

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

REPORT AND ACCOUNTS

YEAR ENDED 29 MARCH 1997



SHANKS & McEWAN (NORTHERN) LIMITED

CONTENTS

	Page
DIRECTORS' REPORT	1-3
AUDITORS' REPORT	4
PROFIT AND LOSS ACCOUNT	5
BALANCE SHEET	6
NOTES TO THE FINANCIAL STATEMENTS	7-18

SHANKS & McEWAN (NORTHERN) LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 29 March 1997.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE PROSPECTS

The principal activities of the company are the operation of waste collection and disposal 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.

TRADING RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 29 March 1997 was £2,910,000 (1996 - £2,238,000).

Following the acquisition of D & D Environmental Services Ltd, on 31 May 1996, the directors have made provision of £532,000 against the cost of investment of £554,000 and this is reflected in the profit for the year.

An interim dividend of £676,667 (1996 - £NIL) was paid during the year, and the directors recommend the payment of a final dividend of £1,351,333 (1996 - £NIL). The resulting retained profit of £882,000 (1996 - £2,238,000) 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
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 29 March 1997</u>		<u>As at 30 March 1996</u>	
	<u>Ordinary Shares of 10p</u>	<u>Options</u>	<u>Ordinary Shares of 10p</u>	<u>Options</u>
K R Morin	48,000	268,363	48,000	188,363
S M Muir	-	48,772	1,850	24,201
R Reid	1,500	66,982	1,500	36,686

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

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 employee newspaper, SME World, is widely distributed and each division produces its own internal newsletter.

PAYMENT OF SUPPLIERS

It is the Group's payment policy for the year ending 28 March 1998, 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 & 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



S M Muir
Secretary

14 November 1997

Registered Office:
A8 Edinburgh Road
Coatbridge
ML5 4UG

AUDITORS' REPORT TO THE MEMBERS OF SHANKS & McEWAN (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 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.

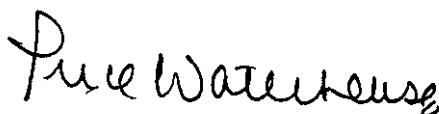
Basis of opinion

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 company's affairs as at 29 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
Glasgow

14 November 1997

SHANKS & McEWAN (NORTHERN) LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 29 MARCH 1997**

	<u>1997</u> £'000	<u>1996</u> £'000
TURNOVER (Note 2)	31,393	19,265
Cost of sales	<u>22,893</u>	<u>13,182</u>
GROSS PROFIT	8,500	6,083
Administrative expenses	<u>2,527</u>	<u>2,211</u>
OPERATING PROFIT	5,973	3,872
Amounts written off investments (Note 3)	532	-
Interest payable (Note 6)	<u>793</u>	<u>371</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)	4,648	3,501
Tax on profit on ordinary activities (Note 7)	<u>1,738</u>	<u>1,263</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	2,910	2,238
Dividends (Note 8)	<u>2,028</u>	<u>0</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR (Note 16)	<u>882</u>	<u>2,238</u>

There were no recognised gains or losses other than the profit for the year (1996 - £Nil).

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

SHANKS & McEWAN (NORTHERN) LIMITED**BALANCE SHEET - 29 MARCH 1997**

	<u>1997</u> £'000	<u>1996</u> £'000
FIXED ASSETS		
Tangible assets (Note 9)	20,108	14,767
Investments (Note 10)	<u>22</u>	<u>485</u>
	20,130	15,252
CURRENT ASSETS		
Stocks (Note 11)	165	145
Debtors (Note 12)	8,511	5,520
Cash at bank and in hand	<u>4</u>	<u>5</u>
	8,680	5,670
CREDITORS - Amounts falling due within one year (Note 13)	<u>21,308</u>	<u>18,840</u>
NET CURRENT LIABILITIES	<u>(12,628)</u>	<u>(13,170)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	7,502	2,082
PROVISIONS FOR LIABILITIES AND CHARGES (Note 14)	<u>2,429</u>	<u>1,390</u>
NET ASSETS	<u>5,073</u>	<u>692</u>
CAPITAL AND RESERVES		
Called up share capital (Note 15)	3,500	1
Profit and loss account (Note 16)	<u>1,573</u>	<u>691</u>
SHAREHOLDERS' FUNDS (Note 17)	<u>5,073</u>	<u>692</u>

APPROVED BY THE BOARD ON
14 November 1997



K R Morin
DIRECTOR

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

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 29 MARCH 1997

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.

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 & McEwan 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 and motor 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	5 to 50 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.

(4) Purchased goodwill

The excess of the fair value of the consideration given over the fair value of the net assets acquired is recognised as purchased goodwill, and is immediately written off against reserves.

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 29 MARCH 1997 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(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) 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.

(9) 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.

(10) Investments

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

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 29 MARCH 1997 (CONTINUED)

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.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1997</u>	<u>1996</u>
	£'000	£'000
The profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets		
- owned	4,039	2,660
Operating lease rentals		
- property	147	123
- plant and machinery	178	142
Auditors' remuneration - Audit fees	21	20
- Non audit related fees	15	9
Royalties received	(115)	(125)
Gain on sale of tangible fixed assets	(146)	(59)
Provision for diminution in value of fixed asset investment	<u>532</u>	<u>-</u>

Following the acquisition of D & D Environmental Services Ltd on 31 May 1996, the directors have made provision of £532,000 against the cost of investment of £554,000.

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 29 MARCH 1997 (CONTINUED)

4 EMOLUMENTS OF DIRECTORS

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

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Total Emoluments, including fees, remuneration and bonuses.	<u>176</u>	<u>161</u>

In addition, retirement benefits accrued under defined benefit schemes to 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>1997</u> <u>Number</u>	<u>1996</u> <u>Number</u>
Waste management	<u>335</u>	<u>259</u>
Staff costs comprise:	<u>£'000</u>	<u>£'000</u>
Wages and salaries	5,554	4,327
Social security costs	478	362
Other pension costs (Note 20)	<u>253</u>	<u>204</u>
	<u>6,285</u>	<u>4,893</u>

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 29 MARCH 1997 (CONTINUED)

6 INTEREST PAYABLE

	<u>1997</u> £'000	<u>1996</u> £'000
Interest payable on loans and bank overdraft	793	371
	<u> </u>	<u> </u>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	<u>1997</u> £'000	<u>1996</u> £'000
UK Corporation tax at 33% (1996 - 33%)	1,577	984
Deferred taxation (Note 14)	<u>161</u>	<u>279</u>
	<u>1,738</u>	<u>1,263</u>

8 DIVIDENDS

	<u>1997</u> £'000	<u>1996</u> £'000
Paid: Ordinary shares - interim 0.193p (1996 - Nil) per share.	677	-
Proposed: Ordinary shares - final 0.386p (1996 - Nil) per share.	<u>1,351</u>	<u>-</u>
	<u>2,028</u>	<u>-</u>

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 29 MARCH 1997 (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 31 March 1996	345	5,374	1,400	13,460	7,270	27,849
Additions	-	895	393	4,298	1,801	7,387
Disposals	-	-	-	(991)	(460)	(1,451)
Transfers (to)/from group undertakings	871	-	-	2,269	898	4,038
Reclassification	-	-	-	70	(70)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 29 March 1997	1,216	6,269	1,793	19,106	9,439	37,823
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation						
At 31 March 1996	245	1,597	882	6,248	4,110	13,082
Charge for year	49	836	249	1,742	1,163	4,039
Eliminated in respect of disposals	-	-	-	(907)	(431)	(1,338)
Transfers (to)/from group undertakings	219	-	-	1,239	474	1,932
Reclassification	-	-	-	70	(70)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 29 March 1997	513	2,433	1,131	8,392	5,246	17,715
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book amount						
At 29 March 1997	703	3,836	662	10,714	4,193	20,108
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1996	100	3,777	518	7,212	3,160	14,767
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Interest amounting to £269,000 (1996 - £269,000) is included in the cost of landfill sites.

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 29 MARCH 1997 (CONTINUED)

10 FIXED ASSETS INVESTMENTS

	Shares in Subsidiary Undertakings £'000
Cost	
At 31 March 1996	485
Additions	554
Transfers	(485)
	<u>554</u>
At 29 March 1997	<u>554</u>
Provisions for diminution in value	
At 31 March 1996	-
Provided during the year	532
	<u>532</u>
At 29 March 1997	<u>532</u>
Net book amount	
At 29 March 1997	<u>22</u>
At 31 March 1996	<u>485</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</u>	<u>Proportion of shares and voting rights held</u>
D & D Environmental Services Ltd	Scotland	Ordinary	Waste Collection	100%

During the year, the company acquired the entire issued share capital of D & D Environmental Services Ltd. The balance is held as an investment at cost less provision for diminution in value. The accounting reference date of D & D Environmental Services Ltd is 29 March, and separate statutory accounts have been prepared for the nine months ended 29 March 1997.

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

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 29 MARCH 1997 (CONTINUED)

11	STOCKS	<u>1997</u> £'000	<u>1996</u> £'000
	Raw materials and consumables	71	46
	Investment land and property	<u>94</u>	<u>99</u>
		165	145
		<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.		
12	DEBTORS	<u>1997</u> £'000	<u>1996</u> £'000
	Trade debtors	6,551	3,007
	Amounts owed by fellow subsidiary undertakings	1,652	2,210
	Prepayments and accrued income	<u>308</u>	<u>303</u>
		8,511	5,520
		<u> </u>	<u> </u>
13	CREDITORS - Amounts falling due within one year	<u>1997</u> £'000	<u>1996</u> £'000
	Bank overdraft	12,894	11,444
	Trade creditors	1,196	862
	Amounts owed to parent undertaking	-	3,525
	Amounts owed to fellow subsidiary undertakings	49	35
	Other creditors	314	221
	Corporation tax payable	1,705	1,026
	Other taxation and social security	2,573	436
	Proposed dividend	1,351	-
	Accruals	<u>1,226</u>	<u>1,291</u>
		21,308	18,840
		<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 - 29 MARCH 1997 (CONTINUED)

14 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £'000	Environmental provisions £'000	Total £'000
At 31 March 1996	279	1,111	1,390
Utilised in year	-	(337)	(337)
Provided in year	161	830	991
Transferred from other subsidiary undertakings	<u>6</u>	<u>379</u>	<u>385</u>
At 29 March 1997	<u>446</u>	<u>1,983</u>	<u>2,429</u>

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

	<u>1997</u>		<u>1996</u>	
	Amount provided £'000	Potential liability £'000	Amount provided £'000	Potential liability £'000
Accelerated capital allowances	440	886	272	831
Other timing differences	<u>6</u>	<u>6</u>	<u>7</u>	<u>7</u>
	<u>446</u>	<u>892</u>	<u>279</u>	<u>838</u>

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 29 MARCH 1997 (CONTINUED)

15 CALLED UP SHARE CAPITAL

	<u>1997</u> £	<u>1996</u> £
Authorised:		
3,500,000 (1996 - 100) ordinary shares of £1 each	3,500,000	100
	<u> </u>	<u> </u>
Allotted and fully paid:		
3,500,000 (1996 - 2) ordinary shares of £1 each	3,500,000	2
	<u> </u>	<u> </u>

On 12 November 1996 the company's authorised share capital was increased to £3,500,000, and on the same date 3,499,998 shares were issued to Shanks & McEwan (Landfill) Limited. The consideration was satisfied by the capitalisation of inter company borrowings. The increase in share capital was undertaken to improve the company's equity funding.

16 PROFIT AND LOSS ACCOUNT

	£'000
At 31 March 1996	691
Retained profit for the financial year	882
	<u> </u>
At 29 March 1997	1,573
	<u> </u>

The cumulative goodwill written off against reserves for continuing businesses is £5,040,000 (1996 - £5,040,000).

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1997</u> £'000	<u>1996</u> £'000
Profit on ordinary activities after taxation	2,910	2,238
Dividends	(2,028)	-
Goodwill written off on acquisition	-	(4,580)
Increase in share capital	<u>3,499</u>	<u>-</u>
	<u> </u>	<u> </u>
Net increase / (decrease) in shareholders' funds	4,381	(2,342)
Opening shareholders' funds	<u>692</u>	<u>3,034</u>
	<u> </u>	<u> </u>
Closing shareholders' funds	5,073	692
	<u> </u>	<u> </u>

SHANKS & McEWAN (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 29 MARCH 1997 (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>1997</u> £'000	<u>1996</u> £'000
Expenditure contracted for	<u>337</u>	<u>1,918</u>

19 COMMITMENTS UNDER OPERATING LEASES

The annual commitments under operating leases are as follows:

	<u>Land and buildings</u>	
	<u>1997</u> £'000	<u>1996</u> £'000
Leases expiring:		
Within one year	-	8
Between two and five years	-	-
Over five years	<u>119</u>	<u>113</u>
	<u>119</u>	<u>121</u>

20 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 £253,000 (1996 - £204,000).

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 - 29 MARCH 1997 (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.

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 & 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, Astor House, Station Road, Bourne End, Bucks. SL8 5YP.

---00000---