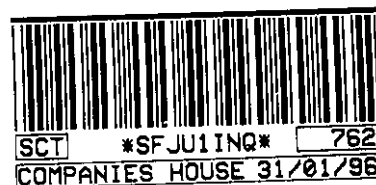


**SHANKS & McEWAN (MIDLANDS) LIMITED**  
(Registered Number 43286)

**REPORT AND ACCOUNTS**

**YEAR ENDED 1 APRIL 1995**

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**SHANKS & McEWAN (MIDLANDS) LIMITED**

**CONTENTS**

	Page
<b>DIRECTORS' REPORT</b>	1-2
<b>AUDITORS' REPORT</b>	3
<b>PROFIT AND LOSS ACCOUNT</b>	4
<b>BALANCE SHEET</b>	5
<b>NOTES TO THE ACCOUNTS</b>	6-14

## SHANKS & McEWAN (MIDLANDS) LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 1 APRIL 1995

The Directors present their Annual Report and Financial Statements for the year ended 1 April 1995.

#### PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE PROSPECTS

The principal activities of the Company are 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.

#### TRADING RESULTS AND DIVIDENDS

The profit on ordinary activities before taxation for the year ended 1 April 1995 was £2,905,000 (1994: £2,354,000).

The Directors recommend that a dividend of £1,263,000 be paid in respect of the year ended 1 April 1995. (1994: £1,575,000). The profit transferred to/(from) reserves for the year was £737,000 (1994: £280,000).

#### DIRECTORS

The following were Directors of the Company during the year.

M C E Averill  
D J Downes  
J R Meredith  
K R Morin  
G J Newman

#### DIRECTORS INTERESTS

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

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

	<u>As at 1 April 1995</u>		<u>As at 26 March 1994</u>	
	<u>Ordinary Shares of 10p</u>	<u>Options</u>	<u>Ordinary Shares of 10p</u>	<u>Options</u>
J R Meredith	3,000	86,370	-	11,370
K R Morin	58,955	109,583	65,039	38,618

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

## **SHANKS & McEWAN (MIDLANDS) LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

#### **FIXED ASSETS**

The movements in fixed assets are shown in Note 9 to the financial statements.

#### **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 & McEwan Group PLC.

#### **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:

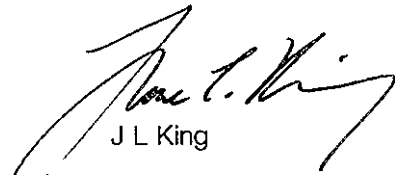
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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.

#### **AUDITORS**

Price Waterhouse have expressed their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the next Annual General Meeting.

By Order of the Board

  
J L King  
Secretary

31 October 1995

Registered Office:  
22 Woodside Place  
Glasgow  
G3 7QY

*Price Waterhouse*



## **AUDITORS' REPORT TO THE SHAREHOLDERS OF SHANKS & McEWAN (MIDLANDS) LIMITED**

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 6 to 8.

### **Respective responsibilities of directors and auditors**

As described on page 2 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **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 financial statements 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 Company's affairs as at 1 April 1995 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

PRICE WATERHOUSE  
Chartered Accountants  
and Registered Auditors

31 October 1995

## SHANKS & McEWAN (MIDLANDS) LIMITED

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 1 APRIL 1995

	<u>1995</u> £'000	<u>1994</u> £'000
<b>TURNOVER</b> (Note 1,2)	13,234	10,717
Cost of sales	<u>9,287</u>	<u>7,577</u>
<b>GROSS PROFIT</b>	3,947	3,140
Administrative expenses	<u>1,033</u>	<u>733</u>
<b>OPERATING PROFIT</b>	2,914	2,407
Net interest payable (Note 6)	<u>9</u>	<u>53</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> (Note 2&3)	2,905	2,354
Taxation (Note 7)	<u>905</u>	<u>1,059</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	2,000	1,295
Dividends (Note 8)	<u>1,263</u>	<u>1,575</u>
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b> (Note 17)	<u>737</u>	<u>(280)</u>

#### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 1 APRIL 1995

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 1 APRIL 1995

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 6 to 14 form part of these financial statements.

# SHANKS & McEWAN (MIDLANDS) LIMITED

## BALANCE SHEET - 1 APRIL 1995

	<u>1995</u> £'000	<u>1994</u> £'000
<b>FIXED ASSETS</b>		
Tangible assets (Note 9)	9,738	8,314
Investments (Note 10)	4	4
	<u>9,742</u>	<u>8,318</u>
<b>CURRENT ASSETS</b>		
Stocks (Note 11)	213	16
Debtors (Note 12)	3,255	3,941
Cash at bank and in hand	1	1
	<u>3,469</u>	<u>3,958</u>
<b>CREDITORS - Amounts falling due within one year (Note 13)</b>	<u>7,885</u>	<u>8,447</u>
<b>NET CURRENT LIABILITIES</b>	<u>(4,416)</u>	<u>(4,489)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>5,326</u>	<u>3,829</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES (Note 14)</b>	<u>1,472</u>	<u>712</u>
	<u>3,854</u>	<u>3,117</u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital (Note 15)	100	100
Revaluation reserve (Note 16)	37	37
Profit and loss account (Note 16)	3,717	2,980
	<u>3,854</u>	<u>3,117</u>

APPROVED BY THE BOARD ON

31 October 1995



D J Downes  
DIRECTOR

The notes on pages 6 to 14 form part of these financial statements.

# SHANKS & McEWAN (MIDLANDS) LIMITED

## NOTES TO THE ACCOUNTS - 1 APRIL 1995

### 1 ACCOUNTING POLICIES

#### (1) Basis of presentation

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.

As the Company is included in the consolidated accounts of Shanks & McEwan Group PLC, group accounts have not been prepared as permitted by the Companies Act 1985.

#### (2) Turnover

Turnover represents the invoiced value of waste streams processed and other services provided excluding value added tax. Turnover is recognised when processing occurs or the service is provided.

#### (3) Goodwill

Purchased goodwill is written off against reserves in the year in which it arises. 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, plant and vehicles

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
Motor vehicles	3 to 6 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 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 & McEWAN (MIDLANDS) LIMITED

## NOTES TO THE ACCOUNTS - 1 APRIL 1995 (CONTINUED)

### 1 ACCOUNTING POLICIES (CONTINUED)

#### (5) Leased assets

Where the Company has substantially all the risks and rewards of ownership of a leased asset, the lease 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 charge to the profit and loss account as incurred over the term of the lease.

#### (6) Environmental provision

Provision is made for closure and post closure costs over the operating life of disposal sites, based on the quantity of waste deposited in the year. The costs of final capping and covering are charged to the provision when incurred. All other costs such as monitoring and management of gas and leachate are written off directly and not charged to the provision unless incurred after site closure.

#### (7) Government grants

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

#### (8) Stocks

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

#### (9) 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 that the liability will crystallise in the foreseeable future.

#### (10) 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 scheme are treated as assets or liabilities in the balance sheet.

#### (11) Exceptional items

Exceptional items are those items that need to be disclosed because of their size or incidence. Such items are included in operating profit unless they represent profits or losses on the sale or closure of an operation, costs of a fundamental reorganisation or restructuring, or profits or losses on the disposal of fixed assets. In these cases, the items are shown separately in the profit and loss account after operating profit.

# SHANKS & McEWAN (MIDLANDS) LIMITED

## NOTES TO THE ACCOUNTS - 1 APRIL 1995 (CONTINUED)

### 1 ACCOUNTING POLICIES (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 turnover and operating profit relates to continuing operations.

### 3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit is stated after charging:

	<u>1995</u> £'000	<u>1994</u> £'000
Depreciation of tangible fixed assets		
- owned	1,103	2,367
- held under finance lease and hire purchase contracts	18	52
Operating leases		
- plant and machinery	374	116
- property	25	23
Auditors' remuneration	18	17
Loss on disposal of fixed assets	76	32
	<u>          </u>	<u>          </u>

No amounts were paid to auditors in respect of non-audit services.

### 4 EMOLUMENTS OF DIRECTORS

The salaries of the Chairman and other Directors were paid by other Shanks & McEwans Group undertakings and no remuneration was paid or is payable by Shanks & McEwan (Midlands) Limited (1994: Nil).

**SHANKS & McEWAN (MIDLANDS) LIMITED**

**NOTES TO THE ACCOUNTS - 1 APRIL 1995 (CONTINUED)**

**5 EMPLOYEES**

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

	<u>1995</u>	<u>1994</u>
Waste management	93	114
Staff costs comprise:		
	£'000	£'000
Wages and salaries	1,947	1,292
Social security costs	176	124
Other pension costs	<u>58</u>	<u>46</u>
	<u>2,181</u>	<u>1,462</u>

**6 NET INTEREST PAYABLE**

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Interest payable on loans and bank borrowings repayable within five years	-	142
Interest payable on finance leases and hire purchase contracts	<u>9</u>	<u>46</u>
	9	188
Other interest receivable	<u>-</u>	<u>(9)</u>
	9	179
Interest capitalised during year	<u>-</u>	<u>(126)</u>
	<u>9</u>	<u>53</u>

**7 TAX ON PROFIT ON ORDINARY ACTIVITIES**

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

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Corporation tax at 33% (1994: 33%)	919	1,276
Corporation tax prior year adjustment	-	(90)
Deferred taxation	<u>(14)</u>	<u>(127)</u>
	<u>905</u>	<u>1,059</u>

**SHANKS & McEWAN (MIDLANDS) LIMITED**

**NOTES TO THE ACCOUNTS - 1 APRIL 1995 (CONTINUED)**

**8 DIVIDENDS**

	<u>1995</u> £'000	<u>1994</u> £'000
Paid	421	525
Proposed	<u>842</u>	<u>1,050</u>
	<u>1,263</u>	<u>1,575</u>

**9 TANGIBLE FIXED ASSETS**

	<u>Land and buildings</u> £'000	<u>Landfill sites</u> £'000	<u>Plant &amp; machinery</u> £'000	<u>Total</u> £'000
<b>Cost or valuation</b>				
At 26 March 1994	682	7,142	8,235	16,059
Additions	69	146	1,140	1,355
Disposals	(747)	(130)	(1,111)	(1,988)
Transfers from/(to) group undertakings	-	2,308	(1,401)	907
Reclassifications	<u>1,021</u>	<u>(447)</u>	<u>(574)</u>	<u>-</u>
At 1 April 1995	<u>1,025</u>	<u>9,019</u>	<u>6,289</u>	<u>16,333</u>
<b>Depreciation</b>				
At 26 March 1994	72	2,622	5,051	7,745
Eliminated in respect of disposals	(732)	(23)	(969)	(1,724)
Charge for year	44	423	654	1,121
Transfers from/(to) group undertakings	-	257	(804)	(547)
Reclassifications	<u>991</u>	<u>(940)</u>	<u>(51)</u>	<u>-</u>
At 1 April 1995	<u>375</u>	<u>2,339</u>	<u>3,881</u>	<u>6,595</u>
<b>Net book amount at 1 April 1995</b>	<u>650</u>	<u>6,680</u>	<u>2,408</u>	<u>9,738</u>
At 26 March 1994	<u>610</u>	<u>4,520</u>	<u>3,184</u>	<u>8,314</u>
Net book amounts of assets held under finance leases and hire purchase contracts included above				
At 1 April 1995	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 26 March 1994	<u>-</u>	<u>-</u>	<u>223</u>	<u>223</u>
The net book value of land and buildings and landfill sites comprises (1994 all freehold)				
Freehold	497	4,758		
Short leasehold	<u>153</u>	<u>2,051</u>		
	<u>650</u>	<u>6,809</u>		

# SHANKS & McEWAN (MIDLANDS) LIMITED

## NOTES TO THE ACCOUNTS - 1 APRIL 1995 (CONTINUED)

### 9 TANGIBLE FIXED ASSETS (CONTINUED)

The tangible fixed assets have been reviewed by the Directors after taking appropriate professional advice and prudent revaluation adjustments have been made where necessary.

The cost of landfill sites at 1 April 1995 includes capitalised interest of £1,091,000 (1994: £1,091,000). Included in plant and machinery and landfill sites are assets under construction with a net book value of £189,000 (1994: £594,000).

Freehold land and buildings includes land at 1980 valuation of £57,000 (1994: £57,000). The comparable amount determined under the historical cost convention was £20,000.

### 10 FIXED ASSET - INVESTMENTS

£'000

Shares in subsidiary undertaking at cost:

At 26 March 1994 and 1 April 1995

4

At 1 April 1995 the following Company was a subsidiary undertaking of the Company:

	<u>Country of registration</u>	<u>Type of shares</u>	<u>Type of business</u>	<u>Proportion of shares held</u>
Shanks & McEwan (Dogthorpe Power Generation) Limited	England	Ordinary	Non-trading	100%

The Directors are of the opinion that the value of the investment in the subsidiary undertaking is not less than the amount at which it is stated in the balance sheet. The subsidiary undertaking changed its name from Easidispose Limited on 17 August 1994.

### 11 STOCKS

	<u>1995</u>	<u>1994</u>
	£'000	£'000

Raw materials and consumables

	213	16
	<u>      </u>	<u>      </u>

### 12 DEBTORS

	<u>1995</u>	<u>1994</u>
	£'000	£'000

Trade debtors  
 Amounts owed by group undertakings  
 Corporation tax recoverable  
 Prepayments and accrued income

	2,523	2,363
	610	1,322
	-	152
	<u>122</u>	<u>104</u>
	<u>3,255</u>	<u>3,941</u>

**SHANKS & McEWAN (MIDLANDS) LIMITED**

**NOTES TO THE ACCOUNTS - 1 APRIL 1995 (CONTINUED)**

<b>13</b>	<b>CREDITORS: Amounts falling due within one year</b>	<u>1995</u> £'000	<u>1994</u> £'000
	Bank overdraft	1,238	1,341
	Trade creditors	287	290
	Amounts owed to group undertakings	3,499	2,909
	Other creditors	72	26
	Corporation tax payable	1,181	2,455
	Other taxation and social security	118	141
	Hire purchase and finance lease obligations	-	60
	Proposed dividend	842	1,050
	Accruals	<u>648</u>	<u>175</u>
		<u>7,885</u>	<u>8,447</u>

**14 PROVISION FOR LIABILITIES AND CHARGES**

	Deferred taxation £'000	Environmental provisions £'000	Total £'000
At 26 March 1994	14	698	712
Utilised in year	-	(70)	(70)
Provided/(released) in year	<u>(14)</u>	<u>844</u>	<u>830</u>
At 1 April 1995	<u>-</u>	<u>1,472</u>	<u>1,472</u>

The deferred taxation balances and potential amount of deferred taxation for all timing differences are as follows:

	<u>1995</u>		<u>1994</u>	
	Amount provided in the accounts	Potential (asset)/ liability	Amount provided in the accounts	Potential (asset)/ liability
Accelerated capital allowances	-	97	-	(5)
Other timing differences	<u>-</u>	<u>(313)</u>	<u>14</u>	<u>19</u>
	<u>-</u>	<u>(216)</u>	<u>14</u>	<u>14</u>

**SHANKS & McEWAN (MIDLANDS) LIMITED**

**NOTES TO THE ACCOUNTS - 1 APRIL 1995 (CONTINUED)**

**15 CALLED UP SHARE CAPITAL**

	<u>1995</u> £'000	<u>1994</u> £'000
100,000 ordinary shares of £1 each Authorised, allotted and fully paid	100	100
	<u>          </u>	<u>          </u>

**16 RESERVES**

	<u>Profit and loss</u> £'000	<u>Revaluation reserves</u> £'000
At 26 March 1994	2,980	37
Profit for the year	2,000	-
Dividends	<u>(1,263)</u>	<u>-</u>
At 1 April 1995	<u>3,717</u>	<u>37</u>

The cumulative goodwill written off reserves for continuing businesses is £1,354,000 (1994: £1,354,000).

**17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>1995</u> £'000	<u>1994</u> £'000
Total recognised gains and losses for the year	2,000	1,295
Dividends	<u>(1,263)</u>	<u>(1,575)</u>
Net addition to/(reduction of) shareholders' funds	737	(280)
Opening shareholders' funds	<u>3,117</u>	<u>3,397</u>
Closing shareholders' funds	<u>3,854</u>	<u>3,117</u>

**18 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>1995</u> £'000	<u>1994</u> £'000
Expenditure contracted for	265	170
	<u>          </u>	<u>          </u>
Expenditure not contracted for	108	-
	<u>          </u>	<u>          </u>

## SHANKS & McEWAN (MIDLANDS) LIMITED

### NOTES TO THE ACCOUNTS - 1 APRIL 1995 (CONTINUED)

#### 19 COMMITMENTS UNDER OPERATING LEASES

The annual commitments under operating leases are as follows:

	<u>1995</u> <u>Land and</u> <u>buildings</u> £'000	<u>1994</u> <u>Land and</u> <u>buildings</u> £'000
Leases expiring:		
Within 1 year	4	4
Over 5 years	<u>19</u>	<u>19</u>
	23	23
	<u>=====</u>	<u>=====</u>

#### 20 PENSION COMMITMENTS

The Company, along with other companies in the Shanks & McEwan Group, participates in pension arrangements providing benefits based on final salary. The assets of the scheme 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 triennial valuations using the Projected Unit Method. The pension charge for the year was £58,000 (1994: £46,000). Details of the latest actuarial value of the scheme on 6 April 1992 are contained in the financial statements of Shanks & McEwan Group PLC.

#### 21 CONTINGENT LIABILITIES

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. The Company has in the normal course of business given guarantees and performance bonds relating to the Company's own contracts.

#### 22 ULTIMATE PARENT COMPANY

The ultimate parent Company is Shanks & McEwan Group PLC, a Company registered in Scotland. Copies of the Group financial statements can be obtained from the Company Secretary, Shanks & McEwan Group PLC, 22 Woodside Place, Glasgow, G3 7QY.