

SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT AND ACCOUNTS

Year ended 28th March 1987

MOORES & ROWLAND

Chartered Accountants, Glasgow



SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT AND ACCOUNTS

Year ended 28th March 1987

CONTENTS	Page
Directors' report	1
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Statement of source and application of funds	6
Notes on the accounts	7

Directors

M R Hewitt (Chairman)
 G J Newman (Managing Director)
 A C Cheyney
 P R Spencer
 J A Smith
 H L I Runciman

Secretary and registered office

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

DIRECTORS' REPORT

The directors submit their report and the audited accounts of the company for the year ended 28th March 1987.

1. Principal activities and business review

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 invested in new collection vehicles and enhanced its trading levels by the active marketing of its landfill facilities to third parties. This investment and marketing will continue throughout the next financial year and the company also intends further to expand by acquisition.

On 29th September 1986 the company transferred its investment in Clear Waste Limited to the ultimate holding company and its operations of the Peterborough District to Shanks & McEwan (East Midlands) Limited. On 26th March 1987 the company transferred its interests in Easidispose Limited to Shanks & McEwan (East Midlands) Limited. These transfers were in keeping with a geographical restructuring of the company.

2. Trading results

The company profit and dividend for the year ended 28th March 1987 were as follows:

	£000
Profit for year after taxation and extraordinary item	3,292
Dividend - £32,920 per share	3,292
Profit retained	----- -
	=====

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' REPORT

4. Directors

The composition of the Board of Directors at the date of this report is shown above. Messrs M R Hewitt and H L I Runciman were appointed to the board on 21st April 1986. Mr G J Newman was appointed to the board on 1st September 1986.

Mr A G L Alexander resigned as a director on 21st April 1986.
Mr G E Cooper resigned as a director on 14th July 1986.

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 28th March 1987 together with their interests on 30th March 1986 or on the date of appointment if later, were as follows:

	Share options			
	Executive Scheme		Savings-related Scheme	
	At 28.3.87	At 30.3.86	At 28.3.87	At 30.3.86
G J Newman	18,000	-	2,740	-
A C Cheyney	12,000	-	2,740	-
P R Spencer	12,000	-	2,192	-
J A Smith	12,000	-	2,740	-

6. Auditors

The auditors, Mann Judd Gordon, have merged with Moores & Rowland with effect from 1st May 1987 and now practise under that name. A resolution concerning the 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

21st July 1987

SHANKS & McEWAN (SOUTHERN) LIMITED

3

AUDITORS' REPORT

TO THE MEMBERS OF SHANKS & McEWAN (SOUTHERN) LIMITED

We have audited the accounts set out on pages 4 to 14 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 28th March 1987 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

142 St Vincent Street
Glasgow G2 5LD

21st July 1987

SHANKS & McEWAN (SOUTHERN) LIMITED

4

PROFIT AND LOSS ACCOUNT

Year ended 28th March 1987

	Note	Year ended 28th March 1987	Two months ended 29th March 1986
		£000	£000
TURNOVER	2	12,241	1,975
Cost of sales		6,614	1,192
GROSS PROFIT		<u>5,627</u>	<u>783</u>
Administration expenses		<u>1,453</u>	<u>782</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3,4	4,174	1
Tax on profit on ordinary activities	5	<u>874</u>	<u>(13)</u>
PROFIT (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		3,300	(12)
Extraordinary item	6	<u>8</u>	<u>-</u>
PROFIT (LOSS) FOR YEAR		3,292	(12)
Dividend	7	<u>3,292</u>	<u>-</u>
TRANSFER FROM RESERVES	14	<u>-</u>	<u>(12)</u>
		=====	=====

The statement of accounting policies and the notes on pages 7 to 14 form part of these accounts

SHANKS & McEWAN (SOUTHERN) LIMITED

BALANCE SHEET

28TH MARCH 1987

	Note	1987 £000	1986 £000
FIXED ASSETS			
Tangible assets	8	5,814	5,072
Investments	9	1	14
		<u>5,815</u>	<u>5,086</u>
CURRENT ASSETS			
Stock		9	-
Debtors	10	2,416	6,429
Cash at bank and in hand		3,916	3,137
		<u>6,341</u>	<u>9,566</u>
CREDITORS: amounts falling due within one year	11	6,815	8,723
NET CURRENT (LIABILITIES) ASSETS		(474)	843
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,341</u>	<u>5,929</u>
PROVISIONS FOR LIABILITIES AND CHARGES	12	1,150	1,826
ACCRUALS AND DEFERRED INCOME			
Government grants		88	-
		<u>1,238</u>	<u>1,826</u>
		<u>4,103</u>	<u>4,103</u>
CAPITAL AND RESERVES			
Called up share capital	13	1	1
Profit and loss account	14	4,102	4,102
		<u>4,103</u>	<u>4,103</u>

Director 

Director 

21st July 1987

The statement of accounting policies and the notes on pages 7 to 14 form part of these accounts

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended 28th March 1987

	Year ended 28th March 1987	Two months ended 29th March 1986
SOURCE OF FUNDS	£000	£000
FUNDS GENERATED FROM OPERATIONS		
Profit from ordinary activities before taxation	4,174	1
Adjustment for items not involving the movement of funds:		
Loss/(profit) on disposal of tangible fixed assets	2	(2)
Depreciation of tangible fixed assets	873	143
Provision for restoration	131	25
Total generated from operations	<u>5,180</u>	<u>167</u>
Funds from other sources:		
Grants received	88	-
Disposal of fixed asset investments	5	-
Disposal of tangible fixed assets	349	4
	<u>5,622</u>	<u>171</u>
APPLICATION OF FUNDS		
Dividend paid	5,208	-
Expenditure against reclamation provision	96	2
Purchase of tangible fixed assets	1,966	65
	<u>7,270</u>	<u>67</u>
(DECREASE) INCREASE IN WORKING CAPITAL	<u>(1,648)</u>	<u>104</u>
	=====	=====
CHANGES IN WORKING CAPITAL		
Increase in stock	9	-
Increase (decrease) in debtors	224	(1)
Increase in creditors	(155)	(297)
Decrease in amounts owed by group companies	(2,505)	(720)
Increase in net liquid funds	779	1,122
	<u>(1,648)</u>	<u>104</u>
	=====	=====

SHANKS & 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

Depreciation is provided to write down all 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 following table sets out for each major class of depreciable asset the depreciation rates applied on a straight line or reducing balance basis as appropriate:

Land and Buildings

Leasehold Buildings : Amortised over the unexpired period of the lease

Plant and Machinery

Fixed : 5% - 33 $\frac{1}{3}$ % per annum on cost
Mobile : 14 $\frac{1}{2}$ % - 50% per annum on cost

Fixtures, Fittings, Tools and Equipment: 10% - 33 $\frac{1}{3}$ % per annum on cost

NOTES ON THE ACCOUNTS

(vii) Research and development

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

(viii) Stocks

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

(ix) 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, but the latter is shown by way of a note to the accounts.

(x) 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.

2. Turnover and company profit

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

	Year ended 28th March 1987		Two months ended 29th March 1986	
	Turnover	Profit before taxation	Turnover	Profit before taxation
	£000	£000	£000	£000
Waste handling	12,241	4,174	1,975	1
	=====	=====	=====	=====

NOTES ON THE ACCOUNTS

	Year ended 28th March 1987	Two months ended 29th March 1986
3. Directors and other employees	Number	Number
The average weekly number of persons employed by the company during the year was	160	158
Staff costs comprise:-	£000	£000
Wages and salaries	1,935	297
Employers social security costs	178	27
Employers pension contributions	119	25
	-----	-----
	2,232	349
	=====	=====
The remuneration of the directors was as follows:		
Fees	-	-
Other emoluments	115	17
	===	===
Excluding contributions to pension schemes the emoluments of the individual directors were as follows:		
Chairman	Nil	Nil
Highest paid director	30	4
	===	===
Other directors	Number	Number
£0 to £5,000	2	-
£5,001 to £10,000	1	-
£15,001 to £20,000	1	2
£20,001 to £25,000	2	1
4. Profit on ordinary activities before taxation	£000	£000
The profit is stated after charging:		
Depreciation of tangible fixed assets	873	143
Auditors' remuneration	13	8
Hire of plant and machinery	609	86
Operating lease rentals	177	34
Property rents payable	27	5
	=====	=====

NOTES ON THE ACCOUNTS

		Year ended 28th March 1987	Two months ended 29th March 1986		
5.	Tax on profit on ordinary activities	£000	£000		
	The taxation charge based on the profits of the year is made up as follows:				
	UK corporation tax @ 35% (1986: 40%)	1,585	(42)		
	Transfer (from) to deferred tax	(711)	29		
		<u>874</u>	<u>(13)</u>		
		=====	===		
	The charge for the year reflects the benefit of deferred taxation not provided of £600,000 (1986: Nil)				
6.	Extraordinary item	1987	1986		
		£000	£000		
	Write down of investment in subsidiary company	8	-		
		<u>8</u>	<u>-</u>		
		=====	=====		
7.	Dividend				
	Proposed final dividend of £32,920 per share	3,292	-		
		<u>3,292</u>	<u>-</u>		
		=====	=====		
8.	Tangible fixed assets				
		Land and buildings leasehold	Plant and machinery	Fixtures fittings tools and equipment	Total
		£000	£000	£000	£000
	COST				
	At 30th March 1986	1,729	7,732	277	9,738
	Additions	28	1,918	20	1,966
	Intra group transfers	-	(485)	(152)	(637)
	Disposals	-	(60)	(36)	(96)
	Reclassifications	558	(564)	6	-
		<u>2,315</u>	<u>8,541</u>	<u>115</u>	<u>10,971</u>
		-----	-----	-----	-----
	At 28th March 1987	2,315	8,541	115	10,971
		-----	-----	-----	-----
	DEPRECIATION				
	At 30th March 1986	639	3,955	72	4,666
	Charge for year	101	705	67	873
	Intra group transfers	-	(259)	(48)	(307)
	Eliminated in respect of disposals	-	(57)	(18)	(75)
	Reclassifications	249	(255)	6	-
		<u>989</u>	<u>4,089</u>	<u>79</u>	<u>5,157</u>
		-----	-----	-----	-----
	At 28th March 1987	989	4,089	79	5,157
		-----	-----	-----	-----
	NET BOOK AMOUNT				
	At 28th March 1987	1,326	4,452	36	5,814
		<u>1,326</u>	<u>4,452</u>	<u>36</u>	<u>5,814</u>
		=====	=====	=====	=====
	At 29th March 1986	1,090	3,777	205	5,072
		<u>1,090</u>	<u>3,777</u>	<u>205</u>	<u>5,072</u>
		=====	=====	=====	=====

Leaseholds have less than 50 years to run.

NOTES ON THE ACCOUNTS

9.	Fixed asset investments	£000
	Investments in subsidiary companies	
	Shares at cost at 30th March 1986	14
	Amount written off	(8)
	Intra-group transfer	(5)

	Shares at cost at 28th March 1987	1
		===

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

	1987	1986
10. Debtors	£000	£000
Debtors	2,287	2,070
Amounts owed by group companies:		
Parent company	52	183
Fellow subsidiaries	33	3,819
Subsidiary companies	-	320
Prepayments	44	36
Other debtors	-	1
	-----	-----
	2,416	6,429
	=====	=====

11. Creditors: Amounts falling due within one year		
Trade creditors	1,018	729
Amounts owed to group companies:		
Fellow subsidiaries	-	1,730
Subsidiary companies	-	1
Other creditors	3	1
Taxation and social security	363	497
Corporation tax payable	1,628	43
Accruals and deferred income	511	514
Proposed dividend	3,292	5,208
	-----	-----
	6,815	8,723
	=====	=====

12./

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

12. Provisions for liabilities and charges

	Contract Dispute	Deferred Taxation	Reclamation Provision	Total
	£000	£000	£000	£000
At 30th March 1986	400	1,063	363	1,826
Transfer (to)/from profit and loss account	-	(711)	131	(580)
Transfer to current creditors	-	-	(96)	(96)
	----	-----	----	-----
At 28th March 1987	400	352	398	1,150
	====	=====	====	=====

The make up of the deferred tax liability is as follows:

	Amount provided		Full potential liability	
	1987	1986	1987	1986
	£000	£000	£000	£000
Accelerated capital allowances	687	1,366	1,287	1,366
Other timing differences	(335)	(303)	(335)	(303)
	-----	-----	-----	-----
	352	1,063	952	1,063
	=====	=====	=====	=====

13. Called up share capital

Authorised, allotted, called up and fully paid:

	£	£
100 ordinary shares of £1 each	100	100
	====	====

14. Profit and loss account

	£000	£000
At 30th March 1986	4,102	4,114
Amount transferred from reserves	-	(12)
	-----	-----
At 28th March 1987	4,102	4,102
	=====	=====

15./

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

15. Capital commitments

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

	1987	1986
	£000	£000
Expenditure contracted for	299	16
Expenditure not contracted for	670	138
	<u>969</u>	<u>154</u>
	=====	=====

Other financial commitments:

	1987	
Annual commitments under operating leases expiring:	Building £000	Other £000
Within 1 year	-	52
2 - 5 years	27	81
Over 5 years	-	-
	<u>27</u>	<u>133</u>
	===	===

16. Contingent liabilities:

(i) Group bank guarantees:

At 28th March 1987 the company had a composite banking agreement granting the bank rights to set-off the companies' balances against overdrafts of other companies within the group.

(ii) Contract dispute:

The company has been in dispute with a major customer concerning the interpretation and operation of a price review clause applicable with effect from 11th December 1983. If the directors' understanding of the customer's contention were to be upheld at arbitration, the maximum liability, excluding interest and legal costs, at 28th March 1987, would be £2,342,000 (1986: £2,006,000), and corporation tax relief thereon would amount to approximately £820,000 (1986: £803,000).

Certain preliminary issues were considered at an arbitration in April and June of 1987, and, with the exception of a minor and immaterial point, the arbitrator found in favour of the company on all the issues. The arbitrator's award on these issues is now final.

The company will now commence discussions to re-negotiate the price ruling as from 11th December 1983, but, should these negotiations not succeed, then the matter may be referred to a further stage of arbitration.

The/

NOTES ON THE ACCOUNTS

(ii) Contract dispute cont'd

The directors have been advised by leading counsel throughout, and are satisfied that a submission by the customer in further arbitration with a view to materially reducing the price is unlikely to succeed. However, the possibility of an adverse decision by the arbitrator cannot be ruled out, and accordingly it has been considered advisable to make a provision of £400,000 (1986: £400,000).

17. Ultimate holding company

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