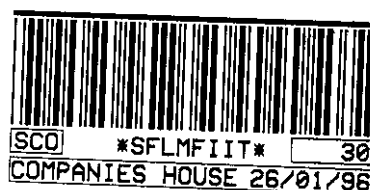


SHANKS & McEWAN (NORTHERN) LIMITED
(Registered Number 98678)

REPORT AND ACCOUNTS

YEAR ENDED 1 APRIL 1995

B.



SHANKS & McEWAN (NORTHERN) LIMITED

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SHANKS & McEWAN (NORTHERN) LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited 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 management sector and will invest in additional landfill void at economic cost and in new geographical areas with growth potential.

TRADING RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 1 April 1995 was £2,766,000 (1994 - £1,634,000).

An interim dividend of £650,000 (1994 - £400,000) was paid during the year, and the directors recommend the payment of a final dividend of £1,335,000 (1994 - £800,000). The resulting retained profit of £781,000 (1994 - £434,000) has been transferred to reserves.

DIRECTORS

The directors who held office during the year were as follows:

K R Morin
M C E Averill
D J Downes
S M Muir
G J Newman
R Reid

SHANKS & McEWAN (NORTHERN) LIMITED

DIRECTORS' REPORT (CONTINUED)

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>	
	Ordinary <u>Shares of 10p</u>	<u>Options</u>	Ordinary <u>Shares of 10p</u>	<u>Options</u>
K R Morin	58,955	109,583	65,039	38,618
S M Muir	1,850	2,929	1,850	5,429
R Reid	1,500	17,353	1,500	18,253

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

FIXED ASSETS

The movements in tangible fixed assets are summarised in Note 9 to the financial statements and principally relate to the acquisition of various items of plant and machinery, motor vehicles and further expenditure on landfill sites.

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.

SHANKS & McEWAN (NORTHERN) 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:

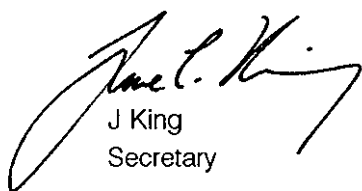
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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 indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board



J King
Secretary

31 October 1995

Registered Office:
22 Woodside Place
Glasgow
G3 7QY

Price Waterhouse



**AUDITORS' REPORT TO THE MEMBERS OF
SHANKS & McEWAN (NORTHERN) LIMITED**

We have audited the financial statements on pages 5 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 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 financial statements, 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 affairs of the company as at 1 April 1995 and of the profit for the year 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 (NORTHERN) LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 1 APRIL 1995**

	<u>1995</u> £'000	<u>1994</u> £'000
TURNOVER (Note 2)	17,953	15,442
Cost of sales	<u>12,540</u>	<u>10,995</u>
GROSS PROFIT	5,413	4,447
Administrative expenses	<u>1,939</u>	<u>1,266</u>
OPERATING PROFIT	3,474	3,181
Share of group reorganisation costs	<u>-</u>	<u>15</u>
PROFIT BEFORE INTEREST	3,474	3,166
Interest payable (Note 6)	<u>255</u>	<u>266</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)	3,219	2,900
Tax on profit on ordinary activities (Note 7)	<u>453</u>	<u>1,266</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	2,766	1,634
Dividends (Note 8)	<u>1,985</u>	<u>1,200</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR (Note 15)	<u>781</u>	<u>434</u>

There were no recognised gains or losses other than the profit for the year (1994 - £Nil).

The notes on pages 7 to 17 form part of these financial statements.

SHANKS & McEWAN (NORTHERN) LIMITED**BALANCE SHEET - 1 APRIL 1995**

	<u>1995</u> £'000	<u>1994</u> £'000
FIXED ASSETS		
Tangible assets (Note 9)	12,594	10,380
CURRENT ASSETS		
Stocks (Note 10)	145	150
Debtors (Note 11)	3,559	3,045
Cash at bank and in hand	2	7
	<u>3,706</u>	<u>3,202</u>
CREDITORS - Amounts falling due within one year (Note 12)	12,463	10,255
NET CURRENT LIABILITIES	<u>(8,757)</u>	<u>(7,053)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	3,837	3,327
PROVISIONS FOR LIABILITIES AND CHARGES (Note 13)	803	1,074
NET ASSETS	<u>3,034</u>	<u>2,253</u>
CAPITAL AND RESERVES		
Called up share capital (Note 14)	1	1
Profit and loss account (Note 15)	3,033	2,252
SHAREHOLDERS' FUNDS (Note 16)	<u>3,034</u>	<u>2,253</u>

APPROVED BY THE BOARD ON
31 October 1995



D J Downes
DIRECTOR

The notes on pages 7 to 17 form part of these financial statements.

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 1 APRIL 1995

1 ACCOUNTING POLICIES

(1) Basis of presentation

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

(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) Fixed assets

(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	25 years
Plant and machinery	3 to 10 years
Motor vehicles	3 to 6 years

(ii) Landfill

Acquisition and commissioning costs are capitalised and amortised over the estimated operational life of each site based on the amount of void space consumed.

(iii) 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 assets.

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 1 APRIL 1995 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(4) Leased assets

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

(5) Stocks

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

(6) 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. The timing differences are due primarily to the excess of tax allowances on tangible fixed assets over the corresponding depreciation charge in the financial statements.

(7) Environmental provision

The provision relates to the estimated current cost of:
capping the pit areas in landfill reclamation; and
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 tonnage of landfill materials deposited in the year is charged against profits and credited to the provision which is reviewed annually for adequacy.

(8) 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.

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 1 APRIL 1995 (CONTINUED)

2 SEGMENTAL INFORMATION

The turnover and operating profit on ordinary activities before taxation derive from 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

	<u>1995</u> £'000	<u>1994</u> £'000
The profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets		
- owned	2,410	1,894
- held under finance lease and hire purchase contracts	113	131
Operating lease rentals		
- property	108	106
- plant and machinery	272	183
Auditors' remuneration	18	27
Royalties	119	65
Gain on sale of tangible fixed assets	<u>(70)</u>	<u>-</u>

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

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 1 APRIL 1995 (CONTINUED)

4 EMOLUMENTS OF DIRECTORS

The remuneration of the directors in respect of their services to the company was as follows:

	<u>1995</u> £'000	<u>1994</u> £'000
Emoluments, including pension contributions	<u>168</u>	<u>153</u>

The emoluments of the highest paid director, excluding pension contributions, were £69,000 (1994 - £55,000).

Emoluments of the other directors, excluding pension contributions, fell within the following bands:

	Number	Number
£Nil - £5,000	3	6
£10,001 - £15,000	-	1
£30,001 - £35,000	-	1
£35,001 - £40,000	1	1
£40,001 - £45,001	<u>1</u>	<u>-</u>

5 EMPLOYEES

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

	<u>1995</u> Number	<u>1994</u> Number
Waste management	<u>234</u>	<u>216</u>
Staff costs comprise:		
	£'000	£'000
Wages and salaries	3,924	3,632
Social security costs	340	327
Other pension costs (Note 19)	<u>181</u>	<u>110</u>
	<u>4,445</u>	<u>4,069</u>

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 1 APRIL 1995 (CONTINUED)

6 NET INTEREST PAYABLE

	<u>1995</u> £'000	<u>1994</u> £'000
Interest payable on loans and bank borrowings repayable within five years	211	204
Interest payable on finance leases and hire purchase contracts	<u>44</u>	<u>63</u>
	255	267
Interest receivable	<u>-</u>	<u>1</u>
	<u>255</u>	<u>266</u>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	<u>1995</u> £'000	<u>1994</u> £'000
UK Corporation tax at 33% (1994 - 33%)	1,157	1,057
Prior year adjustment	(115)	(37)
Deferred taxation (Note 13)	<u>(589)</u>	<u>246</u>
	<u>453</u>	<u>1,266</u>

8 DIVIDENDS

	<u>1995</u> £'000	<u>1994</u> £'000
Interim paid	650	400
Final proposed	<u>1,335</u>	<u>800</u>
	<u>1,985</u>	<u>1,200</u>

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 1 APRIL 1995 (CONTINUED)

9 TANGIBLE FIXED ASSETS

	Land and buildings	Landfill sites		Plant &	Motor	Total
	Freehold	Freehold	Leasehold	Machinery	vehicles	
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 26 March 1994	201	4,281	991	8,784	5,661	19,918
Additions	-	574	197	2,696	1,071	4,538
Disposals	-	-	-	(312)	(518)	(830)
Transfers (to)/from group undertakings	-	-	-	674	-	674
At 1 April 1995	201	4,855	1,188	11,842	6,214	24,300
Depreciation						
At 26 March 1994	146	892	431	4,818	3,251	9,538
Charge for year	15	331	223	1,106	848	2,523
Eliminated in respect of disposals	-	-	-	(289)	(507)	(796)
Transfers (to)/from group undertakings	-	-	-	441	-	441
At 1 April 1995	161	1,223	654	6,076	3,592	11,706
Net book amount						
At 1 April 1995	40	3,632	534	5,766	2,622	12,594
At 26 March 1994	55	3,389	560	3,966	2,410	10,380

Interest amounting to £269,000 (1994 - £269,000) is included in the cost of landfill sites.

Net book amounts of assets
held under finance leases
and hire purchase contracts
included above

At 1 April 1995	-	-	-	-	-	-
At 26 March 1994	-	-	-	74	140	214

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 1 APRIL 1995 (CONTINUED)

10	STOCKS	<u>1995</u> £'000	<u>1994</u> £'000
	Raw materials and consumables	41	46
	Investment land and property	<u>104</u>	<u>104</u>
		145	150
		<u>=====</u>	<u>=====</u>

In the opinion of the directors, there is no significant difference between the replacement cost of stock and the amount at which it is stated in the balance sheet.

11	DEBTORS	<u>1995</u> £'000	<u>1994</u> £'000
	Trade debtors	3,233	2,553
	Amounts owed by parent undertaking	-	157
	Amounts owed by fellow subsidiary undertakings	73	19
	Corporation tax recoverable	-	116
	Prepayments and accrued income	<u>253</u>	<u>200</u>
		3,559	3,045
		<u>=====</u>	<u>=====</u>

12	CREDITORS - Amounts falling due within one year	<u>1995</u> £'000	<u>1994</u> £'000
	Bank overdraft	3,717	2,132
	Trade creditors	977	881
	Amounts owed to parent undertaking	3,508	-
	Amounts owed to fellow subsidiary undertakings	649	3,551
	Other creditors	213	127
	Corporation tax payable	952	2,080
	Other taxation and social security	342	345
	Hire purchase and finance lease obligations	-	107
	Proposed dividend	1,335	800
	Accruals	<u>770</u>	<u>232</u>
		12,463	10,255
		<u>=====</u>	<u>=====</u>

The company has granted to its bankers an unlimited inter company composite guarantee, and a right of set off against amounts outstanding on advances to its parent and fellow subsidiary undertakings.

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 1 APRIL 1995 (CONTINUED)

13 PROVISION FOR LIABILITIES AND CHARGES

	Deferred <u>taxation</u> £'000	Environmental <u>provisions</u> £'000	Reorganisation <u>provision</u> £'000	<u>Total</u> £'000
At 26 March 1994	589	473	12	1,074
Utilised in year	-	(41)	(12)	(53)
(Released)/provided in year	<u>(589)</u>	<u>371</u>	<u>-</u>	<u>(218)</u>
At 1 April 1995	-	803	-	803
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The deferred taxation balances and total potential liability for deferred taxation for all timing differences is made up as follows:

	<u>1995</u>		<u>1994</u>	
	<u>Amount provided</u> £'000	<u>Potential liability</u> £'000	<u>Amount provided</u> £'000	<u>Potential liability</u> £'000
Accelerated capital allowances	-	800	572	671
Other timing differences	<u>-</u>	<u>(36)</u>	<u>17</u>	<u>6</u>
	-	764	589	677
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 1 APRIL 1995 (CONTINUED)

14 CALLED UP SHARE CAPITAL

	<u>1995</u>	<u>1994</u>
	£	£
Authorised:		
100 ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
Allotted and fully paid:		
2 ordinary shares of £1 each	2	2
	<u> </u>	<u> </u>

15 PROFIT AND LOSS ACCOUNT

	£'000
At 26 March 1994	2,252
Retained profit for the financial year	<u>781</u>
At 1 April 1995	3,033
	<u> </u>

The cumulative goodwill written off reserves for continuing businesses is £460,000 (1994 - £460,000).

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Total recognised gains and losses for the financial year	2,766	1,634
Dividends	<u>(1,985)</u>	<u>(1,200)</u>
Net increase in shareholders' funds	781	434
Opening shareholders' funds	<u>2,253</u>	<u>1,819</u>
Closing shareholders' funds	3,034	2,253
	<u> </u>	<u> </u>

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 1 APRIL 1995 (CONTINUED)

17 CAPITAL COMMITMENTS

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

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Expenditure contracted for	<u>463</u>	<u>268</u>
Expenditure not contracted for	<u>15</u>	<u>-</u>

18 COMMITMENTS UNDER OPERATING LEASES

The annual commitments under operating leases are as follows:

	<u>Land and buildings</u>	
	<u>1995</u>	<u>1994</u>
	£'000	£'000
Leases expiring:		
Within one year	-	17
Between two and five years	8	8
Over five years	<u>82</u>	<u>79</u>
	90	104
	<u> </u>	<u> </u>

19 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 £181,000 (1994 - £110,000).

Details of the latest actuarial valuation of the scheme on 6 April 1992 are given in the financial statements of Shanks & McEwan Group PLC.

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 1 APRIL 1995 (CONTINUED)

20 CONTINGENT LIABILITIES

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

21 ULTIMATE PARENT COMPANY

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

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