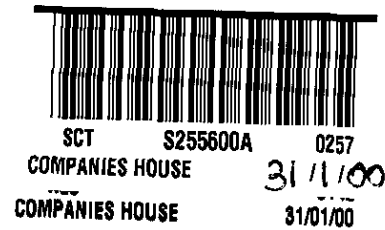


SC 98678

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

REPORT AND ACCOUNTS

YEAR ENDED 27 MARCH 1999



SHANKS NORTHERN LIMITED

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SHANKS NORTHERN LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 27 March 1999.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE PROSPECTS

The principal activities of the company are the operation of waste collection and disposal power generation services, including recycling, 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.

The company changed its name to Shanks Northern Limited on 24th May 1999.

TRADING RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 27 March 1999 was £2,508,000 (1998 - £3,125,000).

An interim dividend of £552,000 (1998 - £600,000) was paid during the year, and the directors recommend the payment of a final dividend of £1,098,000 (1998 - £1,210,000). The resulting retained profit of £858,000 (1998 - £1,315,000) has been transferred to reserves.

DIRECTORS

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

K R Morin	(Resigned 1.2.99)
M C E Averill	
D J Downes	
S M Muir	(Resigned 31.1.99)
R Reid	(Resigned 1.2.99)
J R Meredith	(Appointed 30.1.99)
M J Clarke	(Appointed 29.4.99)

YEAR 2000 AND INTRODUCTION OF THE EURO

In conjunction with the other companies in the Shanks Group, the company has a programme designed to address the business risk arising from the year 2000. As part of this programme, software and hardware are being audited and renewed or amended where appropriate. It is not possible to distinguish between replacements due to year 2000 and other technical obsolescences. The overall cost of IT upgrades is not material. As the company does not trade outside the UK, the impact of the introduction of the Euro is not significant.

SHANKS 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 Group Plc had interests in that company's share capital as follows:-

	<u>As at 27 March 1999</u>		<u>As at 28 March 1998</u>	
	<u>Ordinary</u> <u>Shares of 10p</u>	<u>Options</u>	<u>Ordinary</u> <u>Shares of 10p</u>	<u>Options</u>
K R Morin	8,350	219,161	8,167	268,363
K R Morin - related persons	80,384	-	43,262	-
S M Muir	-	61,272	-	48,772
R Reid	5,179	71,666	5,179	64,053

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

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 Group Plc.

EMPLOYMENT POLICIES

It is the Group's policy that all employees should be informed and consulted on all matters of concern to them, and also to ensure that they are made aware of the financial, economic and operational factors, affecting their performance.

Communications have been further improved as part of divisional continuous improvement strategies, and both formal and informal meetings with employees or their representatives take place at the individual locations. A regular newspaper, SME World, is widely distributed and each division produces its own internal newsletter.

PAYMENT OF SUPPLIERS

It is the Group's payment policy, in respect of all suppliers, to settle agreed outstanding accounts in accordance with terms and conditions agreed with suppliers when placing orders. The Group will abide by these terms of payment.

SHANKS 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:-

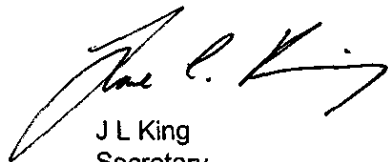
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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

PricewaterhouseCoopers have indicated their willingness to continue in office. A resolution concerning the reappointment of PricewaterhouseCoopers will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



J L King
Secretary
22 July 1999

Registered Office:
A8 Edinburgh Road
Coatbridge
ML5 4UG

AUDITORS' REPORT TO THE MEMBERS OF SHANKS NORTHERN LIMITED

We have audited the financial statements on pages 5 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 9.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report, including as described on page 3 of the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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.

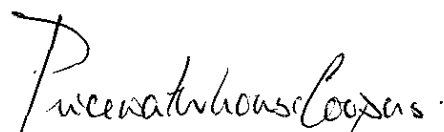
Basis of opinion

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 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 which 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 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 27 March 1999 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSECOOPERS
Chartered Accountants
and Registered Auditors
London
22 July 1999

22 July 1999

SHANKS NORTHERN LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 27 MARCH 1999

	<u>1999</u> £'000	<u>Restated</u> <u>1998</u> £'000
TURNOVER (Note 2)	36,582	35,352
Cost of Sales	<u>(28,635)</u>	<u>(27,191)</u>
GROSS PROFIT	7,947	8,161
Administrative expenses	<u>(2,801)</u>	<u>(2,655)</u>
OPERATING PROFIT	5,146	5,506
Interest payable (Note 6)	(852)	(866)
Unwinding of discount (Note 14)	<u>(40)</u>	<u>(23)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)	4,254	4,617
Tax on profit on ordinary activities (Note 7)	<u>(1,746)</u>	<u>(1,343)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	2,508	3,274
Dividends (Note 8)	<u>(1,650)</u>	<u>(1,810)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR (Note 16)	<u>858</u>	<u>1,464</u>

There were no recognised gains or losses other than the profit for the year (1998 - £Nil).

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 27 MARCH 1999

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

The notes on pages 7 to 18 form part of these financial statements.

SHANKS NORTHERN LIMITED

BALANCE SHEET - 27 MARCH 1999

	<u>1999</u> £'000	<u>Restated</u> <u>1998</u> £'000
FIXED ASSETS		
Tangible assets (Note 9)	22,097	21,016
Investments (Note 10)	<u>22</u>	<u>22</u>
	22,119	21,038
CURRENT ASSETS		
Stocks (Note 11)	149	144
Debtors (Note 12)	9,013	8,604
Cash at bank and in hand	<u>7</u>	<u>4</u>
	9,169	8,752
CREDITORS - Amounts falling due within one year (Note 13)	<u>(19,987)</u>	<u>(20,330)</u>
NET CURRENT LIABILITIES	<u>(10,818)</u>	<u>(11,578)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>11,301</u>	<u>9,460</u>
PROVISION FOR LIABILITIES AND CHARGES (Note 14)	<u>(3,906)</u>	<u>(2,923)</u>
NET ASSETS	<u>7,395</u>	<u>6,537</u>
CAPITAL AND RESERVES		
Called up share capital (Note 15)	3,500	3,500
Profit and loss account (Note 16)	<u>3,895</u>	<u>3,037</u>
EQUITY SHAREHOLDERS FUNDS (Note 17)	<u>7,395</u>	<u>6,537</u>

APPROVED BY THE BOARD ON
22 July 1999



D J Downes
DIRECTOR

The notes on pages 7 to 18 form part of these financial statements.

SHANKS NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 27 MARCH 1999

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. The Company is a wholly owned subsidiary and the cash flows of the Company are included in the consolidation cash flow statement of Shanks Group plc. Consequently the Company is exempt under the terms of Financial Reporting Statement No 1 (revised) from publishing a cashflow statement. Where changes in presentation are made comparative figures are adjusted accordingly (see note 14).

Group Accounts

As permitted under Section 228 of the Companies Act 1985, group accounts have not been prepared for Shanks & McEwan (Northern) Limited and its subsidiary company D & D Environmental Services Ltd since they are consolidated in the group accounts of the ultimate parent company, Shanks Group PLC. Accordingly, the financial information presented in these financial statements is presented for Shanks & McEwan (Northern) Limited as an individual undertaking.

(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 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	5 to 50 years
Plant and machinery	3 to 10 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 NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 27 MARCH 1999 (CONTINUED)

(4) Goodwill

Goodwill arises when the cost of acquiring subsidiaries and businesses exceeds the fair value attributed to the net assets acquired. Goodwill is now written off over its useful life in accordance with FRS 10. The useful life of goodwill is not expected to exceed 20 years. As permitted by FRS 10 the goodwill previously written off to reserves has not been reinstated in the balance sheet.

The profit or loss on disposal or closure of a business is calculated after taking into account any goodwill previously written off to reserves.

(5) 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.

(6) Stocks

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

(7) 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.

(8) Site Restoration Provision

Full provision is made for the net present value (NPV) of the Group's minimum unavoidable costs in relation to restoration liabilities at its landfill sites and this value is capitalised as a fixed asset. This represents a change in accounting policy from previous years. The impact of this change on the presentation of the financial statements is described in note 14 to the accounts. The Group 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.

SHANKS NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 27 MARCH 1999 (CONTINUED)

(9) 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.

(10) 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.

(11) Investments

Investments are stated at cost less any provision for diminution in value.

2. SEGMENTAL INFORMATION

The turnover and profit on ordinary activities before taxation derive from waste management in the United Kingdom, and all relates to continuing operations.

SHANKS NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 27 MARCH 1999 (CONTINUED)

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1999</u> £'000	<u>1998</u> £'000
The profit is stated after charging (crediting):		
Depreciation of tangible fixed assets		
- owned	3,733	3,615
Operating lease rentals		
- property	193	140
- plant and machinery	387	230
Auditors' remuneration - Audit fees	20	20
- Non audit related fees	-	14
Royalties received	(66)	(100)
Gain on sale of tangible fixed assets	<u>(146)</u>	<u>(152)</u>

4. EMOLUMENTS OF DIRECTORS

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

	<u>1999</u> £'000	<u>1998</u> £'000
Aggregate emoluments, including fees, remuneration and bonuses	<u>313</u>	<u>193</u>
Emoluments of highest paid director	£104,147	£95,488
Compensation for loss of office	£105,000	-

In addition, retirement benefits accrued under defined benefit schemes to all the executive directors who served during the year.

5. EMPLOYEES

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

	<u>1999</u> Number	<u>1998</u> Number
Waste management	346	350
Staff costs comprise:	£'000	£'000
Wages and salaries	6,122	5,818
Social security costs	518	492
Other pension costs (Note 20)	323	294
	<u>6,963</u>	<u>6,604</u>

SHANKS NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 27 MARCH 1999 (CONTINUED)

6. INTEREST PAYABLE

	<u>1999</u> £'000	<u>1998</u> £'000
Interest payable on loans and bank overdraft	<u>852</u>	<u>866</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	<u>1999</u> £'000	<u>1998</u> £'000
UK Corporation tax at 31% (1998 - 31%)	1,181	1,436
Deferred taxation (Note 14)	<u>565</u>	<u>(93)</u>
	<u>1,746</u>	<u>1,343</u>

8. DIVIDENDS

	<u>1999</u> £'000	<u>1998</u> £'000
Paid: Ordinary shares	552	600
Proposed: Ordinary shares	<u>1,098</u>	<u>1,210</u>
	<u>1,650</u>	<u>1,810</u>

SHANKS NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 27 MARCH 1999 (CONTINUED)

9. TANGIBLE FIXED ASSETS

	Land and Buildings £'000	Landfill Sites £'000	Plant and Machinery £'000	Total £'000
Cost -				
At 28 March 1988	1,196	9,392	30,207	40,795
FRS 12 restatement (see note 14)	-	300	-	300
At 28 March 1998 restated	1,196	9,692	30,207	41,095
Additions	100	721	4,137	4,958
Disposals	(134)	-	(1,916)	(2,050)
At 27 March 1999	<u>1,162</u>	<u>10,413</u>	<u>32,428</u>	<u>44,003</u>
Depreciation -				
At 28 March 1988	562	4,059	15,458	20,079
Charge for year	49	624	3,060	3,733
Disposals	(89)	-	(1,817)	(1,906)
At 27 March 1999	<u>522</u>	<u>4,683</u>	<u>16,701</u>	<u>21,906</u>
Net book amount -				
At 27 March 1999	<u>640</u>	<u>5,730</u>	<u>15,727</u>	<u>22,097</u>
At 28 March 1988	<u>634</u>	<u>5,633</u>	<u>14,749</u>	<u>21,016</u>

Interest amounting to £269,000 (1998 - £369,000) is included in the cost of landfill sites.

SHANKS NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 27 MARCH 1999 (CONTINUED)

10. FIXED ASSETS INVESTMENTS

	Share in subsidiary undertakings £'000
Cost	
At 28 March 1998	554
Additions	-
Transfers	-
At 27 March 1999	<u>554</u>
Provisions for diminution in value	
At 28 March 1998	532
Provided during the year	-
At 27 March 1999	<u>532</u>
Net book amount	
At 27 March 1999	<u>22</u>
At 28 March 1998	<u>22</u>

The company has the following investments in subsidiary undertakings at the balance sheet date:

<u>Name of Company</u>	<u>County of Registration</u>	<u>Type of Shares</u>	<u>Type of Business Shares</u>	<u>Proportion of shares and voting rights held</u>
D & D Environmental Services Ltd	Scotland	Ordinary	Waste Collection	100%

The accounting reference date of D & D Environmental Services is 27 March and separate statutory accounts have been prepared for the year to 27 March 1999.

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

SHANKS NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 27 MARCH 1999 (CONTINUED)

11. STOCKS

	<u>1999</u> £'000	<u>1998</u> £'000
Raw materials and consumables	66	56
Investment land and property	<u>83</u>	<u>88</u>
	<u>149</u>	<u>144</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.

12. DEBTORS

	<u>1999</u> £'000	<u>1998</u> £'000
Trade debtors	7,067	6,863
Amounts owed by fellow subsidiary undertakings	1,578	1,398
Prepayments and accrued income	<u>368</u>	<u>343</u>
	<u>9,013</u>	<u>8,604</u>

13. CREDITORS - Amounts falling due within one year

	<u>1999</u> £'000	<u>1998</u> £'000
Bank overdraft	11,323	10,857
Trade creditors	1,705	2,670
Amounts owed to parent undertaking	-	6
Amounts owed to fellow subsidiary undertakings	12	15
Other creditors	625	629
Corporation tax payable	1,343	1,561
Other taxation and social security	2,144	2,136
Proposed dividend	1,107	1,209
Accruals	<u>1,728</u>	<u>1,247</u>
	<u>19,987</u>	<u>20,330</u>

The company has granted to its bankers an unlimited inter company 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 FINANCIAL STATEMENTS - 27 MARCH 1999 (CONTINUED)

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation £'000	Site Restoration £'000	Aftercare £'000	Total £'000
At 28 March 1998	353	394	1,876	2,623
FRS 12 adjustment	-	300	-	300
At 28 March 1998 restated	353	694	1,876	2,923
Provided	565	262	494	1,321
Utilised	-	(338)	-	(338)
At 27 March 1999	918	618	2,370	3,906

In September 1998, the Accounting Standards Board (ASB) published Financial Reporting Standard (FRS) 12. "Provisions, Contingent Liabilities and Contingent Assets". In accordance with FRS 12, full provision has been made for the net present value (NPV) of the Company's minimum unavoidable costs, in relation to restoration liabilities at its landfill sites, which has been capitalised in fixed assets. The Company continues to provide for intermediate restoration costs and total aftercare costs over the life of its landfill sites, based on the quantity of waste deposited in the year, since the liabilities in relation to these costs increase as waste is deposited.

All long term provisions for restoration and aftercare costs are calculated based on the NPV of estimated future costs. Current cost estimates are inflated at 3% and discounted at 5% to calculate the NPV. The effects of inflation and the unwinding of the discount element on existing provisions are reflected within the financial statements as a financial item. Previously all such items were treated as part of cost of sales.

The implementation of FRS 12 has increased tangible fixed assets and restoration liabilities as at 28 March 1998 by £0.3m. There is no impact on opening retained earnings as a result of the implementation of this standard, since the results are not materially different to those previously reported.

To ensure consistency of presentation, the element of the provision movement in the prior year relating to inflation and discount amounting to £40,000 (1998: £23,000) has been reclassified from cost of sales to a financial item (unwinding of discount).

SHANKS NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 27 MARCH 1999 (CONTINUED)

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

	<u>27 March 1999</u>		<u>28 March 1998</u>	
	<u>Amount provided</u> £'000	<u>Potential Liability</u> £'000	<u>Amount provided</u> £'000	<u>Potential liability</u> £'000
Accelerated capital allowances	566	2,609	369	1,107
Other timing differences	352	352	(16)	(47)
	<u>918</u>	<u>2,961</u>	<u>353</u>	<u>1,060</u>

15. CALLED UP SHARE CAPITAL

	<u>1999</u> £000's	<u>1998</u> £000's
Authorised:		
3,500,000 ordinary shares of £1 each	<u>3,500</u>	<u>3,500</u>
Allotted and fully paid:		
3,500,000 ordinary shares of £1 each	<u>3,500</u>	<u>3,500</u>

16. PROFIT AND LOSS ACCOUNT

	£'000
At 28 March 1998	3,037
Profit for the year	2,508
Dividends	<u>(1,650)</u>
At 27 March 1999	<u>3,895</u>

The cumulative goodwill written off against reserves for continuing businesses is £5,040,000 (1998 - £5,040,000). In the event of the disposal of the business to which the goodwill relates, this amount will be taken to the profit and loss account.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1999</u> £'000	<u>1998</u> £'000
Profit on ordinary activities after taxation	2,508	3,274
Dividends	<u>(1,650)</u>	<u>(1,810)</u>
Net increase in shareholders' funds	858	1,464
Opening shareholders' funds	6,537	5,073
Closing shareholders' funds	<u>7,395</u>	<u>6,537</u>

SHANKS NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 27 MARCH 1999 (CONTINUED)

18. CAPITAL COMMITMENTS

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

	<u>1999</u> £'000	<u>1998</u> £'000
Expenditure contracted for	<u>344</u>	<u>1,744</u>

19. COMMITMENTS UNDER OPERATING LEASES

The annual commitments under operating leases are as follows:

	<u>Land and buildings</u>	
	<u>1999</u> £'000	<u>1998</u> £'000
Leases expiring:		
Within one year	-	-
Between two and five years	20	19
Over five years	102	100
	<u>122</u>	<u>119</u>

20. PENSION COMMITMENTS

The company, along with other companies in the Shanks 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 £323,000 (1998 - £294,000).

Details of the latest actuarial valuation of the scheme on 6 April 1997 are given in the financial statements of Shanks Group Plc.

SHANKS NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 27 MARCH 1999 (CONTINUED)

21. CONTINGENT LIABILITIES

The company has in the normal course of business given guarantees and performance bonds relating to the company's own contracts. In addition, it has granted to its bankers an unlimited guarantee with regard to amounts outstanding on advances to its parent and fellow subsidiary undertakings.

22. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary, the company has taken advantage of the disclosure exemptions under Financial Reporting Standard Number 8 in relation to inter group transactions.

23. ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The immediate parent undertaking is Shanks & McEwan (Landfill) Limited, a company registered in Scotland. The ultimate parent company, and ultimate controlling shareholder, is Shanks Group Plc, a company registered in Scotland. Copies of the group financial statements may be obtained from the Company Secretary, Shanks Group Plc, Astor House, Station Road, Bourne End, Bucks, SL8 5YP.