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SHANKS & McEWAN (SOUTHERN) LIMITED

REPORT AND ACCOUNTS

Year ended 26 March 1994



**SHANKS & McEWAN ( SOUTHERN ) LIMITED**

**REPORT & ACCOUNTS**

**YEAR ENDED 26 MARCH 1994**

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**SHANKS & McEWAN ( SOUTHERN ) LIMITED**

**Directors**

- M C E Averill
- D J Downes
- J R Meredith
- G J Newman
- M J Philpott

**Secretary and registered office**

J L King, Woodside House, Church Road, Woburn Sands, Millton Keynes, Buckinghamshire MK17 8TA

**REPORT OF THE DIRECTORS**

The directors submit their report and statement of accounts for the year ended 26 March 1994.

Company law requires the directors to prepare accounts that give a true and fair view of the state of affairs of the company and of the profit or loss for its financial year. In doing so the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

**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.

On 28 March 1993 the following events took place

- (a) The company transferred its interest in the entire share capital of Shanks & McEwan (Greenwich) Limited to the ultimate parent company,
- (b) The company transferred its interest in the entire share capital of Shanks & McEwan (Gas) Limited to Shanks & McEwan (Greenwich) Limited.
- (c) The company sold its gas and energy operations to Shanks & McEwan (Gas) Limited.

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.

## SHANKS &amp; McEWAN ( SOUTHERN ) LIMITED

## REPORT OF THE DIRECTORS

2. Trading results and dividend	£000	£000
Loss for the year after taxation		(819)
Dividends:	794	
Interim paid		
Final proposed	8588	9,382
		<hr/>
Transfer from reserves		<u>(10,201)</u>

## 3. Directors

The composition of the board at the date of this report is shown at the head of this report.

D F Wheeler, H D T Moss and R L Tasker resigned on 29 March 1993.

J A Smith resigned on 27 May 1993.

A J N Fowler , J S Martin and M R Hewlitt resigned on 30 September 1993, 25 November 1993 and 12 January 1994 respectively.

M C E Averill and D J Downes were appointed on 12 January 1994.

The other directors served throughout the year.

The interests of D J Downes and G J Newman in the shares of the ultimate parent company are disclosed in the accounts of the ultimate parent company, Shanks & McEwan Group PLC.

The interests of J R Meredith and M J Philpott in the shares of the ultimate parent company, Shanks & McEwan Group PLC, are disclosed in the accounts of Shanks & McEwan (Waste Services) Limited.

The interests of M C E Averill in the shares of the ultimate parent company, Shanks & McEwan Group PLC, are disclosed in the accounts of Shanks & McEwan (Environmental Services) Limited.

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

## 4. Changes in fixed assets

Changes in fixed assets are set out in note 8 to the accounts. The principal changes are: The transfer of the company's gas generation assets to a fellow subsidiary Shanks & McEwan (Gas) Limited; continuing investment in plant & machinery; and the provision for permanent diminution in value of the Canning Town property of £1,330,000.

**SHANKS & McEWAN ( SOUTHERN ) LIMITED****REPORT OF THE DIRECTORS****5. Research and development**

The company has continued 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. Costs of £106,000 were incurred in the year which have been written off to profit and loss account.

**6. Employment policies**

There is a continuing 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 the company 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.*

**7. Directors' and officers' liability insurance**

Insurance cover for directors' and officers' liability is maintained under a policy effected by the ultimate parent company, Shanks & McEwan Group PLC.

By order of the board



J L King  
Secretary

22 June 1994

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 17.

Respective responsibilities of directors and auditors

As described in the directors' report the company's directors are responsible for the preparation of accounts. It is our responsibility as auditors to form an independent opinion, based on our audit, on those accounts 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 accounts. 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 that 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 26 March 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Moores Rowland*  
MOORES ROWLAND

Chartered Accountants  
Registered Auditors  
25 Bothwell Street  
Glasgow G2 6NL  
22 June 1994

## SHANKS &amp; McEWAN ( SOUTHERN ) LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 26 MARCH 1994

		1994	1993
	Note	£000	£000
TURNOVER	3	37,182	42,793
Cost of sales before exceptional item		25,509	25,194
Exceptional item:			
Permanent diminution in property value	2	1,330	-
		<u>26,839</u>	<u>25,194</u>
GROSS PROFIT		10,343	17,599
Administrative expenses		7,679	8,510
OPERATING PROFIT		<u>2,664</u>	<u>9,089</u>
Share of costs of group reorganisation		853	-
Gain on sale of investments	9	(39)	-
PROFIT BEFORE INTEREST		1,850	9,089
Interest payable	5	119	979
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2&3	<u>1,731</u>	<u>8,110</u>
Taxation	6	2,550	2,376
(LOSS) PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(819)</u>	<u>5,734</u>
Dividend	7	<u>9,382</u>	<u>2,863</u>
TRANSFERRED (FROM) TO RESERVES	17	<u>(10,201)</u>	<u>2,871</u>

All disclosures relate only to continuing operations. There are no recognised gains or losses other than the loss for the year.

The notes on pages 7 to 17 form part of these accounts

## SHANKS &amp; McEWAN ( SOUTHERN ) LIMITED

## BALANCE SHEET

26 MARCH 1994

	Note	1994 £000	1993 £000
<b>FIXED ASSETS</b>			
Tangible assets	8	10,839	21,459
Investments	9	119	307
		<u>10,958</u>	<u>21,766</u>
<b>CURRENT ASSETS</b>			
Stocks	11	43	19
Debtors	12	12,309	13,427
Cash at bank and in hand		-	2
		<u>12,352</u>	<u>13,448</u>
CREDITORS: amounts falling due within one year	13	18,116	20,134
<b>NET CURRENT LIABILITIES</b>		<u>(5,764)</u>	<u>(6,686)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		5,194	15,080
CREDITORS: amounts falling due after more than one year	14	160	134
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15	<u>3,984</u>	<u>3,319</u>
		<u>1,050</u>	<u>11,627</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	1	1
Profit and loss account	17	<u>1,049</u>	<u>11,626</u>
		<u>1,050</u>	<u>11,627</u>



D J Downes

Director

22 June 1994

The notes on pages 7 to 17 form part of these accounts



## SHANKS &amp; McEWAN ( SOUTHERN ) LIMITED

## NOTES ON THE ACCOUNTS

## 1. Accounting policies

## (i) Basis of presentation

The accounts have been prepared using the historical cost convention and in accordance with applicable 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 and the accounts contain information about the company as an individual undertaking.

## (ii) 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.

## (iii) 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.

## (iv) Fixed assets

## a Land and buildings, plant and vehicles.

Depreciation is provided on assets other than land in equal annual instalments over the estimated useful lives of the assets and is calculated on the cost of the assets.

The estimated lives are:	<i>Buildings</i>	: 50 years
	<i>Plant and machinery</i>	: 3 to 10 years
	<i>Motor vehicles</i>	: 3 to 6 years

## b Landfill

Acquisition and commissioning costs, including interest thereon until commencement of operations, are capitalised and amortised over the estimated operational life of each site based on the volume of void space consumed.

## c Leased assets

## Finance leases

Assets financed by lease arrangements under which substantially all the risks and rewards of ownership are transferred to the company are included in tangible fixed assets at the aggregate 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 useful life.

**SHANKS & McEWAN ( SOUTHERN ) LIMITED****NOTES ON THE ACCOUNTS****c Leased assets (continued)****Operating leases**

Rentals paid under operating leases are charged to profit and loss account as incurred. The obligation to pay future rentals on operating leases is shown by way of a note to the account.

**d Capitalisation of Interest**

The gross 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 asset.

**(v) Environmental provision**

The provision relates to the current cost of:

- i) capping the pit areas in landfill reclamation; and
- ii) gas and leachate control during the life of the site and after the site has been closed.

The estimated current cost of capping and gas and leachate control based on the amount of waste deposited in the year is charged against profits and credited to the provision which is reviewed annually for adequacy.

**(vi) Government grants**

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

**(vii) Stocks**

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

**(viii) Deferred taxation**

Provision is made under the liability method for taxation deferred in respect of accelerated capital allowances and other timing differences but only to the extent that it is thought reasonably probable that an actual liability will arise in the foreseeable future.

**(ix) Pensions**

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the period benefiting from the employees' service.

**(x) Research and development**

Expenditure is written off in the year in which it is incurred.

## SHANKS &amp; McEWAN ( SOUTHERN ) LIMITED

## NOTES ON THE ACCOUNTS

	1994	1993
2. Profit on ordinary activities before taxation	£000	£000
The profit is stated after charging:		
Depreciation of tangible fixed assets		
- owned	2,981	3,296
- held under finance lease and hire purchase contracts	178	180
Hire of plant and machinery		
- operating leases	2,728	2,236
Research and development	106	213
Auditors' remuneration	37	35
Property rents payable	607	654
Loss on disposal of fixed assets	<u>146</u>	<u>-</u>
and after crediting:		
Gain on disposal of fixed assets	-	82
Government grants	<u>-</u>	<u>17</u>

The company has reappraised the carrying value of its properties in light of prevailing economic conditions, resulting in a provision of £1,330,000 against the carrying value of the Canning Town transfer station.

## 3. Turnover and profit

Turnover and profit on ordinary activities before taxation derive from one principal activity, waste management.

## NOTES ON THE ACCOUNTS

	1994	1993
<b>4. Directors and other employees</b>	<i>Number</i>	<i>Number</i>
The average weekly number of persons employed by the company during the year was as follows:		
Waste management	<u>344</u>	<u>390</u>
Staff costs comprise:	£000	£000
Wages and salaries	6,995	8,180
Social security costs	682	797
Other pension costs	<u>288</u>	<u>402</u>
	<u>7,965</u>	<u>9,399</u>
The remuneration of the directors was as follows:		
Fees	-	-
Other emoluments	176	383
Compensation for loss of office	<u>152</u>	<u>-</u>
	<u>328</u>	<u>383</u>
Particulars of directors remuneration excluding pension contributions:		
Chairmen	Nil	Nil
Highest paid director	<u>56</u>	<u>59</u>
Other directors	<i>Number</i>	<i>Number</i>
£0 to £5000	7	5
£35001 to £40000	-	2
£40001 to £45000	-	1
£50001 to £55000	<u>2</u>	<u>3</u>

## SHANKS &amp; McEWAN ( SOUTHERN ) LIMITED

## NOTES ON THE ACCOUNTS

	1994 £000	1993 £000
5. Interest payable		
Interest receivable	(18)	-
Interest payable on bank borrowings repayable within five years	-	992
Interest payable on finance leases and hire purchase contracts	137	108
	119	1,100
Interest capitalised during year	-	(121)
	119	979

## 6. Taxation

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

UK Corporation tax at 33% (1993:33%)		
- current year	1,768	2,475
- prior year	120	(107)
Deferred taxation	662	8
	2,550	2,376

The tax charge for the year has been increased by approximately £440,000 due to the provision for permanent diminution in value of property of £1,330,000 not being deductible from profits for corporation tax purposes.

The tax charge also takes into account the reduction of deferred tax not provided of £1,353,000 mainly as a result of a lower level of capital expenditure now being forecast for future years.

	1994 £000	1993 £000
7. Dividends		
Interim dividend paid	794	1,125
Proposed final dividend	8,588	1,738
	9,382	2,863

## SHANKS &amp; McEWAN ( SOUTHERN ) LIMITED

## NOTES ON THE ACCOUNTS

## 8. Tangible fixed assets

Cost	Freehold	Plant &	Motor	Total
	Land and Buildings	Machinery	Vehicles	
	£000	£000	£000	£000
At 28 March 1993	4,000	30,504	3,282	37,786
Reclassifications	41	(41)	-	-
Additions	176	1,910	696	2,782
On business acquired (note 10)	-	100	-	100
Disposals	(146)	(1,712)	(85)	(1,943)
Transfers to group undertakings	(977)	(8,630)	(17)	(9,624)
At 26 March 1994	<u>3,094</u>	<u>22,131</u>	<u>3,876</u>	<u>29,101</u>
Depreciation:				
At 28 March 1993	653	12,975	2,699	16,327
Reclassifications	47	(47)	-	-
Eliminated in respect of disposals	(88)	(1,303)	(76)	(1,467)
Charge for year	515	2,228	416	3,159
Permanent diminution in asset values	1,330	-	-	1,330
Transfers to group undertakings	(104)	(952)	(31)	(1,087)
At 26 March 1994	<u>2,353</u>	<u>12,901</u>	<u>3,008</u>	<u>18,262</u>
Net book amount:				
At 26 March 1994	<u>741</u>	<u>9,230</u>	<u>868</u>	<u>10,839</u>
Net book amount of assets held under finance leases included above:				
	<u>-</u>	<u>211</u>	<u>-</u>	<u>211</u>
At 28 March 1993	<u>3,347</u>	<u>17,529</u>	<u>583</u>	<u>21,459</u>
Net book amount of assets held under finance leases included above:				
	<u>-</u>	<u>389</u>	<u>-</u>	<u>389</u>

Included in plant and machinery are assets under construction with a net book value of £948,000 (1993: £927,000). Interest amounting to Nil (1993: £376,000) is included in the cost of plant and machinery.

## SHANKS &amp; McEWAN ( SOUTHERN ) LIMITED

## NOTES ON THE ACCOUNTS

## 9. Fixed assets- Investments

Investments in subsidiary undertakings

Shares at cost less amounts written off:

	£000
At 28 March 1993	307
Transfers to other group companies	<u>(188)</u>
At 26 March 1994	<u><u>119</u></u>

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

Name of company	Regist- ered in	Class of share	Business
Avenger Skips Ltd.	England	Ordinary	Dormant
Ring-Mack Demolition Ltd.	England	Ordinary	Dormant
B E Elliott (Haulage Contractors) Ltd.	England	Ordinary	Dormant
Abel (Waste Disposal) Ltd.	England	Ordinary	Dormant
Muck Away Ltd.	England	Ordinary	Dormant

The directors are of the opinion that the value of investments in and amounts owing from subsidiary undertakings is not less than the aggregate amounts at which they are recorded in the accounts.

## 10. Acquisitions

On 10 August 1993 the company acquired the waste transfer business of T Watts (Leicester) Limited. The fixed assets acquired are considered to be at fair value and amounted to £100,000. The total consideration was £376,000 of which £200,000 was paid in cash on completion and the balance of £176,000 will be paid in five annual instalments commencing August 1994. The goodwill arising of £276,000 has been written off against retained profits. The results of the business are not considered to be material to the company's results.

	1994	1993
	£000	£000
11. Stocks		
Raw materials and consumables	<u>43</u>	<u>19</u>

## SHANKS &amp; McEWAN ( SOUTHERN ) LIMITED

## NOTES ON THE ACCOUNTS

	1994 £000	1993 £000
<b>12. Debtors</b>		
Trade debtors	6,346	7,387
Amounts owed by parent and fellow subsidiary undertakings	4,982	5,016
Other debtors	-	84
Prepayments and accrued income	750	940
Corporation tax recoverable	231	-
	<u>12,309</u>	<u>13,427</u>
<b>13. Creditors: amounts falling due within one year</b>		
Bank overdraft	1,245	6,971
Trade creditors	2,750	5,131
Amounts owed to parent and fellow subsidiary undertakings	1,135	833
Amounts owed to subsidiary undertakings	255	592
Taxation and social security	720	1,128
Other creditors	337	226
Hire purchase and finance lease obligations	131	219
Accruals	535	380
Corporation tax payable	2,420	2,916
Proposed dividend	8,588	1,738
	<u>18,116</u>	<u>20,134</u>
<b>14. Creditors: amounts falling due after more than one year</b>		
Hire purchase and finance lease obligations	-	134
Deferred purchase consideration	160	-
	<u>160</u>	<u>134</u>



## SHANKS &amp; McEWAN ( SOUTHERN ) LIMITED

## NOTES ON THE ACCOUNTS

## 15. Provisions for liabilities and charges

	Deferred Taxation £000	Environ- -mental Provisions £000	Reorgan- -isation Provision £000	Total £000
At 28 March 1993	33	3286	-	3,319
Utilised in year	-	(741)	(670)	(1,411)
Provided in year	662	561	853	2,076
At 26 March 1994	<u>695</u>	<u>3,106</u>	<u>183</u>	<u>3,984</u>

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

	19 94 Provision £000	Total Potential Liability £000	19 93 Provision £000	Total Potential Liability £000
Accelerated capital allowances	753	1,459	-	1,898
Other timing differences	(58)	(135)	33	117
	<u>695</u>	<u>1,324</u>	<u>33</u>	<u>2,015</u>

## 16. Called up share capital

Authorised, allotted and fully paid  
100 ordinary shares of £1 each

	1994 £	1993 £
	<u>100</u>	<u>100</u>

## 17. Reconciliation of shareholders funds

	Share Capital £000	Profit and loss £000	Total £000
At 28 March 1993	1	11,626	11,627
Loss for the year	-	(819)	(819)
Dividends	-	(9,382)	(9,382)
Goodwill written off	-	(376)	(376)
At 26 March 1994	<u>1</u>	<u>1,049</u>	<u>1,050</u>

The goodwill written off in the year comprises £276,000 in relation to the acquisition in the year (note 10) and an adjustment in respect of an acquisition in an earlier year. The cumulative goodwill written off reserves for continuing businesses since January 1986, when the company was acquired by Shanks & McEwan Group PLC, is £5,649,000 (1993:£5,273,000). An accurate figure is not available for any goodwill prior to that date.

## SHANKS &amp; McEWAN ( SOUTHERN ) LIMITED

## NOTES ON THE ACCOUNTS

## 18. Capital commitments

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

	1994 £000	1993 £000
Expenditure contracted for	263	229
Expenditure not contracted for	<u>651</u>	<u>1,255</u>
	<u>914</u>	<u>1,484</u>

## 19. Financial commitments

Annual commitments under operating leases for buildings expiring:

	1994 £000	1993 £000
Within 1 year	-	-
Between 2 and 5 years	78	93
Over 5 years	<u>138</u>	<u>103</u>
	<u>216</u>	<u>196</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 are held separately from those of the group companies and are invested by professional investment managers.

Pension costs are determined by a qualified actuary on the basis of triennial valuations using the Projected Unit Method.

Details of the latest actuarial value of the scheme on 6 April 1992 are given in the accounts 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.

SHANKS & McEWAN ( SOUTHERN ) LIMITED

NOTES ON THE ACCOUNTS

22. Ultimate parent company

The company's ultimate parent company is Shanks & McEwan Group PLC, a company registered in Scotland. Copies of the group accounts may be obtained from the Company Secretary, Shanks & McEwan Group PLC, 22 Woodside Place, Glasgow, G3 7QY.