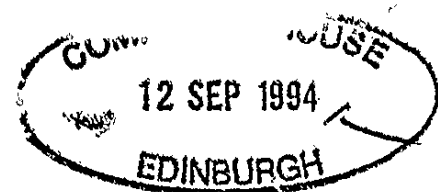


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SHANKS & McEWAN (NORTHERN) LIMITED

REPORT AND ACCOUNTS

Year ended 26 March 1994



SHANKS & McEWAN (NORTHERN) LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 26 MARCH 1994

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SHANKS & McEWAN (NORTHERN) LIMITED

Directors

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

Secretary and registered office

Jane L King, 22 Woodside Place, Glasgow, G3 7QY

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 the 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 are the operation of waste collection and disposal services for industry and local authorities.

The company plans to continue to increase it's 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.

2. Trading results and dividend

	£000	£000
Profit for the year after taxation		1,634
Dividends:		
Interim paid	400	
Final proposed	800	1,200
Retained profit		<u>434</u>

SHANKS & McEWAN (NORTHERN) LIMITED

REPORT OF THE DIRECTORS

3. Directors

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

D F Wheeler and R L Tasker resigned on 29 March 1993. A J N Fowler resigned on 30 September 1993. M R Hewitt resigned on 12 January 1994. J S Martin was appointed on 29 March 1993 and resigned on 25 November 1993. The directors regret to report that A D Robertson, a director of the company, died on 22 July 1993.

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

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 K R Morin in the ultimate parent company Shanks & McEwan Group PLC are shown in the accounts of Shanks & McEwan (Waste Services) Limited. The interests of M C E Averill in the ultimate parent company Shanks & McEwan Group PLC are shown in the accounts of Shanks & McEwan (Environmental Services) Limited.

The interests of the other directors in the shares of the ultimate parent company, Shanks & McEwan Group PLC, including ordinary shares over which options have been granted on 26 March 1994 together with their interests at 27 March 1993 were as follows:

	Ordinary shares of 10p each		Share options	
	26.3.94	27.3.93	26.3.94	27.3.93
S M Muir	1,850	3,700	5,429	4,168
R Reid	1,500	-	18,253	17,163

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

4. 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


Jane L King

Secretary

22 June 1994

SHANKS & McEWAN (NORTHERN) LIMITED

REPORT OF THE AUDITORS

TO THE MEMBERS OF SHANKS & McEWAN (NORTHERN) LIMITED

We have audited the accounts on pages 4 to 15.

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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Moore Rowland
MOORES ROWLAND

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

SHANKS & McEWAN (NORTHERN) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 26 MARCH 1994

	Note	1994 £000	1993 £000
TURNOVER	3	15,442	14,595
Cost of sales		<u>10,995</u>	<u>10,219</u>
GROSS PROFIT		4,447	4,376
Administrative expenses		<u>1,266</u>	<u>1,170</u>
OPERATING PROFIT		3,181	3,206
Share of group reorganisation costs		<u>15</u>	<u>-</u>
PROFIT BEFORE INTEREST		3,166	3,206
Interest payable	5	<u>266</u>	<u>463</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2&3	2,900	2,743
Taxation	6	<u>1,266</u>	<u>691</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,634	2,052
Dividends	7	<u>1,200</u>	<u>933</u>
RETAINED PROFIT FOR THE YEAR	15	<u>434</u>	<u>1,119</u>

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

The notes on pages 6 to 15 form part of these accounts

SHANKS & McEWAN (NORTHERN) LIMITED

BALANCE SHEET

26 MARCH 1994

	Note	1994 £000	1993 £000
FIXED ASSETS			
Tangible assets	8	10,377	10,775
CURRENT ASSETS			
Stocks	9	150	128
Debtors	10	3,045	3,642
Cash at bank and in hand		7	3
		3,202	3,773
CREDITORS: amounts falling due within one year	11	10,252	12,148
NET CURRENT (LIABILITIES)		<u>(7,050)</u>	<u>(8,375)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,327	2,400
CREDITORS: amounts falling due after more than one year	12	-	107
PROVISIONS FOR LIABILITIES AND CHARGES	13	<u>1074</u>	<u>474</u>
		<u>2,253</u>	<u>1,819</u>
CAPITAL AND RESERVES			
Called up share capital	14	1	1
Profit and loss account	15	<u>2,252</u>	<u>1,818</u>
		<u>2,253</u>	<u>1,819</u>



D J Downes

Director

22 June 1994

SHANKS & McEWAN (NORTHERN) 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. Where changes in presentation are made the comparative figures are adjusted accordingly.

(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.

(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:

Buildings	: 25 years
Plant and machinery	: 3 to 10 years
Motor vehicles	: 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 (NORTHERN) 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 accounts.

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) Government grants

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

(vi) Stocks

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

(vii) 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.

(viii) Environmental provision

The provision relates to the estimated 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.

(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' services.

(x) Research and development

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

NOTES ON THE ACCOUNTS

	1994	1993
	£000	£000
2. Profit on ordinary activities before taxation		

The profit is stated after charging:

Depreciation of tangible fixed assets		
- owned	1,894	1,715
- held under finance lease and hire purchase contracts	131	130
Operating lease rentals		
- property	106	120
- plant and machinery	183	144
Loss on sale of fixed assets	80	-
Auditors' remuneration	27	26
Royalties	55	75
	<u> </u>	<u> </u>
and after crediting:		
Gain on sale of fixed assets	<u> </u>	<u>131</u>

3. Turnover and profit

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

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES ON THE ACCOUNTS

	1994	1993
4. Directors and other employees	Number	Number
The average weekly number of persons employed by the company during the year was as follows:		
Waste management	<u>216</u>	<u>222</u>
Staff costs comprise:	£000	£000
Wages and salaries	3,632	3,653
Social security costs	327	292
Other pension costs	<u>110</u>	<u>100</u>
	<u>4,069</u>	<u>4,045</u>
The remuneration of the directors was as follows:		
Fees	-	-
Other emoluments	<u>153</u>	<u>177</u>
	<u>153</u>	<u>177</u>
Particulars of directors remuneration excluding pension contributions:		
Chairmen	Nil	Nil
Highest paid director	<u>55</u>	<u>47</u>
Other directors	Number	Number
£0 to £5000	6	5
£10001 to £15000	1	-
£25001 to £30000	-	1
£30001 to £35000	1	1
£35001 to £40000	<u>1</u>	<u>1</u>

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES ON THE ACCOUNTS

1994

1993

£000

£000

5. Interest payable

Interest payable on loans and bank
borrowings repayable within five years

204

407

Interest payable on finance leases
and hire purchase contracts

63

59

267

466

Interest receivable

1

3

268

463

6. Taxation

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

UK Corporation tax at 33% (1993: 33%)

1,057

946

Prior year adjustment

(37)

(206)

Transfer to (from) deferred taxation

246

(49)

1,266

691

The charge for the year takes into account the
reduction of deferred tax not provided of £257,000
mainly as a result of a lower level of capital
expenditure now being forecast for future years.

7. Dividends

Interim paid

400

375

Final proposed

800

558

1,200

933

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES ON THE ACCOUNTS

8. Tangible fixed assets

	Land and Buildings £000	Landfill sites £000	Plant & Machinery £000	Motor vehicles £000	Total £000
Cost					
At 28 March 1993	201	4,915	8,567	5,680	19,363
Transfers (to) from group undertakings	-	-	(50)	-	(50)
Additions	-	355	817	644	1,816
Disposals	-	-	(626)	(590)	(1,216)
At 26 March 1994	201	5,270	8,708	5,734	19,913
Depreciation:					
At 28 March 1993	119	991	4,494	2,984	8,588
Transfers (to) from group undertakings	-	-	(54)	-	(54)
Eliminated in respect of disposals	-	-	(463)	(560)	(1,023)
Charge for year	8	330	860	827	2,025
Reclassification	19	-	(19)	-	-
At 26 March 1994	146	1,321	4,818	3,251	9,536
Net book amount:					
At 26 March 1994	55	3,949	3,890	2,483	10,377
Net book amount of assets held under finance leases and hire purchase contracts included above:	-	-	74	140	214
At 27 March 1993	82	3,924	4,073	2,696	10,775
Net book amount of assets held under finance leases and hire purchase contracts included above:	-	-	125	220	345

Included in plant and machinery and landfill sites are assets under construction with a net book value of Nil (1993: £106,000). Interest amounting to £260,000 (1993: £269,000) is included in the cost of landfill sites.

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES ON THE ACCOUNTS

8. Tangible fixed assets (continued)

The net book amount of land and buildings and landfill sites comprises:

	Land and buildings		Landfill sites	
	1994	1993	1994	1993
	£000	£000	£000	£000
Freehold	20	20	3,309	3,384
Short leasehold	35	62	560	540
	<u>55</u>	<u>82</u>	<u>3,949</u>	<u>3,924</u>

9. Stocks

	1994	1993
	£000	£000
Raw materials and consumables	46	24
Investment land and property	<u>104</u>	<u>104</u>
	<u>150</u>	<u>128</u>

10. Debtors

Trade debtors	2,553	2,771
Amounts owed by parent and fellow subsidiary undertakings	176	568
Other debtors	-	130
Prepayments and accrued income	200	173
Corporation tax recoverable	<u>116</u>	<u>-</u>
	<u>3,045</u>	<u>3,642</u>

11. Creditors: amounts falling due within one year

Bank overdraft	2,132	3,931
Trade creditors	881	1,221
Amounts owed to parent and fellow subsidiary undertakings	3,551	4,230
Taxation and social security	345	283
Other creditors	124	113
Hire purchase and finance lease obligations	107	166
Accruals	232	306
Corporation tax payable	2,080	966
Proposed dividend	<u>800</u>	<u>558</u>
	<u>10,252</u>	<u>11,873</u>

NOTES ON THE ACCOUNTS

	1994 £000	1993 £000
12. Creditors: amounts falling due after more than one year		
Hire purchase and finance lease obligations	<u>-</u>	<u>107</u>

13. Provision for liabilities and charges

	Deferred taxation £000	Environ- -mental provisions £000	Reorgan- -isation provision £000	Total £000
At 28 March 1993				
Provided in year	343	406	-	749
Utilised in year	246	187	15	448
	<u>-</u>	<u>(120)</u>	<u>(3)</u>	<u>(123)</u>
At 28 March 1994	<u>589</u>	<u>473</u>	<u>12</u>	<u>1,074</u>

At 27 March 1993 £273,000 of environmental provisions were included in other creditors. This amount has now been reclassified and is included in the opening balance above.

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	572	671	294	519
Other timing differences	17	6	49	169
	<u>589</u>	<u>677</u>	<u>343</u>	<u>688</u>

14. Called up share capital

	1994 £	1993 £
Authorised 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and fully paid 2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

NOTES ON THE ACCOUNTS

15. Reconciliation of shareholders funds

	Share Capital £000	Profit and loss £000	Total £000
At 28 March 1993	1	1,818	1,819
Profit for the year	-	1,634	1,634
Dividends	-	(1,200)	(1,200)
At 28 March 1994	1	2,252	2,253

The cumulative goodwill written off reserves for continuing businesses is £460,000 (1993: £460,000).

16. Capital commitments

The 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	268	400
Expenditure not contracted for	-	95
	<u>268</u>	<u>495</u>

17. Financial commitments

	Land 1994 £000	and Buildings 1993 £000
Annual commitments under operating leases expiring:		
Within one year	17	-
Between two and five years	8	25
Over five years	<u>79</u>	<u>79</u>
	<u>104</u>	<u>104</u>

18. 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 valuation 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.

NOTES ON THE ACCOUNTS

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

20. 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.