	<u>100</u>
16. Profit and loss account			£000	£000
At 27 March 1988				
Retained profit for year			4,477	4,102
Goodwill written off on acquisition of waste disposal businesses			2,296	1,838
			<u>(2,438)</u>	<u>(1,463)</u>
At 25 March 1989			<u>4,335</u>	<u>4,477</u>

## NOTES ON THE ACCOUNTS

## 17. Capital commitments

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

	1989	1988
	£000	£000
Expenditure contracted for	412	115
Expenditure not contracted for	1,481	895
	<u>1,893</u>	<u>1,010</u>

## 18. Financial commitments

Annual commitments under operating leases expiring:

	1989		1988	
	Building	Other	Building	Other
	£000	£000	£000	£000
Within 1 year	34	41	-	77
Between 2 and 5 years	-	4	40	65
Over 5 years	135	-	124	-
	<u>169</u>	<u>45</u>	<u>164</u>	<u>142</u>

Total amounts payable under finance lease obligations due:

Within 1 year	-	-	-	7
Between 2 and 5 years	-	17	-	11
Over 5 years	-	3	-	-
	<u>-</u>	<u>20</u>	<u>-</u>	<u>18</u>

## 19. 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 holding and fellow subsidiary companies.



## SHANKS &amp; McEWAN (SOUTHERN) LIMITED

## NOTES ON THE ACCOUNTS

## 20. Ultimate holding company

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

DRG