

SHANKS NORTHERN LIMITED

Registered Number SC98678

REPORT AND ACCOUNTS

YEAR ENDED 31 MARCH 2001



SCT SQ08056G 0073
COMPANIES HOUSE 24/10/01

SHANKS NORTHERN LIMITED

CONTENTS

	Page
DIRECTORS' REPORT	1 - 2
AUDITORS' REPORT	3
PROFIT AND LOSS ACCOUNT	4
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	4
BALANCE SHEET	5
NOTES TO THE FINANCIAL STATEMENTS	6 - 16

SHANKS NORTHERN LIMITED DIRECTORS' REPORT

The Directors present their Annual Report and financial statements for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE PROSPECTS

The principal activity 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 management sector and will invest in additional landfill void at economic cost and in new geographical areas with growth potential.

TRADING RESULTS AND DIVIDEND

The profit on ordinary activities before taxation for the year ended 31 March 2001 was £4,014,000 (2000: £5,018,000). The Directors recommended that a dividend of £9,617,000 be paid in respect of the year ended 31 March 2001 (2000: £2,910,000). The loss transferred to the reserves for the year was £5,603,000 (2000: £2,108,000 profit).

DIRECTORS AND DIRECTORS' INTERESTS

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

M C E Averill
D J Downes
J R Meredith
M J Clarke

None of the Directors had a direct interest in the share capital of the Company. Messrs Averill, Downes and Meredith are also Directors of Shanks Group plc and accordingly their interests in the share capital of that company are disclosed in its accounts. The interests of Mr M J Clarke in the share capital of Shanks Group plc are disclosed in the accounts of Shanks Waste Services Limited. The Directors had no interests in the shares of any other Company in the Group.

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 Savings-Related Share Option and Executive Share Options Schemes.

SHANKS NORTHERN LIMITED
DIRECTORS' REPORT - continued

EMPLOYMENT POLICIES - continued

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.

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

A resolution to reappoint PricewaterhouseCoopers as auditors will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



D J Downes
DIRECTOR
30 May 2001

Registered Office:
A8 Edinburgh Road
Coatbridge
ML5 4UG

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHANKS NORTHERN LIMITED

We have audited the financial statements on pages 4 to 16 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 1985. 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. The other information comprises only the Directors' Report.

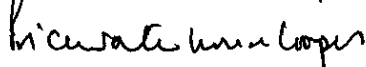
Basis of Audit Opinion

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 Company's affairs at 31 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
30 May 2001

SHANKS NORTHERN LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2001

	Note	<u>2001</u> £'000	<u>2000</u> £'000
TURNOVER	2	44,310	46,738
Cost of sales		(36,037)	(37,419)
		<hr/>	<hr/>
GROSS PROFIT		8,273	9,319
Administrative expenses		(2,211)	(1,977)
		<hr/>	<hr/>
OPERATING PROFIT ON CONTINUING ACTIVITIES		6,062	7,342
Finance charges:			
Unwinding of discount	6	(197)	(40)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	5,865	7,302
Taxation	7	(1,851)	(2,284)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,014	5,018
Dividends	8	(9,617)	(2,910)
		<hr/>	<hr/>
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	16	(5,603)	2,108
		<hr/> <hr/>	<hr/> <hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2001

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 31 MARCH 2001

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

SHANKS NORTHERN LIMITED
BALANCE SHEET
AS AT 31 MARCH 2001

	Note	31 March 2001 £'000	4 April 2000 £'000
FIXED ASSETS			
Tangible fixed assets	9	25,608	23,483
Investments	10	22	22
		<hr/>	<hr/>
		25,630	23,505
		<hr/>	<hr/>
CURRENT ASSETS			
Stocks	11	83	230
Debtors	12	-	4,078
		<hr/>	<hr/>
		83	4,308
CREDITORS: amounts falling due within one year	13	(17,391)	(14,143)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(17,308)	(9,835)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,322	13,670
PROVISIONS FOR LIABILITIES AND CHARGES	14	(4,422)	(4,167)
		<hr/>	<hr/>
TOTAL NET ASSETS		3,900	9,503
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Share capital	15	3,500	3,500
Profit and loss account	16	400	6,003
		<hr/>	<hr/>
TOTAL EQUITY SHAREHOLDERS' FUNDS	17	3,900	9,503
		<hr/>	<hr/>

Approved by the Board on 30 May 2001.



D J Downes
Director

SHANKS NORTHERN LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2001

1 ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards. As the Company is a wholly owned subsidiary of Shanks Group plc, group financial statements have not been prepared as permitted by s228 of the Companies Act 1985 and the financial statements contain information about the Company as an individual undertaking.

(b) Turnover

Turnover represents the invoiced value of waste streams, power generated, and other services provided including landfill tax but excluding value added tax. Turnover is recognised when processing occurs or the service is provided.

(c) Goodwill

Goodwill arises when the cost of acquiring subsidiaries and businesses exceeds the fair value attributed to the net assets acquired. Goodwill is written off its useful life in accordance with FRS 10. The useful life of goodwill is not expected to exceed 20 years. Prior to 28 March 1998, goodwill was written off to reserves. This goodwill has not been reinstated in the balance sheet as permitted by FRS 10. The profit or loss on disposal or closure of a business is calculated after taking into account any goodwill previously written off to reserves.

(d) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation, except for freehold land which is not depreciated, and less any provision for impairment.

(i) Land & Buildings and Plant & 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 expected lives are:

Buildings	50 years
Plant & machinery	3 to 10 years

(ii) Landfill

Acquisition, the discounted cost of final site restoration and commissioning costs are capitalised and written off over the operational life of each site based on the amount of void space consumed.

(e) Research and development

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

(f) 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 schemes are treated as assets or liabilities in the balance sheet.

SHANKS NORTHERN LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2001 - continued

1 ACCOUNTING POLICIES - continued

(g) 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 the profit and loss account as incurred over the term of the lease.

(h) Site restoration provision

Full provision is made for the net present value (NPV) of the Company's unavoidable costs in relation to restoration liabilities at its landfill sites and this value is capitalised as a fixed asset. The Company 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.

(i) 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.

(j) Discounting

All long term provisions for restoration and aftercare are calculated based on the NPV of the estimated future costs. The effects of inflation and unwinding of the discount element on existing provisions are reflected within the financial statements as a finance charge.

(k) Government grants

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

(l) Stocks

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

(m) 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 it is thought reasonably probable that a liability will crystallise in the foreseeable future.

SHANKS NORTHERN LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2001 - continued

2 SEGMENTAL 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 business, turnover and operating profit relates to continuing operations.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit is stated after charging/(crediting):

	<u>2001</u> £'000	<u>2000</u> £'000
Depreciation of tangible fixed assets:		
- owned	3,206	3,190
Hire of plant and machinery held under operating leases	1,272	718
Operating lease property rentals	141	141
Gain on disposal of fixed assets	(74)	(26)
	<u> </u>	<u> </u>

The auditors' remuneration for the period has been borne by a fellow group subsidiary.

4 DIRECTORS' EMOLUMENTS

The Directors were not remunerated for their services to the Company. The salaries of the Directors were paid by other Shanks Group undertakings and no remuneration is payable by Shanks Northern Limited for the current year.

5 EMPLOYEES

The average number of employees employed by the Company in waste management during the year was 298 (2000: 304). The total remuneration of employees comprised:

	<u>2001</u> £'000	<u>2000</u> £'000
Wages and salaries	6,600	5,551
Social security costs	635	554
Other pension costs	201	289
	<u> </u>	<u> </u>
	<u>7,436</u>	<u>6,394</u>

SHANKS NORTHERN LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2001 - continued

6 UNWINDING OF DISCOUNT

The unwinding of discount of £197,000 (2000: £40,000) relating to long term landfill liabilities (see note 14) is separately disclosed on the face of the profit and loss account, as required by FRS 12.

7 TAXATION

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

	<u>2001</u> £'000	<u>2000</u> £'000
Corporation tax at 30% (2000: 30%)	1,902	2,206
Deferred taxation (see note 14)	(51)	78
	<hr/>	<hr/>
	1,851	2,284
	<hr/> <hr/>	<hr/> <hr/>

8 DIVIDENDS

	<u>2001</u> £'000	<u>2000</u> £'000
Interim dividend paid	958	742
Final dividend proposed	8,659	2,168
	<hr/>	<hr/>
	9,617	2,910
	<hr/> <hr/>	<hr/> <hr/>

SHANKS NORTHERN LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2001 - continued

9 TANGIBLE FIXED ASSETS

	<u>Land and buildings</u> £'000	<u>Landfill sited</u> £'000	<u>Plant and machinery</u> £'000	<u>Total</u> £'000
Cost:				
At 5 April 2000	1,465	9,534	37,239	48,238
Additions	1,951	-	3,033	4,984
Disposals	(130)	-	(1,300)	(1,430)
Transfers with fellow group companies	92	2,479	(2,284)	287
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	3,378	12,013	36,688	52,079
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:				
At 5 April 2000	550	4,973	19,232	24,755
Charge for the year	31	594	2,581	3,206
Disposals	(128)	-	(1,258)	(1,386)
Transfers with fellow group companies	(313)	(33)	242	(104)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	140	5,534	20,797	26,471
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:				
At 31 March 2001	3,238	6,479	15,891	25,608
	<hr/>	<hr/>	<hr/>	<hr/>
At 4 April 2000	915	4,561	18,007	23,483
	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of land and buildings comprises:

	<u>2001</u> £'000	<u>2000</u> £'000
Freehold	3,138	815
Long leasehold	100	100
	<hr/>	<hr/>
	3,238	915
	<hr/>	<hr/>

SHANKS NORTHERN LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2001 - continued

10 INVESTMENTS

	Shares in subsidiary undertakings £'000
Cost:	
As at 4 April 2000 and 31 March 2001	554
Provision for diminution in value:	
As at 4 April 2000 and 31 March 2001	(532)
Net book value:	
As at 4 April 2000 and 31 March 2001	22

The Company had the following investments in subsidiary undertakings:

	<u>Country of registration</u>	<u>Type of shares</u>	<u>Type of business</u>	<u>Proportion of shares held</u>
Airdriehill Quarries Limited	Scotland	Ordinary	Dormant	100%
D&D Environmental Services Limited	Scotland	Ordinary	Dormant	100%
Shanks & McEwan Limited	Scotland	Ordinary	Dormant	100%
Shanks & McEwan (Greengairs Power Generation) Limited	England	Ordinary	Dormant	100%

The Directors are of the opinion that the value of investments in subsidiary undertakings and other investments are not less than the amounts at which they are recorded in the balance sheet.

11 STOCK

	<u>2001</u> £'000	<u>2000</u> £'000
Raw materials and consumables	-	147
Property held for resale	83	83
	<hr/>	<hr/>
	83	230
	<hr/>	<hr/>

SHANKS NORTHERN LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2001 - continued

12 DEBTORS

	<u>2001</u> £'000	<u>2000</u> £'000
Trade debtors	-	2,971
Prepayments and accrued income	-	1,107
	<hr/>	<hr/>
	-	4,078
	<hr/>	<hr/>

13 CREDITORS: Amounts falling due within one year

	<u>2001</u> £'000	<u>2000</u> £'000
Bank overdraft	-	199
Amounts owed to group undertakings	6,831	5,439
Corporation tax payable	1,901	2,206
Other taxation and social security	-	4,090
Proposed dividend	8,659	2,168
Other creditors	-	41
	<hr/>	<hr/>
	17,391	14,143
	<hr/>	<hr/>

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.

SHANKS NORTHERN LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2001 - continued

14 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred <u>taxation</u> £'000	Site <u>restoration</u> £'000	<u>Aftercare</u> £'000	<u>Total</u> £'000
At 4 April 2000	996	333	2,838	4,167
Transferred in the year	-	548	-	548
Provided/(released) in the year	(51)	172	507	628
Utilised in the year	-	(921)	-	(921)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	945	132	3,345	4,422
	<hr/>	<hr/>	<hr/>	<hr/>

Site Restoration

Site Restoration provision relates to the cost of final capping and covering of the landfill sites. These costs are expected to be paid over a period of up to twenty five years from today. These costs may be impacted by a number of factors including changes in legislation and technology.

Aftercare

The total post closure costs, including such items as monitoring, gas and leachate management and licensing, have been estimated by management based on current best practice and technology available. These costs may be impacted by a number of factors including changes in legislation and improvements in technology. The dates of payments of these aftercare costs are uncertain but are anticipated to be over a period of approximately thirty years from closure of the relevant landfill site.

Deferred taxation

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

	Amount <u>provided</u> £'000	2001 Full potential <u>liability</u> £'000	Amount <u>provided</u> £'000	2000 Full potential <u>liability</u> £'000
Accelerated capital allowances	680	2,039	864	2,856
Other timing differences	265	796	132	132
	<hr/>	<hr/>	<hr/>	<hr/>
	945	2,835	996	2,988
	<hr/>	<hr/>	<hr/>	<hr/>

SHANKS NORTHERN LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2001 - continued

15 SHARE CAPITAL

	<u>2001</u> £'000	<u>2000</u> £'000
Authorised, allotted, called up and fully paid: 3,500,000 Ordinary shares of £1 each	3,500	3,500
	<u> </u>	<u> </u>

16 RESERVES

	<u>Profit and loss account</u> £'000
At 5 April 2000	6,003
Retained loss for the year	(5,603)
	<u> </u>
At 31 March 2001	400
	<u> </u>

The cumulative goodwill written off reserves from continuing businesses is £5,040,000 (2000: £5,040,000).

17 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2001</u> £'000	<u>2000</u> £'000
Profit for the financial year	4,014	5,018
Dividends	(9,617)	(2,910)
	<u> </u>	<u> </u>
Net (reduction)/addition to shareholders' funds	(5,603)	2,108
Opening shareholders' funds	9,503	7,395
	<u> </u>	<u> </u>
Closing shareholders' funds	3,900	9,503
	<u> </u>	<u> </u>

SHANKS NORTHERN LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2001 - continued

18 COMMITMENTS UNDER OPERATING LEASES

The annual commitments under operating leases for buildings are as follows:-

	<u>2001</u> £'000	<u>2000</u> £'000
Leases expiring:		
Within one year	10	-
Between two and five years	-	20
Over five years	95	121
	<hr/>	<hr/>
	105	141
	<hr/> <hr/>	<hr/> <hr/>

19 PENSION COMMITMENTS

The Company along with other companies in the Shanks Group, participates in funded 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. The contributions are determined by a qualified actuary on the basis of a triennial valuation using the Projected Unit Method. The pension charge for the year was £201,000 (2000: £289,000). Details of the latest actuarial value of the scheme on 5 April 2000 are given in the accounts of Shanks Group plc.

20 CONTINGENT LIABILITIES

The Company has granted to its bankers an unlimited guarantee and a right of set off against accounts outstanding on advances to its parent and fellow subsidiary undertakings. The Company has in normal course of business given guarantees and performance bonds relating to the Company's own contracts.

21 RELATED PARTY TRANSACTIONS

As permitted by FRS8, the Company, being a wholly owned subsidiary of another company which prepares a statement of related party transactions including that of this Company, has not prepared such a statement itself.

SHANKS NORTHERN LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2001 - continued

22 CASH FLOW STATEMENT

As permitted by paragraph 8(c) of FRS1 (revised 1996), the Company, being a wholly owned subsidiary of another company which prepares a cash flow statement including that of this Company, has not prepared such a statement itself.

23 IMMEDIATE & ULTIMATE PARENT COMPANY

The immediate holding company is Shanks & McEwan (Waste Services) Limited. The ultimate parent company is Shanks Group plc, a company registered in Scotland. Copies of the group accounts may be obtained from the Company Secretary, Shanks Group plc, Astor House, Station Road, Bourne End, Buckinghamshire, SL8 5YP.