

COPY FOR REGISTRAR OF COMPANIES
COMPANY NO. 98844

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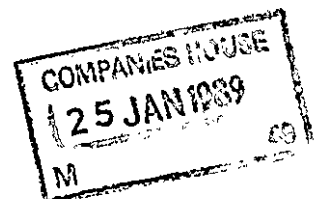
SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT AND ACCOUNTS

Year ended 26th March 1988

MOORES & ROWLAND

Chartered Accountants, Glasgow



SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT AND ACCOUNTS

Year ended 26th March 1988

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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

DIRECTORS' REPORT

The directors submit their report and the audited accounts of the company for the year ended 26th March 1988.

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 has expanded considerably due to the acquisition of a number of smaller businesses in the London area. These acquisitions have contributed greatly to company profit during the year in terms of expanding the customer base and increased activity at the landfill sites. The company plans further expansion in the year ahead and it is hoped that current growth can be maintained.

2. Trading results

The company profit and dividend for the year ended 26th March 1988 were as follows:

	£000
Profit for year after taxation and extraordinary item	3,695
Dividend	1,857

Profit retained	1,838
	=====

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.

5. /

SHANKS & McEWAN (SOUTHERN) LIMITED

DIRECTORS' REPORT

5. Directors' interests

Mr A C Cheyney resigned as a director on 25th April 1988. Mr C W Basson and Mr R L Strachan were appointed directors on 5th April 1988. Mr H D T Moss was appointed a director on 25th April 1988. In accordance with the articles of association, they retire at this time and offer themselves for re-election.

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 26th March 1988 together with their interests on 29th March 1987 or on the date of appointment if later, were as follows:

	Share options			
	Executive Scheme		Savings-related Scheme	
	At 26.3.88	At 29.3.87	At 26.3.88	At 29.3.87
G J Newman	32,000	18,000	2,740	2,740
A C Cheyney	12,000	12,000	2,740	2,740
P R Spencer	12,000	12,000	2,192	2,192
J A Smith	12,000	12,000	2,740	2,740

6. Acquisitions

During the year the company acquired the entire issued share capital of the following companies:

- 10th August 1987 Ring-Mack Demolition Limited
- 8th September 1987 B E Elliot (Haulage Contractors) Limited

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

- 1st June 1987 C Gabriel Limited
- 10th August 1987 S M D Haulage
- 13th August 1987 Dripbourne Limited
- 8th September 1987 F J Smith Transport Contractors Limited
- 24th December 1987 Edward J Bean (Transport) Limited

7. /

SHANKS & MCEWAN (SOUTHERN) LIMITED

DIRECTORS' REPORT

7. Post balance sheet events

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

Since the year end the company has also acquired the waste disposal business and assets of the following companies:

29th March 1988

3rd May 1988

6th May 1988

1st July 1988

7th July 1988

* Blackwall Transfer Station Limited

Joyner Trucking Limited

Medwaste Limited

1A Capital Skip Hire Limited

West London Skips Limited

* The company have contracted to purchase the transfer station of this company when construction is complete.

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

14th July 1988

SHANKS & McEWAN (SOUTHERN) LIMITED

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AUDITORS' REPORT

TO THE MEMBERS OF SHANKS & McEWAN (SOUTHERN) LIMITED

We have audited the accounts set out on pages 5 to 15 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 26th March 1988 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

14th July 1988

SHANKS & McEWAN (SOUTHERN) LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 26th March 1988

		1988	1987
	Note	£000	£000
TURNOVER	3	18,749	12,241
Cost of sales		11,765	6,614
GROSS PROFIT		6,984	5,627
Administrative expenses		1,963	1,453
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2,3	5,021	4,174
Tax on profit on ordinary activities	5	1,200	874
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,821	3,300
Extraordinary item	6	126	8
PROFIT FOR YEAR		3,695	3,292
Dividend	7	1,857	3,292
TRANSFER TO RESERVES	14	1,838	-

The statement of accounting policies and the notes on pages 8 to 15 form part of these accounts


SHANKS & McEWAN (SOUTHERN) LIMITED

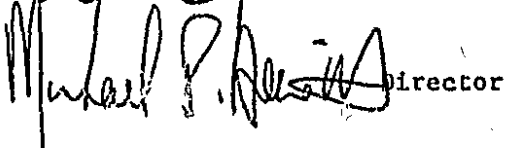
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BALANCE SHEET

26TH MARCH 1988

	Note	1988 £000	1987 £000
FIXED ASSETS			
Tangible assets	8	7,924	5,814
Investments	9	5	1
		<u>7,929</u>	<u>5,815</u>
CURRENT ASSETS			
Stock		24	9
Debtors	10	5,182	2,416
Cash at bank and in hand		557	3,916
		<u>5,763</u>	<u>6,341</u>
CREDITORS: amounts falling due within one year	11	8,535	6,815
NET CURRENT LIABILITIES		<u>(2,772)</u>	<u>(474)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,157</u>	<u>5,341</u>
PROVISIONS FOR LIABILITIES AND CHARGES	12	608	1,150
ACCRUALS AND DEFERRED INCOME			
Government grants		71	88
		<u>679</u>	<u>1,238</u>
		<u>4,478</u>	<u>4,103</u>
		<u>=====</u>	<u>=====</u>
CAPITAL AND RESERVES			
Called up share capital	13	1	1
Profit and loss account	14	4,477	4,102
		<u>4,478</u>	<u>4,103</u>
		<u>=====</u>	<u>=====</u>


Director


Director

14th July 1988

The statement of accounting policies and the notes on pages 8 to 15 form part of these accounts

SHANKS & McEWAN (SOUTHERN) LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended 26th March 1988

	1988	1987
	£000	£000
SOURCE OF FUNDS		
FUNDS GENERATED FROM OPERATIONS		
Profit on ordinary activities before taxation	5,021	4,174
Extraordinary item before taxation	(132)	8
	<u>4,889</u>	<u>4,182</u>
Adjustment for items not involving the movement of funds:		
(Profit)/loss on disposal of tangible fixed assets	(22)	2
Depreciation of tangible fixed assets	1,192	873
Provision for restoration	(64)	35
Grant credit	(17)	-
	<u>5,978</u>	<u>5,092</u>
Funds from other sources:		
Disposal of fixed asset investments	-	5
Grants received	-	88
Disposal of tangible fixed assets	34	349
	<u>6,012</u>	<u>5,534</u>
APPLICATION OF FUNDS		
Purchase of investment	4	-
Purchase of tangible fixed assets	3,314	1,966
Dividend paid	3,292	5,208
Purchase of goodwill	1,463	-
Tax paid	393	-
Group relief	483	-
	<u>8,949</u>	<u>7,174</u>
DECREASE IN WORKING CAPITAL	<u>(2,937)</u>	<u>(1,640)</u>
COMPONENTS OF DECREASE IN WORKING CAPITAL		
Stock	15	9
Debtors	2,843	224
Creditors	(1,737)	(155)
Amounts owed by/to group companies	(699)	(2,497)
Net liquid funds	(3,359)	779
	<u>(2,937)</u>	<u>(1,640)</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 estimated lives are:

Land and Buildings

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

(vii) Amortisation of 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.

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

(viii) Goodwill

Research and development

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

(ix) Stocks

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

(x) 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.

(xi) 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.	Profit on ordinary activities before taxation	1988	1987
	Trading profit is stated after charging:	£000	£000
	Depreciation of tangible fixed assets	1,192	873
	Auditors' remuneration	18	13
	Hire of plant and machinery - operating leases	913	786
	Finance lease rentals	40	-
	Property rents payable	127	27
		===	===

3. Turnover and company profit

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

	1988		1987	
	Turnover	Profit before taxation	Turnover	Profit before taxation
	£000	£000	£000	£000
Waste handling	18,749	5,021	12,241	4,174
	=====	=====	=====	=====

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

	1988	1987
4. Directors and other employees	Number	Number
The average weekly number of persons employed by the company during the year was	236 ===	160 ===
Staff costs comprise:-	£000	£000
Wages and salaries	3,502	1,935
Social security costs	288	178
Other pension costs	130	119
	----- 3,920 =====	----- 2,232 =====
The remuneration of the directors was as follows:	£000	£000
Fees	-	-
Other emoluments	159 ===	115 ===
Excluding contributions to pension schemes the emoluments of the individual directors were as follows:		
Chairman	Nil	Nil
Highest paid director	44 ===	30 ===
Other directors	Number	Number
£0 to £5,000	1	2
£5,001 to £10,000	-	1
£15,001 to £20,000	-	1
£20,001 to £25,000	-	2
£25,001 to £30,000	3	-
	----- 1988	----- 1987
5. 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% (1987: 35%)	1,608	1,585
UK corporation tax - prior year adjstment	(56)	-
Transfer from deferred tax	(352)	(711)
	----- 1,200 =====	----- 874 =====

The tax charge has benefited to the extent of £574,000 due to the release of deferred tax provisions no longer required.

NOTES ON THE ACCOUNTS

		1988	1987	
		£000	£000	
6. Extraordinary items				
Write down of investment in subsidiary company		-	8	
Costs of business acquisitions		132	-	
		-----	-----	
		132	8	
U K corporation tax relief at 35%		(6)	-	
		-----	-----	
		126	8	
		====	====	
7. Dividend				
Proposed final dividend		1,857	3,292	
		=====	=====	
8. Tangible fixed assets				
	Land and buildings leasehold	Plant and machinery	Fixtures fittings tools and equipment	Total
	£000	£000	£000	£000
COST				
At 29th March 1987	2,315	8,541	115	10,971
Additions	170	3,108	36	3,314
Intra group transfers				
Disposals	-	(49)	-	(49)
Reclassifications	(895)	895	-	-
	-----	-----	-----	-----
At 26th March 1988	1,590	12,495	151	14,236
	-----	-----	-----	-----
DEPRECIATION				
At 29th March 1987	989	4,089	79	5,157
Eliminated in respect of disposals	-	(37)	-	(37)
Charge for year	80	1,099	13	1,192
Intra group transfers	-	-	-	-
Reclassifications	(392)	392	-	-
	-----	-----	-----	-----
At 26th March 1988	677	5,543	92	6,312
	-----	-----	-----	-----
NET BOOK AMOUNT				
At 26th March 1988	913	6,952	59	7,924
	=====	=====	=====	=====
At 28th March 1987	1,326	4,452	36	5,814
	=====	=====	=====	=====

Leaseholds have less than 50 years to run.

Included in plant and machinery are assets under construction with a net book value of £46,000.

SHANKS & MCEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

	1988	1987
	£000	£000
9. Fixed asset investments		
Investments in subsidiary companies		
Shares at cost at 29th March 1987	1	1
Additions	4	-
	<u>5</u>	<u>1</u>
At 26th March 1988	====	====

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

	1988	1987
	£000	£000
10. Debtors		
Trade debtors	1,024	2,287
Amounts owed by group companies:		
Parent company	8	52
Fellow subsidiaries	149	33
Prepayments and accrued income	1	44
Other debtors	<u>1</u>	<u>-</u>
	5,182	2,416
	=====	=====

	1988	1987
11. Creditors: amounts falling due within one year	2,586	1,018
Trade creditors		
Amounts owed to group companies:		
Fellow subsidiaries	69	-
Subsidiary companies	70	-
Parent company	483	-
Other creditors	41	3
Taxation and social security	632	363
Corporation tax payable	2,298	1,628
Accruals and deferred income	499	511
Proposed dividend	<u>1,857</u>	<u>3,292</u>
	8,535	6,815
	=====	=====

NOTES ON THE ACCOUNTS

12. Provision for liabilities and charges

	Hendon Provision	Deferred Taxation	Reclamation Provision	Total
	£000	£000	£000	£000
At 29th March 1987	400	352	398	1,150
Net expenditure	-	-	(64)	(64)
Transfer to current creditors	-	-	(126)	(126)
Transfer from profit and loss account	-	(352)	-	(352)
At 26th March 1988	400	-	208	608
	====	=====	====	=====

A dispute arose between the company and the Greater London Council (GLC) now represented 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 arose over the issue of the disclosure of certain information subsequent to the GLC giving notice of its wish to exercise a contractual option to negotiate the price and the formula for adjusting it during the ensuing 5 year period. Any change arising from the dispute or any subsequent negotiation would have effect from 11th December 1983.

The NLWA assumed the interest of the GLC under the contract with effect from 1st April 1986. The LRB assumed responsibility for all matters arising before the date which remained unresolved.

The dispute was referred to arbitration on 18th March 1986 and certain preliminary issues were heard in April and June 1987. The arbitrator found in the company's favour in all but one matter which the Directors consider to be immaterial. Following the arbitrator's decision, which is now final, the company has agreed with the NLWA the price ruling from 1st April 1986 to be the price (adjusted by formula) invoiced by the company on that date which is the price that the company considered to be correct under the contract. Discussions are taking place with the LRB to agree the price ruling from 11th December 1983 to 31st March 1986.

In the light of the arbitrator's award, and the outcome of the negotiations with NLWA, the Directors believe that a similar satisfactory agreement will be reached with LRB. However, the Directors consider it prudent to retain a provision of £400,000 in the accounts pending final agreement being reached.

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

	1988		1987	
	Provision	Total Potential Liability	Provision	Total Potential Liability
	£000	£000	£000	£000
Accelerated capital allowances	-	1,329	687	1,287
Other timing differences	-	(154)	(335)	(335)
	-----	-----	-----	-----
	-	1,175	352	952
	=====	=====	=====	=====

SHNAKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

13.	Called up share capital	1988	1987
	Authorised, allotted, called up and fully paid:	£	£
	100 ordinary shares of £1 each	100	100
		====	====
14.	Profit and loss account	£000	£000
	At 29th March 1987	4,102	4,102
	Retained profit for year	1,838	-
	Goodwill written off on acquisition of waste disposal businesses	(1,463)	-
		-----	-----
	At 26th March 1988	4,477	4,102
		=====	=====
15.	Capital commitments		

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

	1988	1987
	£000	£000
Expenditure contracted for	115	299
Expenditure not contracted for	895	670
	-----	-----
	1,010	969
	=====	=====
16.	Financial commitments	

Annual commitments under operating leases expiring:

	1988		1987	
	Building £000	Other £000	Building £000	Other £000
Within 1 year	-	77	-	52
Between 2 and 5 years	40	65	27	81
Over 5 years	124	-	-	-
	-----	-----	-----	-----
	164	142	27	133
	=====	=====	=====	=====

Total amounts payable under finance lease obligations due:

Within 1 year	-	7	-	-
Between 2 and 5 years	-	11	-	-
Over 5 years	-	-	-	-
	-----	-----	-----	-----
	-	18	-	-
	=====	=====	=====	=====

SHANKS & McEWAN (SOUTHERN) LIMITED

NOTES ON THE ACCOUNTS

17. Contingent liabilities

Group bank guarantees:

At 26th March 1988 the company had a composite banking agreement granting the bank rights to set-off the company's balances against overdrafts of other companies within the group.

18. Post balance sheet events

The company acquired the entire issued share capital of Abel (Waste Disposal) Limited on 31st March 1988 for a consideration of £645,000.

Since the year end the company have also acquired the waste disposal business and assets of a number of companies, details of which are given in note 7 of the Directors' Report.

The aggregate consideration for these acquisitions is £4,500,000.

19. Ultimate holding company

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