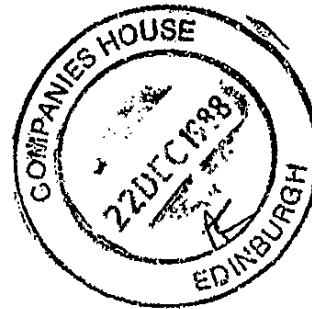


and
SHANKS & McEWAN (MIDLANDS) LIMITED
(Formerly Shanks & McEwan
(East Midlands) Limited)

REPORT AND ACCOUNTS
Year ended 26th March 1988



MOORE & ROWLAND
Chartered Accountants, Glasgow



SHANKS & McEWAN (MIDLANDS) LIMITED
(Formerly Shanks & McEwan (East Midlands) Limited)

REPORT AND ACCOUNTS

Year ended 26th March 1988

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SHANKS & McEWAN (MIDLANDS) LIMITED
(Formerly Shanks & McEwan (East Midlands) Limited)

Directors

M R Hewitt
H L I Runciman
J A MacDuff
K G Coulson
P D Mather
A R Platts

REPORT OF THE DIRECTORS

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

1. Principal activities, business review and future prospects

The principal activities of the company were providing waste handling and transport services for the group.

Turnover increased by over 30% during the year under review due to the expansion of the waste disposal activities of the company. With the acquisitions and proposed acquisitions of new landfill sites it is expected that this increase in turnover will be sustained in the current year.

2. Change of name

On 22nd October 1987 the company changed its name to Shanks & McEwan (Midlands) Limited.

3. Trading results and dividend £000

The profit before taxation was	745
After taxation charge of	238

Profit before extraordinary items was	507
Extraordinary items	301

Profit after extraordinary items was	808
Proposed dividend	404

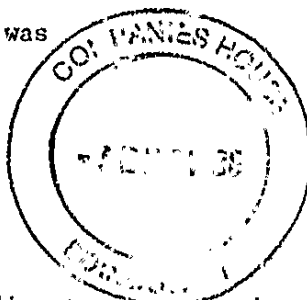
Leaving a sum retained of	404

4. Directors and their interests

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

Mr A G Shanks resigned from the board on 2nd June 1987 and Mr T S Howitt resigned from the board on 10th September 1987.

Messrs K G Coulson, P D Mather and A R Platts were appointed to the board on 1st April 1988. Their appointments fall to be confirmed at the forthcoming annual general meeting.



REPORT OF THE DIRECTORS

4. Directors (Continued)

The director retiring by rotation is Mr M R Hewitt who, being eligible, offers himself for re-election.

The interests at the beginning and end of the year of Mr H L I Runciman and Mr M R Hewitt in the shares of the ultimate holding company and other companies in the group are disclosed in the accounts of the ultimate holding company, Shanks & McEwan Group PLC.

The interests of Mr J A MacDuff in the shares of Shanks & McEwan Group PLC, including ordinary shares over which options have been granted were as follows:

	Ordinary shares of 50p each		Share options	
	At 26.3.88	At 29.3.87	At 26.3.88	At 29.3.87
J A MacDuff	28,000	28,000	31,400	31,400

Mr J A MacDuff had no interest in the shares of any other company in the group.

5. Acquisitions

On 5th January 1988 the company acquired a landfill site from D H Jones (Minerals) Limited (In Receivership).

6. Changes in fixed assets

Changes in fixed assets are detailed in note 9 to the accounts.

7. Disposal of investments

On 10th September 1987 the entire issued share capital of Fidelity Plant Hire Limited was sold to a company formed by a management team led by Mr A G Shanks. The consideration for the transaction was £390,000 after receipt of a dividend of £40,000.

8. Post balance sheet event

On 3rd May 1988 the company acquired the waste disposal business and assets of Waste Line Limited.

9. 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

P D MATHER

Secretary

Registered office:

22 Woodside Place
Glasgow G3 7QY

14th July 1988

SHANKS & McEWAN (MIDLANDS) LIMITED
(Formerly Shanks & McEwan (East Midlands) Limited)

REPORT OF THE AUDITORS

TO THE MEMBERS OF SHANKS & McEWAN (MIDLANDS) LIMITED
(Formerly Shanks & McEwan (East Midlands) Limited)

We have audited the accounts on pages 4 to 13 in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared under the historical cost convention as modified by the revaluation of certain assets, give a true and fair view of the company's state of affairs 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 (MIDLANDS) LIMITED
(Formerly Shanks & McEwan (East Midlands) Limited)

PROFIT AND LOSS ACCOUNT

YEAR ENDED 26TH MARCH 1988

		1988	1987
	Note	£000	£000
TURNOVER	3	4,009	3,048
Cost of sales		3,094	2,496
		<u>-----</u>	<u>-----</u>
GROSS PROFIT		915	552
Administrative expenses		266	215
		<u>---</u>	<u>---</u>
OPERATING PROFIT		649	337
Income from investments	5	96	322
		<u>---</u>	<u>---</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2,3	745	659
Tax on profit on ordinary activities	6	238	101
		<u>---</u>	<u>---</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		507	558
Extraordinary items	7	301	-
		<u>---</u>	<u>---</u>
PROFIT FOR YEAR		808	558
Dividends	8	404	413
		<u>---</u>	<u>---</u>
RETAINED PROFIT FOR YEAR	18	404	145
		<u>===</u>	<u>===</u>

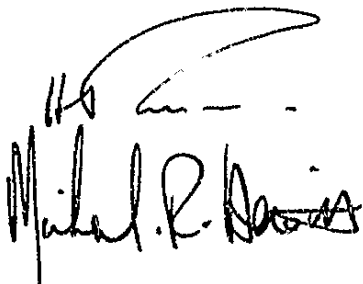
The notes on pages 7 to 13 form part of these accounts.

SHANKS & McEWAN (MIDLANDS) LIMITED
(Formerly Shanks & McEwan (East Midlands) Limited)

BALANCE SHEET

26TH MARCH 1988

		1988	1987
	Note	£000	£000
FIXED ASSETS			
Tangible assets	9	2,848	1,556
Investments	10	4	5
		<u>2,852</u>	<u>1,561</u>
CURRENT ASSETS			
Stocks	11	138	43
Debtors	12	1,942	2,442
Cash at bank and in hand		31	28
		<u>2,111</u>	<u>2,513</u>
CREDITORS: amounts falling due within one year	13	1,616	1,138
NET CURRENT ASSETS		495	1,375
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,347</u>	<u>2,936</u>
CREDITORS: amounts falling due after more than one year	14	216	113
		<u>3,131</u>	<u>2,823</u>
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	16	100	100
Revaluation reserve	17	37	133
Profit and loss account	18	2,994	2,590
		<u>3,131</u>	<u>2,823</u>
		=====	=====



Director

Director

14th July 1988

The notes on pages 7 to 13 form part of these accounts.

SHANKS & McEWAN (MIDLANDS) LIMITED
(Formerly Shanks & McEwan (East Midlands) Limited)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED 26TH MARCH 1988

	1988	1987
	£000	£000
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	745	659
Extraordinary item before taxation	423	-
	<u>1,168</u>	<u>659</u>
Adjustment for items not involving the movement of funds:		
Depreciation of tangible fixed assets	493	373
Gain on disposal of tangible fixed assets	(197)	(24)
Transfer from revaluation reserve	(96)	-
Gain on disposal of subsidiary company	(368)	-
	<u>1,000</u>	<u>1,008</u>
Total generated from operations		
Funds from other sources:		
Increase in creditors falling due after more than one year	103	3
Disposal of tangible fixed assets	459	39
Reclassification of tangible fixed assets	88	-
Disposal of subsidiary company	369	-
Pre acquisition dividend from subsidiary	-	9
	<u>2,019</u>	<u>1,059</u>
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	2,135	640
Purchase of investments	-	4
Tax paid	212	139
Dividend paid	413	50
	<u>2,760</u>	<u>833</u>
(DECREASE) INCREASE IN WORKING CAPITAL	<u>(741)</u>	<u>226</u>
COMPONENTS OF (DECREASE) INCREASE IN WORKING CAPITAL		
Stocks	95	4
Debtors	124	273
Creditors	(353)	(147)
Amounts owing by group companies	(610)	168
Net liquid funds:	3	(72)
Cash at bank and in hand	<u>(741)</u>	<u>226</u>

SHANKS & McEWAN (MIDLANDS) LIMITED
(Formerly Shanks & McEwan (East Midlands) Limited)

NOTES ON THE ACCOUNTS

1. Accounting policies

(i) Turnover

Turnover is computed as the invoice value of work executed and services provided during the period excluding, where applicable, value added tax.

(ii) Tangible fixed assets

Depreciation is provided on tangible fixed assets other than land in equal annual instalments over the estimated useful life of the assets and is calculated on the cost or valuation of the assets.

The estimated lives are:

Buildings	:	25 years
Plant and machinery	:	3 to 8 years
Motor vehicles	:	4 years

(iii) 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.

(iv) Stock

Stock and work in progress is stated at the lower of cost (on a first in first out basis) and net realisable value. Cost of work in progress comprises materials, direct wages and all overheads incurred in bringing the work in progress to its existing location and condition.

(v) Deferred taxation

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

(vi) Leasing

Rentals paid under finance and operating leases are charged to profit and loss account as incurred.

	1988	1987
2. Profit on ordinary activities before taxation	£000	£000
Trading profit is stated after charging:		
Depreciation of tangible fixed assets (note 9)	420	349
Hire of plant and machinery - operating leases	122	82
Hire of motor vehicles - finance leases	241	329
Hire purchase interest	32	31
Auditors' remuneration	12	9
Emoluments of the directors (note 4)	37	27
	===	===

NOTES ON THE ACCOUNTS

3. Turnover and profit

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

	1988		1987	
	Turnover	Profit before taxation	Turnover	Profit before taxation
	£000	£000	£000	£000
Principal activities				
Waste handling	2,911	599	2,054	317
Group transport	1,098	50	994	20
	-----	----	-----	----
	4,009	649	3,048	337
	=====	=====	=====	=====
Unallocated investment income		96		322
		----		----
		745		659
		====		====

Group transport turnover consists entirely of motor vehicles operating lease charges to fellow group companies.

	1988	1987
4. Directors and other employees	Number	Number

The average weekly number of persons employed by the company during the period was as follows:

Waste handling	86	71
Group transport	3	3
	---	---
	89	74
	==	==

Staff costs comprise:	£000	£000
Wages and salaries	955	660
Social security costs	86	60
Other pension costs	42	33
	-----	----
	1,083	753
	=====	=====

The remuneration of the directors was as follows:

Fees	-	-
Other emoluments	37	27
	---	---
	37	27
	==	==

Excluding contributions to pension schemes the emoluments of the individual directors were as follows:

Chairman	Nil	Nil
Highest paid director	33	23
	==	==
Other /		

SHANKS & McEWAN (MIDLANDS) LIMITED
(Formerly Shanks & McEwan (East Midlands) Limited)

NOTES ON THE ACCOUNTS

	1988	1987
	Number	Number
4. Directors and other employees (continued)		
Other directors		
£0 - £5,000	3 ===	3 ===
5. Income from investments	£000	£000
Dividends from unlisted investment	40	236
Interest on short-term deposits	56 --	86 --
	96 ==	322 ===
6. Tax on profit on ordinary activities		
The taxation charge based on the profit for the year is made up as follows:		
UK corporation tax at 35% (1987: 35%)	238	214
Transfer from deferred tax	--	(113)
	238 ===	101 ===
The charge for the year reflects the benefit of deferred taxation not provided of £45,000.		
	1988	1987
	£000	£000
7. Extraordinary items		
Gain on disposal of property:		
Surplus over book value	124	
Revaluation surpluses realised on disposals	96 --	--
	220	--
Abortive acquisition costs	(68)	--
Provision for closure costs	(97)	--
Gain on disposal of subsidiary company	368	
Less: UK corporation tax 35%	122	
	246 --	--
	301 ===	-- ===
8. Dividend		
Proposed dividend of 404p per share	404 ===	413 ===
9. /		

SHANKS & McEWAN (MIDLANDS) LIMITED
(Formerly Shanks & McEwan (East Midlands) Limited)

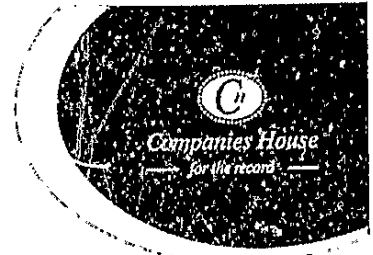
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NOTES ON THE ACCOUNTS

9. Tangible fixed assets

	Land & buildings	Landfill sites	Plant & machinery	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 29th March 1987	545	283	2,137	705	3,670
Additions	-	646	929	560	2,135
Disposals	(185)	-	(102)	(331)	(618)
Reclassification	(112)	-	-	-	(112)
	----	----	-----	----	-----
At 26th March 1988	248	929	2,964	934	5,075
	----	----	-----	----	-----
Consisting of:					
Assets at 1980 valuation	248	-	-	-	248
Assets at cost	-	929	2,964	934	4,827
	----	----	-----	----	-----
	248	929	2,964	934	5,075
	----	----	-----	----	-----
Depreciation					
At 29th March 1987	104	223	1,464	323	2,114
Eliminated in respect of disposals	(38)	-	(94)	(224)	(356)
Charge for year	13	17	260	203	493
Reclassification	(24)	-	-	-	(24)
	----	----	-----	----	-----
At 26th March 1988	55	240	1,630	302	2,227
	----	----	-----	----	-----
Net book amount					
At 26th March 1988	193	689	1,334	632	2,848
	====	====	=====	====	=====
Consisting of:					
Freehold	190	601			
Long leasehold	3	-			
Short leasehold	-	88			
	====	====			
At 28th March 1987	441	60	673	382	1,556
	====	==	====	====	=====
Consisting of:					
Freehold	438	53			
Long leasehold	3	-			
Short leasehold	-	7			
	====	==			
				1988	1987
				£000	£000
Depreciation charge for the year				493	373
Net gain on disposal of fixed assets				(73)	(24)
				----	----
Depreciation per profit and loss account				420	349
				====	====

For /



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SHANKS & McEWAN (MIDLANDS) LIMITED
(Formerly Shanks & McEwan (East Midlands) Limited)

NOTES ON THE ACCOUNTS

	1988	1987
	£000	£000
12. Debtors		
Trade debtors	736	646
Amounts owing by holding and fellow subsidiary companies	1,134	1,499
Amounts owing by subsidiary company	22	259
Other debtors	50	1
Prepayments	50	37
	<u>1,942</u>	<u>2,442</u>
	=====	=====

Amounts owing by group companies includes a loan of £590,239 made to the holding company. This does not fall due for repayment within one year.

	1988	1987
	£000	£000
13. Creditors: amounts falling due within one year		
Trade creditors	469	187
Amounts owing to holding and fellow subsidiary companies	21	35
Current corporation tax	362	214
Other taxation and social security	26	72
Proposed dividend	404	413
Hire purchase creditors	186	157
Other creditors	91	24
Accruals	57	36
	<u>1,616</u>	<u>1,138</u>
	=====	=====

14. Creditors: amounts falling due after more than one year

Hire purchase creditors	216	113
	===	===

15. Deferred taxation

No deferred tax has been provided and the full potential deferred tax liability is as follows:

Accelerated capital allowances	181	167
Rolled over gain	36	7
Other timing differences	(7)	(9)
	<u>210</u>	<u>165</u>
	===	===

16. /

NOTES ON THE ACCOUNTS

	1988	1987
16. Called up share capital	£000	£000
Authorised, allotted and fully paid 100,000 ordinary shares of £1 each	100 ===	100 ===
17. Revaluation reserve		
At 29th March 1987	133	133
Released in respect of property disposals (note 7)	96 ---	- ---
At 26th March 1988	37 ===	133 ===
18. Profit and loss account		
At 29th March 1987	2,590	2,445
Retained profit for year	404 -----	145 -----
At 26th March 1988	2,994 =====	2,590 =====
19. Financial commitments		
Net obligations at 26th March 1988 under finance leases comprise:		
	Motor vehicles	
	£000	
Due within one year	298	
Due between two and five years	283 ---	
	581 ===	
20. Capital commitments		
The approximate 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	135	-
Expenditure not contracted for	- ---	- ---
	135 ===	- ===
21. Post balance sheet event		
On 3rd May 1988 the company acquired the waste disposal business and assets of Waste Line Limited for a consideration of £650,000.		
22. Ultimate holding company		
The company's ultimate holding company is Shanks & McEwan Group PLC which is incorporated in Great Britain.		