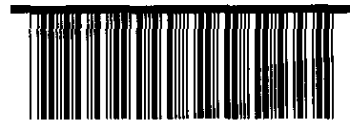


SC 43286

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

REPORT AND ACCOUNTS

YEAR ENDED 27 MARCH 1999



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COMPANIES HOUSE		31/1/00
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SHANKS MIDLANDS LIMITED

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SHANKS MIDLANDS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 27 MARCH 1999

The Directors present their Annual Report and financial statements for the year ended 27 March 1999.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE PROSPECTS

The principal activities of the Company continues 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.

The company changed its name to Shanks Midlands Ltd on 24th May 1999.

TRADING RESULTS AND DIVIDENDS

The profit on ordinary activities before taxation for the year ended 27 March 1999 was £961,000 (1998: £3,238,000).

The Directors recommend that a dividend of £310,000 be paid in respect of the year ended 27 March 1999 (1998: £1,078,000). The Loss transferred to the reserves for the year was £145,000 (1998: Profit £1,142,000).

YEAR 2000 AND INTRODUCTION OF THE EURO

In conjunction with the other companies in the Shanks Group, the company has a programme designed to address the business risk arising from the year 2000. As part of this programme, software and hardware are being audited and renewed or amended where appropriate. It is not possible to distinguish between replacements due to year 2000 and other technical obsolescences. The overall cost of IT upgrades is not material. As the company does not trade outside the UK, the impact of the introduction of the Euro is not significant.

DIRECTORS

The following were Directors of the Company during the year.

M C E Averill
D J Downes
J R Meredith
K R Morin (Resigned 1.2.99)
M J Clarke (Appointed 29.4.99)

DIRECTORS' INTERESTS

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

SHANKS MIDLANDS LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS INTERESTS (CONTINUED)

During the year ended 27 March 1999 the Director, who is not a director in the ultimate parent company, was granted the following share options in Shanks plc:

	<u>Option Scheme</u>	<u>Granted</u>	<u>Exercise Price</u>
K R Morin	Sharesave	5,798	1.19p

During the year ended 27 March 1999, K R Morin exercised options in respect of 75,000 shares at 88p. Market value on the date of exercise was 178.5p giving rise to a potential profit of £67,875.

The interest of J Meredith's share interest in Shanks Group Plc are disclosed in the accounts of Shanks Waste Services Limited.

The other Directors were also directors of Shanks Group Plc. Their interests in the share capital are shown in that Company's financial statements.

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

PAYMENT OF SUPPLIERS

It is the Company's payment policy for the year ended 27 March 1999, in respect of all suppliers, to settle agreed outstanding accounts in accordance with terms and conditions agreed with suppliers when placing orders. The Company will abide by these terms of payment. The amount owed by the Company to trade creditors at year end in proportion to the amounts invoiced by suppliers during the year, expressed as a number of days, was 30 days (1998: 33 days).

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 Group Plc.

SHANKS MIDLANDS LIMITED

DIRECTORS' REPORT (CONTINUED)

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:

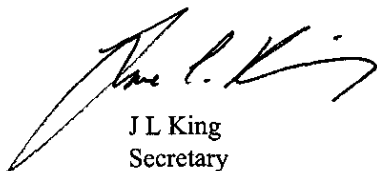
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare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

PricewaterhouseCoopers have indicated their willingness to continue in office. A resolution concerning the reappointment of PricewaterhouseCoopers will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



J L King
Secretary
22 July 1999

Registered Office:
A8 Edinburgh Road
Coatbridge
Lanarkshire
ML5 4UG

AUDITORS' REPORT TO THE MEMBERS OF SHANKS MIDLANDS LIMITED

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 9.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report, including as described on page x of the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

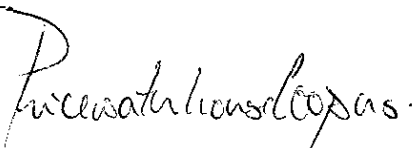
Basis of opinion

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 accounts 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 affairs of the Company as at 27 March 1999 and of the results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSECOOPERS
Chartered Accountants
and Registered Auditors
London
22 July 1999

22 / 7 / 99.

SHANKS MIDLANDS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 27 MARCH 1999

	<u>1999</u> £'000	<u>Restated</u> <u>1998</u> £'000
TURNOVER (Note 2)	16,891	16,684
Cost of sales	<u>(15,781)</u>	<u>(13,361)</u>
GROSS PROFIT	1,110	3,323
Administrative expenses	<u>-</u>	<u>-</u>
PROFIT BEFORE INTEREST	1,110	3,323
Unwinding of discount (Note 12)	(149)	(85)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Notes 2 & 3)	<u>961</u>	<u>3,238</u>
Taxation (Note 6)	<u>(796)</u>	<u>(1,018)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	165	2,220
Dividends (Note 7)	<u>(310)</u>	<u>(1,078)</u>
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR (Note 15)	<u>(145)</u>	<u>1,142</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 27 MARCH 1999

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 27 MARCH 1999

There is no material difference between the reported result for the year and those that would be reported under the historical cost convention.

The notes on pages 7 to 16 form part of these financial statements.

SHANKS MIDLANDS LIMITED

BALANCE SHEET - 27 MARCH 1999

	<u>1999</u> £'000	<u>Restated</u> <u>1998</u> £'000
FIXED ASSETS		
Tangible assets (Note 8)	9,896	10,300
Investments (Note 9)	4	4
	<u>9,900</u>	<u>10,304</u>
CURRENT ASSETS		
Debtors (Note 10)	2,910	2,672
	<u>2,910</u>	<u>2,672</u>
CREDITORS - Amounts falling due within one year (Note 11)	<u>(3,064)</u>	<u>(4,428)</u>
NET CURRENT LIABILITIES	<u>(154)</u>	<u>(1,756)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>9,746</u>	<u>8,548</u>
PROVISIONS FOR LIABILITIES AND CHARGES (Note 12)	<u>(4,848)</u>	<u>(3,505)</u>
TOTAL NET ASSETS	<u>4,898</u>	<u>5,043</u>
CAPITAL AND RESERVES		
Called up share capital (Note 13)	100	100
Revaluation reserve (Note 14)	37	37
Profit and loss account (Note 14)	4,761	4,906
TOTAL EQUITY SHAREHOLDERS' FUNDS	<u>4,898</u>	<u>5,043</u>

APPROVED BY THE BOARD ON
22 July 1999



D J Downes
DIRECTOR

The notes on pages 7 to 16 form part of these financial statements.

SHANKS MIDLANDS LIMITED

NOTES TO THE ACCOUNTS - 27 MARCH 1999

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. Where changes in presentation are made comparative figures are adjusted accordingly (see note 12).

As the Company is included in the consolidated accounts of Shanks Group Plc, group accounts have not been prepared as permitted by S228 of 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

Goodwill arises when the cost of acquiring subsidiaries and businesses exceeds the fair value attributed to the net assets acquired. Goodwill is now written off over its useful life in accordance with FRS 10. The useful life of goodwill is not expected to exceed 20 years. As permitted by FRS 10 the goodwill previously written off to reserves has not been reinstated in the balance sheet.

The profit or loss on disposal or closure of a business is calculated after taking into account any goodwill previously written off to reserves.

(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 and plant and machinery

Depreciation is provided on assets other than land to write off their cost by equal annual instalments over their estimated useful economic lives.

The estimated lives are:

Buildings	50 years (or the lease period if shorter)
Plant and machinery	3 to 10 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.

SHANKS MIDLANDS LIMITED

NOTES TO THE ACCOUNTS - 27 MARCH 1999

(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.

(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 payment 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.

All leases other than finance leases are treated as operating leases.

Rentals paid under operating leases are charged to the profit and loss account as incurred over the term of the lease.

(6) Site restoration provision

Full provision is made for the net present value (NPV) of the Group's minimum unavoidable costs in relation to restoration liabilities at its landfill sites and this value is capitalised as a fixed asset. This represents a change in accounting policy from previous years. The impact of this change on the presentation of the financial statements is described in note 12 to the accounts. The Group continues to provide for the NPV of intermediate restoration costs over the life of its landfill sites, based on the quantity of waste deposited in the year.

(7) Aftercare provision

Provision is made for the NPV of post closure costs based on the quantity of waste deposited in the year. Similar costs incurred during the operational life of the sites are *written off directly and not charged against the provision.*

(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 and computed for taxation purposes and profits as stated in the financial statements to the extent that the liability will crystallise in the foreseeable future.

SHANKS MIDLANDS LIMITED

NOTES TO THE ACCOUNTS - 27 MARCH 1999 (CONTINUED)

(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) 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/(crediting):-

	<u>1999</u> £'000	<u>1998</u> £'000
Depreciation of tangible fixed assets - owned	1,088	994

No amounts were paid to auditors in respect of non-audit services (1998: £Nil)

The auditors' fees were paid by the ultimate holding company and not recharged to the company.

SHANKS MIDLANDS LIMITED

NOTES TO THE ACCOUNTS - 27 MARCH 1999 (CONTINUED)

4. EMOLUMENTS OF DIRECTORS

The salaries of the Chairman and other Directors were paid by other Shanks Group undertakings and no remuneration was paid or is payable by Shanks & McEwan (Midlands) Limited (1998: £Nil).

The Directors estimate that no emoluments paid by other Shanks Group undertakings relate to services provided to the Company. No retirement benefits accrue to the Directors in respect of their service to the Company.

5. EMPLOYEES

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

	<u>1999</u>	<u>1998</u>
Waste Management	<u>221</u>	<u>219</u>
Staff costs comprise:	<u>1999</u>	<u>1998</u>
	£'000	£'000
Wages and salaries	2,116	2,055
Social security costs	184	179
Other pension costs	60	54
	<u>2,360</u>	<u>2,288</u>

SHANKS MIDLANDS LIMITED

NOTES TO THE ACCOUNTS - 27 MARCH 1999 (CONTINUED)

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	<u>1999</u> £'000	<u>1998</u> £'000
Corporation tax at 31% (1998: 31%)	804	1,290
Deferred taxation	<u>(8)</u>	<u>(272)</u>
	<u>796</u>	<u>1,018</u>

7. DIVIDENDS

	<u>1999</u> £'000	<u>1998</u> £'000
Paid	-	718
Proposed	<u>310</u>	<u>360</u>
	<u>310</u>	<u>1,078</u>

SHANKS MIDLANDS LIMITED

NOTES TO THE ACCOUNTS - 27 MARCH 1999 (CONTINUED)

8. TANGIBLE FIXED ASSETS

	<u>Land and Buildings</u> £'000	<u>Landfill Sites</u> £'000	<u>Plant and Machinery</u> £'000	<u>Total</u> £'000
Cost or valuation				
At 28 March 1988	477	10,789	6,189	17,455
FRS 12 restatement (see note 12)	-	500	-	500
At 28 March 1998 restated	-	11,289	-	17,955
Additions	-	295	389	684
Disposals	-	-	(87)	(87)
- Transfers from/(to) group undertakings	-	-	150	150
At 27 March 1999	<u>477</u>	<u>11,584</u>	<u>6,641</u>	<u>18,702</u>
Depreciation -				
At 28 March 1988	63	4,099	3,493	7,655
Eliminated in respect of disposals	-	-	(87)	(87)
Charge for year	19	461	608	1,088
- Transfers to group undertakings	-	-	150	150
At 27 March 1999	<u>82</u>	<u>4,560</u>	<u>4,164</u>	<u>8,806</u>
Net book amount -				
At 27 March 1999	<u>395</u>	<u>7,024</u>	<u>2,477</u>	<u>9,896</u>
At 28 March 1988	<u>414</u>	<u>7,190</u>	<u>2,696</u>	<u>10,300</u>

The net book value of land and buildings comprises:-

	<u>1999</u> £'000	<u>1998</u> £'000
Freehold	357	369
Short leasehold	38	45
	<u>395</u>	<u>414</u>

The net book value of landfill sites comprises:-

	<u>6,524</u>	<u>7,217</u>
Freehold	6,524	7,217
	<u>6,524</u>	<u>7,217</u>

SHANKS MIDLANDS LIMITED

NOTES TO THE ACCOUNTS - 27 MARCH 1999 (CONTINUED)

8. TANGIBLE FIXED ASSETS (CONTINUED)

The cost of landfill sites at 28 March 1998 includes capitalised interest of £897,000 (1998: £897,000).

9. FIXED ASSET - INVESTMENTS

Share in subsidiary undertaking at cost:	£'000
At 27 March 1999 and 28 March 1998	<u>4</u>

At 28 March 1998 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 (Dogsthorpe 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.

SHANKS MIDLANDS LIMITED

NOTES TO THE ACCOUNTS - 27 MARCH 1999 (CONTINUED)

10. DEBTORS

	<u>1999</u> £'000	<u>1998</u> £'000
Trade debtors	2,632	2,389
Amounts owed by group undertakings	235	-
Prepayments and accrued income	43	283
	<u>2,910</u>	<u>2,672</u>

11. CREDITORS: Amounts falling due within one year

	<u>1999</u> £'000	<u>1998</u> £'000
Amounts owed to group undertakings	1,671	2,726
Corporation tax payable	877	1,134
Proposed dividend	310	360
Accruals	206	208
	<u>3,064</u>	<u>4,428</u>

12. PROVISION FOR LIABILITIES AND CHARGES

	<u>Deferred</u> <u>taxation</u> £'000	<u>Aftercare</u> <u>provision</u> £'000	<u>Site</u> <u>restoration</u> <u>provision</u> £'000	<u>Total</u> £'000
At 28 March 1998	8	2,208	789	3,005
FRS 12 adjustment	-	-	500	500
	<u>8</u>	<u>2,208</u>	<u>1,289</u>	<u>3,505</u>
Utilised in year	-	-	(260)	(260)
Provided in year	(8)	152	1,459	1,603
	<u>-</u>	<u>2,360</u>	<u>1,988</u>	<u>4,348</u>

In September 1998, the Accounting Standards Board (ASB) published Financial Reporting Standard (FRS) 12. "Provisions, Contingent Liabilities and Contingent Assets". In accordance with FRS 12, full provision has been made for the net present value (NPV) of the Company's minimum unavoidable costs, in relation to restoration liabilities at its landfill sites, which has been capitalised in fixed assets. The Company continues to provide for intermediate restoration costs and total aftercare costs over the life of its landfill sites, based on the quantity of waste deposited in the year, since the liabilities in relation to these costs increase as waste is deposited.

SHANKS MIDLANDS LIMITED

NOTES TO THE ACCOUNTS - 27 MARCH 1999

All long term provisions for restoration and aftercare costs are calculated based on the NPV of estimated future costs. Current cost estimates are inflated at 3% and discounted at 5% to calculate the NPV. The effects of inflation and the unwinding of the discount element on existing provisions are reflected within the financial statements as a financial item. Previously all such items were treated as part of cost of sales.

The implementation of FRS 12 has increased tangible fixed assets and restoration liabilities as at 28 March 1998 by £0.5m. There is no impact on opening retained earnings as a result of the implementation of this standard, since the results are not materially different to those previously reported.

To ensure consistency of presentation, the element of the provision movement in the prior year relating to inflation and discount amounting to £149,000 (1998: £85,000) has been reclassified from cost of sales to a financial item (unwinding of discount).

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

	1999		1998	
	Amount provided in <u>the accounts</u> £'000	Potential (asset)/ <u>liability</u> £'000	Amount Provided in <u>the accounts</u> £'000	Potential (asset)/ <u>liability</u> £'000
Accelerated capital allowances	285	285	8	284
Other timing differences	(285)	(709)	-	-
	<u>-</u>	<u>(423)</u>	<u>8</u>	<u>284</u>

13. CALLED UP SHARE CAPITAL

	<u>1999</u> £'000	<u>1998</u> £'000
100,000 ordinary shares of £1 each authorised, allotted and fully paid	<u>100</u>	<u>100</u>

SHANKS MIDLANDS LIMITED

NOTES TO THE ACCOUNTS - 27 MARCH 1999 (CONTINUED)

14. RESERVES

	<u>Profit and Loss</u> £'000	<u>Revaluation reserves</u> £'000
At 28 March 1998	4,906	37
Profit for the year	165	-
Dividends	(310)	-
At 27 March 1999	<u>4,761</u>	<u>37</u>

The cumulative goodwill written off reserves for continuing businesses is £1,529,000 (1998: £1,529,000).

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1999</u> £'000	<u>1998</u> £'000
Profit on ordinary activities after taxation	165	2,220
Dividends	(310)	(1,078)
Net increase/(decrease) in shareholders' funds	(145)	1,142
Opening shareholders funds	<u>4,906</u>	<u>3,764</u>
Closing shareholders funds	<u>4,761</u>	<u>4,906</u>

16. 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.

17. ULTIMATE PARENT COMPANY

The immediate holding company is Shanks & McEwan (Landfill) Limited. The ultimate parent company is Shanks Group Plc, a company registered in Scotland. Copies of the Group financial statements can be obtained from the Company Secretary, Shanks Group Plc, Astor House, Station Road, Bourne End, Buckinghamshire, SL8 5YP.

18. CASHFLOW STATEMENT

The Company is exempt from preparing a cash flow statement under FRS 1 (Revised 1996) as more than 90 per cent of the voting rights are controlled within the Shanks Group and the Consolidated Financial Statements in which these results are included are publicly available.

19. RELATED PARTY TRANSACTIONS

The Company is not required to disclose transactions with other group companies as it is a wholly owned subsidiary in accordance with exemption available under FRS 8 "Related Party Transactions". The Company did not enter any transactions with any related parties other than those within the Group.