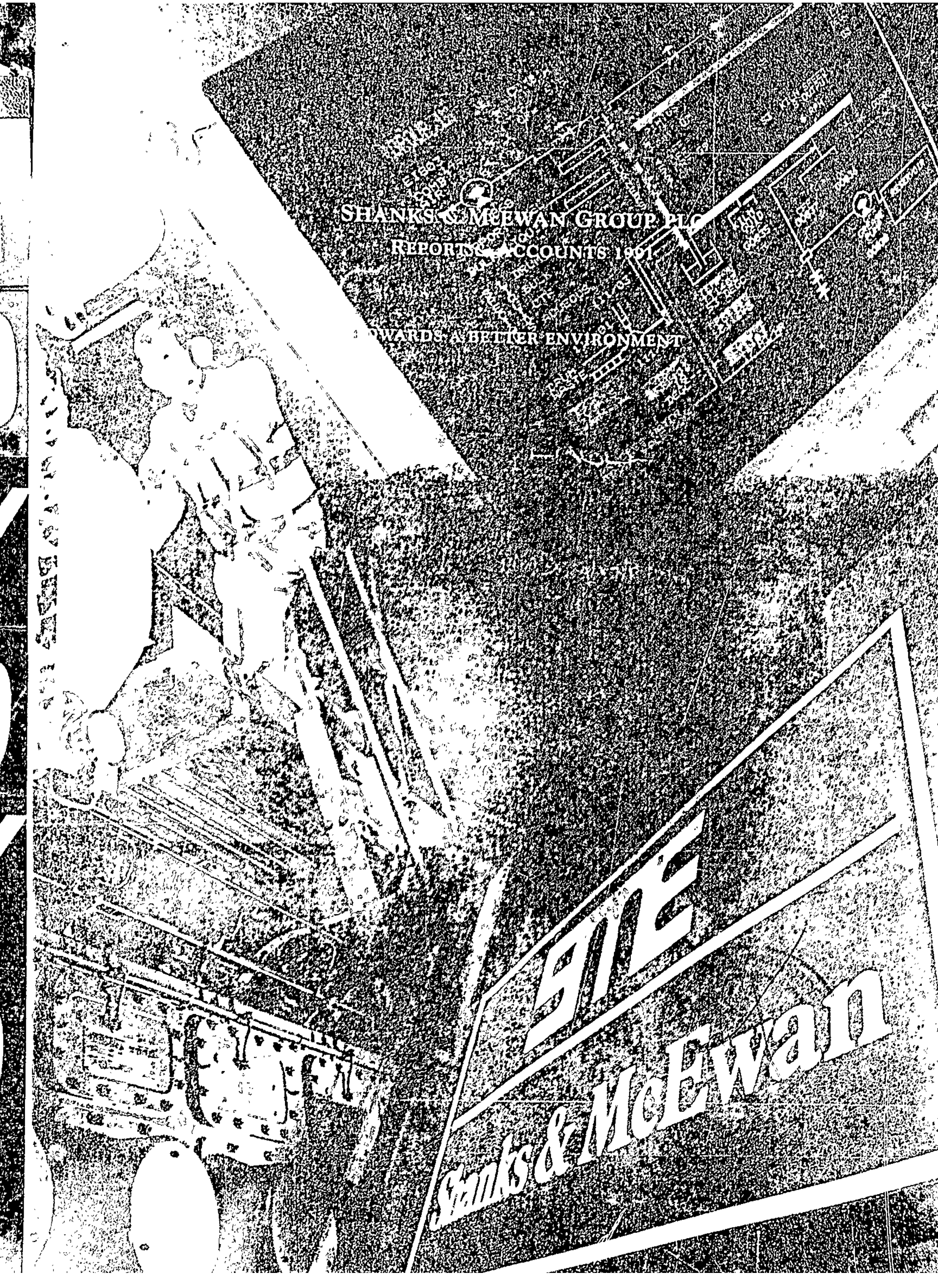

SHANKS & McEWAN GROUP PLC

REPORT & ACCOUNTS 1991

TOWARDS A BETTER ENVIRONMENT

Note: Certification on page 42
Directors signatures pp25-26

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited accounts for the year ended 30 March 1991.

1. **Group results**

The Chairman's statement and the report of the Chief Executive contain a review of the Group during the last financial year and outline future developments. The Group profit and loss account appears on page 24 and note 2 to the accounts shows the contribution to turnover and trading profits made by the different activities of the Group's business.

	£000
Group profit available for distribution	15,249
Dividends paid and proposed	8,171
Retained profit	7,078

2. **Dividends**

The Directors recommend that a final dividend of 17.2 pence per share be paid on 30 July 1991 to ordinary shareholders whose names appear in the register at close of business on 11 July 1991. That dividend, together with the interim dividend of 10.2 pence per share already paid, will make a total dividend on the ordinary shares of 27.4 pence (1990: 22.8 pence).

3. **Directors**

The composition of the Board of Directors at the date of this report is shown on page 16. Professor N Hood and Mr G J Newman were appointed directors of the Company on 25 October 1990, Mr R C Biffa on 20 February 1991, and Mr M C Lee on 22 March 1991. These directors, having been appointed since the previous AGM are due to retire but offer themselves for re-election. Messrs. Newman, Biffa and Lee have service contracts with subsidiaries of the Company, each with a two year notice period. Professor Hood does not have a service contract with the Company or any of its subsidiaries. All the other directors served on the board throughout the year under review.

Mr J E Boyd retires by rotation at this time and offers himself for re-election. Mr Boyd does not have a service contract with the Company or any of its subsidiaries.

4. **Directors' Interests**

The Directors' interests (all beneficial except where indicated otherwise) in the shares of the Company, including ordinary shares over which options have been granted under the terms of the Company's share option schemes, on 30 March 1991 together with their interests on 31 March 1990, or on the dates of their appointment as directors, if later, were as follows:

	Ordinary shares of 50p each		Share Options	
	At 30.3.91	At 31.3.90	At 30.3.91	At 31.3.90
H L I Runciman	292,686*	277,686	71,787	85,101
A G L Alexander	1,000	1,000	–	–
J E Boyd	–	–	–	–
A J N Fowler	20,650	20,650	60,994	50,651
M R Hewitt	46,000	16,000	38,890	69,110
D M Munro	–	–	–	–
R C Biffa	2,023,315	2,023,315	–	–
Prof N Hood	–	–	–	–
M C Lee	1,951,512	1,951,512	–	–
G J Newman	5,000	8,000	24,382	24,382

(* including non beneficial interest 2,686 (1990: Nil))

There have been no alterations in the above interests (or in the options over ordinary shares of 50p each) between 31 March 1991 and 7 June 1991.
The terms of the executive and savings-related share option schemes are outlined in note 20 to the accounts.

None of the Directors had any interest in the shares of any subsidiary company.

Mr D M Munro is also a shareholder and director of Quayle Munro Limited who provide merchant banking services to the Company and who were involved in the underwriting of the offer for Rechem Environmental Services PLC. The amount of fees and underwriting commission paid to Quayle Munro Limited during the year was £210,000.

Other than the service contracts referred to in the Notice of the Annual General Meeting set out on pages 3 and 4 of the enclosed circular letter no other Director had an interest in any significant contract with the Company during the year.

5. **Other interests**

As at 7 June 1991, the Company had been notified of the following interests of more than 3 per cent of the ordinary share capital of the Company:

	Number of shares	Percentage of issued shares
R C Biffa	2,023,315	5.8
M C Lee	1,951,512	5.6
Universities Superannuation Scheme Ltd	1,472,833	4.3
The Prudential Assurance Co. Ltd	1,231,940	3.6
Quantum Fund NV	1,085,000	3.1

6. **Share capital**

During the year ended 30 March 1991 and from that date until 7 June 1991 no ordinary shares have been issued other than those issued in respect of exercises of options under the Company's share option schemes, details of which are given in note 20 to the accounts, and 13,400,273 shares in respect of the acquisition mentioned in paragraph 7 below.

At 30 March 1991 and at the date of this report the authorised ordinary share capital was and is £22,000,000 represented by 44,000,000 ordinary shares of 50 pence each, of which 34,644,793 were in issue at 30 March 1991 and a further 2,410 shares have been issued in respect of options exercised prior to the date of this report, leaving an unissued balance of 9,352,797 ordinary shares of 50 pence each, representing 21% of the authorised ordinary share capital.

At the Annual General Meeting of the Company held in August 1988 an ordinary resolution was passed authorising the Directors to allot unissued shares up to a maximum aggregate nominal amount of £4,363,581. This limit was increased by £7,250,000 to £11,613,581 at the Extraordinary General Meeting of the Company held on 14 January 1991. These authorities expire on 10 August 1993, but allotments may be made after that date pursuant to any offer or agreement made by the Company before that date.

At the Annual General Meeting of the Company held in July 1990 a special resolution was passed authorising the purchase by the Company of its own shares. This authority was limited to a maximum of 2,100,000 shares and expires at the conclusion of this year's Annual General Meeting. No such purchases have been made by the Company and it is not intended to seek a renewal of this authority.

7. Acquisitions

On 19 December 1990 an offer was made on behalf of the Company to acquire the entire issued share capital of Rechem Environmental Servic s PLC. The offer was declared unconditional in all respects on 17 January 1991 and at 30 March 1991 the entire share capital had been acquired.

The fair value of the consideration for this acquisition was £161,164,000.

8. Fixed assets

During the year, expenditure on buildings, landfill sites, plant, vehicles and equipment totalled £16,865,000. There were also outstanding contracts valued at approximately £7,652,000 at 30 March 1991 and the Directors had authorised additional expenditure of £5,203,000 at that date.
Property or other assets surplus to requirements or which yield an inadequate return continue to be sold when the opportunity permits.

9. Research and Development

As the largest waste management operator in Britain, the Company has a continuing commitment to the promotion of high standards in the industry. To this end it has spent over £1.28 million on research and development during the past year which has been charged to profits. During 1990/91, principal areas of such expenditure were environmental control, development of landfill sites and projects involving the use of landfill gas as a process fuel and for generation of electricity. New and ongoing research work continues in the processing of difficult and special wastes both by chemical treatment and high temperature destruction. With the ability to receive rail borne waste directly into several of its major landfill sites, the Company continues to develop the techniques for this environmentally sound method for transportation and disposal of waste.

10. Employment policies

There is a commitment throughout the Group to provide employees with information and to consult on matters of concern to them with a view to ensuring an awareness of the financial and economic factors affecting the performance of the trading subsidiaries. The procedures adopted vary from company to company within each division, but generally involve both formal and informal meetings with employees or their representatives at each location.

Options outstanding under the Shanks & McEwan Savings-Related Share Option Scheme and Executive Share Option Schemes amount to 674,918 ordinary shares. Options outstanding under the Rechem Environmental Services PLC Savings-Related Share Option Scheme and Share Option Scheme 1988 represent a right to acquire a further 174,276 ordinary shares in the Company.

It is the continuing policy of companies within the Group 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.

The Company and the Board of Directors are firmly committed to the provision of safe working conditions for all employees. All companies within the Group have their own safety policies. These and the respective working practices are reviewed regularly. Safety training is provided throughout the Group at various levels and close liaison is maintained with HM Factories Inspectorate.

11. **Charitable and political donations**

During the period donations made by the Group for charitable purposes amounted to £21,375. No donations were made for political purposes as defined by the Companies Act 1985.

12. **Status of the Company**

The Directors believe that the company is not a close Company within the provisions of the Income and Corporation Taxes Act 1988.

13. **Auditors**

Moores Rowland have expressed their willingness to be re-appointed as auditors in accordance with the provisions of the Companies Act 1985.

By order of the Board
S B J HODGE
Secretary
18 June 1991

ACCOUNTING POLICIES

Basis of presentation

The report of the directors and the accounts are in the form prescribed by the Companies Act 1985 and, as permitted, do not include a parent company profit and loss account. The accounts have been prepared using the historical cost convention.

Basis of consolidation

The consolidated accounts incorporate the accounts of Shanks & McEwan Group PLC and its subsidiary undertakings made up to 30 March 1991. The results of undertakings acquired or disposed of during the year are consolidated from or to the effective dates of acquisition or disposal.

Accounting Standards

The accounts have been prepared in accordance with applicable Accounting Standards.

Associated undertaking

The Group share of associated undertaking profits and attributable taxation are included in the consolidated profit and loss account. The investment in the associated undertaking is shown in the consolidated balance sheet at the amount of the Group's share of its net assets at the year end.

Goodwill

Goodwill arising on consolidation is written off directly to reserves. Goodwill arises when the cost of acquiring subsidiaries and businesses exceeds the fair value attributed to the net assets acquired. If the consideration for companies acquired includes the issue of shares, relief is taken, when available, under Section 131 of the Companies Act 1985 which allows the difference between the fair value of the shares issued and their nominal value to be utilised for the write off of goodwill on consolidation, so that the shares issued are recognised at their nominal value.

Where the fair value of net assets acquired exceeds the consideration, the balance arising is treated as a capital reserve against which goodwill on other acquisitions is written off.

Turnover

(a) Waste management

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.

(b) Construction services and materials

Long term contracts are included in turnover on the basis of the sales value of work performed during the year by reference to the total sales value and stage of completion of these contracts.

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 and 50 years
Plant and machinery	3 to 10 years
Motor vehicles	3 to 6 years

(b) Landfill

Acquisition and commissioning costs 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 Group companies 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.

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 assets.

Stocks

Stocks and work in progress are stated at the lower of cost (on a first in first out basis) and net realisable value. Cost of work in progress comprises materials, direct wages and all overheads incurred in bringing the work in progress to its existing location and condition.

Debtors – amounts recoverable on contracts

For long term contracts where the outcome can be assessed with reasonable certainty, an appropriate proportion of the estimated profits earned to date is recognised. Full provision is made for anticipated losses. Amounts recoverable on long term contracts are included in debtors net of progress payments received and receivable.

Advance payments and deposits are included in creditors.

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.

Reclamation provision

The provision relates to the current cost of capping the pit areas in landfill reclamation. The estimated current cost of capping based on the tonnage of landfill materials deposited in the year is charged against profits and credited to the provision which is reviewed annually for adequacy. Actual costs are charged against the provision when incurred.

Government grants

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

Unprocessed waste

The provision for waste still to be processed is at the higher of sales value and process cost.

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.

Research and development

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 MARCH 1991		1991	1990
	Note	£000	£000
Turnover	2	117,980	111,538
Cost of sales		80,430	84,442
Gross profit		37,550	27,096
Administrative expenses		14,353	11,214
Trading profit		23,197	15,882
Share of profits of associated undertaking		1,198	1,034
		24,395	16,916
Interest (payable) receivable	4	(467)	524
Profit on ordinary activities before taxation	1,2	23,928	17,440
Tax on ordinary activities	5	8,198	6,050
Profit on ordinary activities after taxation		15,730	11,390
Extraordinary items	6	481	–
Profit attributable to the members of Shanks & McEwan Group PLC	7	15,249	11,390
Dividends paid and proposed	8	8,171	4,788
Transfer to reserves	9,21	7,078	6,602
Earnings per share – ordinary basis	10	65.8p	54.5p
– fully diluted basis	10	64.8p	53.3p

CONSOLIDATED BALANCE SHEET

30 MARCH 1991		1991	1990
	Note	£000	£000
Fixed Assets			
Tangible assets	11	66,759	41,275
Intangible assets	12	2,705	2,965
Investments	13	1,193	1,057
		70,657	45,297
Current assets			
Stocks	15	1,138	251
Debtors	16	41,810	32,140
Deposits and cash		24	2,616
		42,972	35,007
Creditors: amounts falling due within one year	17	48,688	32,419
Net current (liabilities) assets		(5,716)	2,588
Total assets less current liabilities		64,941	47,885
Creditors: amounts falling due after more than one year	18	2,308	2,781
Provision for liabilities and charges	19	2,197	924
Accruals and deferred income			
Government grants		406	62
Unprocessed waste		1,440	-
		58,590	44,118
Capital and reserves			
Called up share capital	20	17,322	10,510
Share premium account	21	16,325	17,974
Profit and loss account	21	22,712	15,634
Merger reserve	21	2,231	-
		58,590	44,118

The Financial Statements were signed on behalf of the Board on 18 June 1991 by

H L I Runciman
Chairman

A J N Fowler
Finance Director

Company Balance Sheet

30 MARCH 1991	Note	1991 £000	1990 £000
Fixed assets			
Tangible assets	11	971	877
Intangible assets	12	2,705	2,965
Investments	13	19,051	8,640
		22,727	12,482
Current assets			
Debtors	16	11,994	8,785
Investment in subsidiary undertaking at cost		1,129	1,129
Deposits and cash		22,278	22,643
		35,401	32,557
Creditors: amounts falling due within one year	17	15,414	8,242
Net current assets		19,987	24,315
Total assets less current liabilities		42,714	36,797
Provision for liabilities and charges	19	24	8
		42,690	36,789
Capital and reserves			
Called up share capital	20	17,322	10,510
Share premium account	21	16,325	17,974
Profit and loss account	21	9,043	8,305
		42,690	36,789

The Financial Statements were signed on behalf of the Board on 18 June 1991 by

H L I Runciman
Chairman

A J N Fowler
Finance Director

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED 30 MARCH 1991	1991	1990
	£000	£000
Source of funds		
Profit on ordinary activities before taxation	23,928	17,440
Extraordinary items before taxation	(532)	–
	23,396	17,440
Adjustment for items not involving the movement of funds:		
Depreciation of tangible fixed assets	8,644	7,336
Profit on disposal of tangible fixed assets	(229)	(127)
Amortisation of intangible fixed assets	260	247
Share of profit of associated undertaking	(1,198)	(1,034)
Government grant credit	(50)	(73)
Provision for reclamation	(74)	(114)
Total generated from operations	30,749	23,675
Funds from other sources:		
Disposal of tangible fixed assets	1,419	688
Dividends from associated undertaking	670	670
(Decrease) increase in creditors falling due after more than one year	(473)	2,004
Share issues less expenses	5,163	573
Government grant received	394	–
Unprocessed waste	1,440	–
Merger reserve	2,691	–
Provisions acquired	1,426	–
	43,479	27,610
Application of funds		
Purchase of tangible fixed assets	35,318	16,449
Dividends paid	5,194	4,278
Goodwill purchased	460	4,464
Tax paid	3,882	1,207
	44,854	26,398
(Decrease) increase in working capital	(1,375)	1,212
Components of (decrease) increase in working capital		
Stocks	887	38
Debtors	8,678	7,007
Creditors	(7,236)	(1,851)
	2,329	5,194
Movement in net liquid funds		
Deposits and cash	(2,592)	(3,982)
Bank overdraft	(1,112)	–
	(1,375)	1,212

	1991	1990
	£000	£000

1. **Trading Profit**

	1991 £000	1990 £000
Trading profit is stated after charging:		
Depreciation of tangible fixed assets		
– owned	7,272	6,185
– held under finance leases and hire purchase contracts	1,372	1,151
Amortisation of intangible fixed assets	260	247
Hire of plant and machinery – operating leases	7,055	8,585
Property rents payable	265	294
Research and development	1,280	1,372
Auditors' remuneration	131	118
Emoluments of the directors (Note 3)	576	388
and after crediting:		
Net gain on disposal of fixed assets	229	127
Government grants	50	73

2. **Turnover and profit on ordinary activities before taxation**

Turnover and profit on ordinary activities before taxation are analysed as follows:

	1991		1990	
	Turnover	Profit before taxation	Turnover	Profit before taxation
	£000	£000	£000	£000
Waste management	75,433	20,689	61,112	13,903
Construction services and materials	42,547	2,508	50,426	1,979
	117,980	23,197	111,538	15,882
Associated undertaking		1,198		1,034
Interest (payable) receivable		(467)		524
		23,928		17,440

Waste management profit on ordinary activities before interest and taxation includes £3,238,000 in respect of Rechem Environmental Services PLC and its subsidiaries for the period from 17 January 1991.

3. **Directors and other employees**

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

	1991 Number	1990 Number
Waste management	956	854
Construction services and materials	409	477
	1,365	1,331

Staff costs comprise:	£000	£000
Wages and salaries	20,498	17,940
Social Security costs	1,788	1,564
Other pension costs	798	469
	23,084	19,973

The remuneration of the directors was as follows:	£000	£000
Fees	35	18
Other emoluments	541	370
	576	388
Excluding contributions to pension schemes the emoluments of the individual directors were as follows:		
Chairman	159	135

Other directors	Number	Number
£ 0-£ 5,000	2	–
£ 5,001-£ 10,000	3	3
£ 10,001-£ 15,000	1	–
£ 75,001-£ 80,000	1	1
£ 95,001-£100,000	1	–
£115,001-£120,000	–	1
£130,001-£135,000	1	–

4. **Interest (payable) receivable**

	£000	£000
Interest payable on loans and bank borrowings repayable within five years	(636)	(876)
Interest payable on finance leases and hire purchase contracts	(423)	(227)
	(1,059)	(1,103)
Interest capitalised during year	277	689
	(782)	(414)
Interest receivable	315	938
	(467)	524

		1991	1990
		£000	£000
5.	**Taxation**		
	Taxation charge based on the profits for the year is made up as follows:		
	UK Corporation tax at 34% (1990: 35%)	7,829	5,778
	Deferred taxation	(23)	(90)
	Associated undertaking	[illegible]92	362
		8,4[illegible]3	[illegible],050
	The above charge is net of tax relief of £94,000 (1990: £240,000) attributable to capitalised interest.		
6.	**Extraordinary items**		
	Provision for closure costs	461	–
	Loss on sale of properties	71	–
	Deferred taxation	(51)	–
		481	–
7.	**Profit for year**		
	The profit for the year dealt with in the accounts of Shanks & McEwan Group PLC is £8,909,000 (1990: £6,455,000)		
8.	**Dividends**		
	Interim dividend of 10.2p per ordinary share (1990: 8.5p)	2,188	1,782
	Proposed final dividend of 17.2p per ordinary share (1990: 14.3p)	5,983	3,006
		8,171	4,788
9.	**Transfer to reserves**		
	The profit for the year was retained by:		
	Parent company	738	1,667
	Subsidiary undertakings	6,204	4,933
	Associated undertaking	136	2
		7,078	6,602

10. **Earnings per share**

The calculation of earnings per share is made by dividing the profit after tax, ie £15,730,000, (1990: £11,390,000) by 23,924,033 the average number of shares in issue during the year (1990: 20,909,854).

Fully diluted earnings per share have been calculated on profit after tax of £16,002,000 (1990: £11,574,000), including notional yield on proceeds, assuming that all options under the Savings-Related Share Option Schemes and the Executive Share Option Schemes were exercised at the beginning of the year or at the date of issue, if later, making the average number of shares 24,710,392 (1990: 21,704,114).

11. Tangible fixed assets

Group	Land & buildings £000	Landfill sites £000	Plant & machinery £000	Motor vehicles £000	Total £000
Cost:					
At 1 April 1990	8,138	6,984	37,229	12,313	64,664
On purchase of subsidiaries	2,447	-	22,146	238	24,831
Additions	546	2,141	11,006	3,172	16,865
Disposals	(450)	-	(2,532)	(1,447)	(4,429)
At 30 March 1991	10,681	9,125	67,849	14,276	101,931
Depreciation:					
At 1 April 1990	306	1,096	17,080	4,907	23,389
On purchase of subsidiaries	131	-	6,202	45	6,378
Eliminated in respect of disposals	(24)	-	(2,014)	(1,201)	(3,239)
Charge for the year	140	374	5,376	2,754	8,644
At 30 March 1991	553	1,470	26,644	6,505	35,172
Net book amount:					
At 30 March 1991	10,128	7,655	41,205	7,771	66,759
Net book amount of assets held under finance leases and hire purchase contracts included above	-	-	1,251	3,099	4,350
At 31 March 1990	7,832	5,888	20,149	7,406	41,275
Net book amount of assets held under finance leases and hire purchase contracts included above	-	-	1,422	3,102	4,524

Included in plant and machinery and landfill sites are assets under construction with a cost of £4,370,116 (1990: £2,077,772).

Interest amounting to £1,192,000 (1990: £915,000) is included in the cost of land and buildings, landfill sites and plant and machinery.

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

	1991		1990	
	Land & buildings £000	Landfill sites £000	Land & buildings £000	Landfill sites £000
Freehold	9,695	7,347	7,737	5,549
Long leasehold	347	-	13	-
Short leasehold	86	308	82	339
	10,128	7,655	7,832	5,888

11. Tangible fixed assets (continued)

Company	Short Leasehold land and buildings £000	Plant & machinery £000	Total £000
Cost:			
At 1 April 1990	19	1,403	1,422
Additions	–	465	465
Disposals	–	(8)	(8)
At 30 March 1991	19	1,860	1,879
Depreciation:			
At 1 April 1990	5	540	545
Charge for the year	2	364	366
Eliminated in respect of disposals	–	(3)	(3)
At 30 March 1991	7	901	908
Net book amount:			
At 30 March 1991	12	959	971
At 31 March 1990	14	863	877

12. Intangible fixed assets
Group and Company

	Landfill rights £000
Cost:	
At 1 April 1990 and 30 March 1991	3,800
Amortisation:	
At 1 April 1990	835
Charge for the year	260
At 30 March 1991	1,095
Net book amount:	
At 30 March 1991	2,705
At 31 March 1990	2,965

13. Fixed assets – Investments

	Group	Company		
	Associated Undertaking £000	Subsidiary Undertakings £000	Associated Undertaking £000	Total £000
At 1 April 1990	1,057	8,390	250	8,640
Additions	–	10,411	–	10,411
Share of movement in reserves	136	–	–	–
At 30 March 1991	1,193	18,801	250	19,051

Details of subsidiary and associated undertakings are shown on page 40.

14. Acquisitions

Rechem Environmental Services PLC

On 17 January 1991, the offer made by Shanks & McEwan Group PLC to acquire the whole issued share capital of Rechem Environmental Services PLC was declared unconditional, after which the remaining shares were acquired pursuant to Sections 428(2) and 429(2) of the Companies Act 1985.

The acquisition was effected by the issue of 13,400,273 ordinary shares of 50p each in Shanks & McEwan Group PLC, (fair value £157,453,000) and cash of £238,000. Other costs of acquisition amounted to £3,473,000, excluding share issue expenses of £1,892,000 which have been deducted from share premium account.

The shares acquired in Rechem Environmental Services PLC were 26,841,120 ordinary shares of 50p each.

The merger relief provisions of the Companies Act 1985 result in the creation of a merger reserve representing the excess of fair value of the net assets acquired over the nominal value of the shares issued, the cash element and related acquisition costs.

The following table sets out the fair values of the net assets acquired and the calculation of the amount credited to merger reserve.

	Note	Book value at 17 January 1991 £000	Fair value accounting adjustments £000	Acquisition provisions £000	Total £000
Tangible fixed assets	(a)	18,876	(489)		18,387
Stock		730			730
Debtors	(b)	7,353	(594)		6,759
Cash at bank		64			64
Creditors due within one year		(9,289)			(9,289)
Net current liabilities		(1,142)	(594)		(1,736)
Total assets less current liabilities		17,734	(1,083)		16,651
Finance lease obligations		(50)			(50)
Deferred taxation	(c)	(960)	(29)		(989)
Other provisions	(d)	-		(437)	(437)
Unprocessed waste		(1,679)			(1,679)
Government grants		(394)			(394)
Net assets acquired		14,651	(1,112)	(437)	13,102
Fair value of consideration					161,164
Goodwill arising on consolidation					(148,062)
Merger relief					150,753
Net amount credited to merger reserve					2,691

The principal fair value accounting adjustments are as follows:

(a) Write down of plant and machinery

(b) Provisions against sundry and other debtors

(c) Adjustment to deferred taxation arising from the above

(d) Provision for site clearance costs

The profit after taxation and extraordinary items of Rechem Environmental Services PLC and its subsidiaries for the year ended 31 March 1990 was £5,711,000. Pre-acquisition profits for the period to 17 January 1991, after tax, extraordinary items, fair value adjustments and acquisition provisions was £2,538,000.

14. Acquisitions (continued)

Other acquisitions

Group companies acquired the trade and assets of various waste management businesses at a total cost of £828,000. The fair value of assets acquired was £368,000 resulting in goodwill of £460,000 which has been written off against the merger reserve.

15. Stocks

	1991 £000	1990 £000
Group		
Raw materials and consumables	1,008	104
Work in progress	26	43
Investment land and property	104	104
	1,138	251

16. Debtors

	Group		Company	
	1991 £000	1990 £000	1991 £000	1990 £000
Trade debtors	28,845	23,318	–	–
Amounts recoverable on contracts	8,961	6,382	–	–
Amounts owed by associated undertaking	519	521	500	500
Amounts owed by group undertakings	–	–	9,476	7,261
Other debtors	511	482	145	118
Prepayments and accrued income	1,147	602	46	71
Advance corporation tax	1,827	835	1,827	835
	41,810	32,140	11,994	8,785

The advance corporation tax is not recoverable until after more than one year.

17. Creditors: amounts falling due within one year

	Group		Company	
	1991 £000	1990 £000	1991 £000	1990 £000
Bank overdraft	1,112	–	–	–
Trade creditors	17,975	14,125	14	–
Payments on account	179	166	–	–
Amounts owed to group undertakings	–	–	5,188	3,232
Taxation and social security	2,221	1,705	233	173
Other creditors	2,512	973	1,755	[illegible]
Hire purchase and finance lease obligations	1,540	1,421	–	–
Accruals	3,100	1,901	266	725
Corporation tax payable	14,066	9,122	1,975	838
Dividends payable	5,983	3,006	5,983	3,006
	48,688	32,419	15,414	8,242

18. Creditors: amounts falling due after more than one year

	1991 £000	1990 £000
Group		
Hire purchase and finance lease obligations	2,233	2,631
Other creditors	75	150
	2,308	2,781
Hire purchase and finance lease obligations are repayable:		
Between one and two years	1,191	1,323
Between two and five years	1,042	1,308
	2,233	2,631

19. Provision for liabilities and charges

Group	Deferred taxation £000	Reclamation provision £000	Other provisions £000	Total £000
At 1 April 1990	260	664	-	924
On purchase of subsidiaries	989	-	437	1,426
Utilised in year	-	(506)	-	(506)
Provided (released) in year	(79)	432	-	353
At 30 March 1991	1,170	590	437	2,197

The other provisions relate to site clearance costs.

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

	1991 Provision £000	1991 Total potential liability £000	1990 Provision £000	1990 Total potential liability £000
Accelerated capital allowances	1,236	4,539	280	2,680
Other timing differences	(66)	(58)	(20)	190
	1,170	4,481	260	2,870

	£000
Company	
Deferred taxation	
At 1 April 1990	8
Provided in year	16
At 30 March 1991	24

The deferred taxation provision consists of accelerated capital allowances and represents a full provision.

20. Called up share capital

	1991 £000	1990 £000
Group and Company		
Authorised 44,000,000 (1990: 29,500,000) ordinary shares of 50p	22,000	14,750
Allotted, called up and fully paid 34,644,793 (1990: 21,020,098) ordinary shares of 50p	17,322	10,510

Ordinary shares with a nominal value of £6,812,348 were allotted during the year as follows:

13,400,273 ordinary shares were issued in respect of the acquisition of Rechem Environmental Services PLC (see Note 14). The fair value of the shares issued was £157,453,000.

125,422 ordinary shares were issued under the terms of the Savings-Related Share Option Scheme. The aggregate consideration received in respect of these allotments was £128,481. 99,000 ordinary shares were issued under the terms of the Executive Share Option Scheme. The aggregate consideration received in respect of these allotments was £226,350.

Savings-Related Share Option Scheme

Under the terms of the Savings-Related Share Option Scheme for employees, as revised on 14 January 1991, options may be granted up to September 1997 to acquire 4,000,000 shares (including options granted under the Executive Share Option Scheme). Options are granted at the higher of the nominal value and an amount determined by the Directors being not less than 80% of the market value. At 30 March 1991, options outstanding amounted to 288,518 shares. Options on a further 63,976 shares were outstanding in respect of the Rechem Environmental Services PLC Savings-Related Share Option Scheme.

Executive Share Option Scheme

Under the terms of the Executive Share Option Scheme options may be granted up to September 1996 to acquire up to 2,000,000 shares. Options are granted at the higher of the nominal value or the market value or such higher price as may be determined by the Directors. At 30 March 1991 options outstanding amounted to 386,400 shares. Options on a further 110,300 shares were outstanding in respect of the Rechem Environmental Services PLC Share Option Scheme 1988.

Options outstanding at 30 March 1991:

	Number of shares	Price	Normal dates of exercise
Savings-Related Share Option Scheme	66,176	100p	1990 or 1992
	73,390	270p	1991 or 1993
	43,066	520p	1992 or 1994
	28,380	765p	1993 or 1995
	28,433	1195p	1994 or 1996
	49,073	1093p	1995 or 1997
Rechem Environmental Services PLC Savings-Related Share Option Scheme	40,612	580p	1994 or 1996
	5,136	1070p	1995 or 1997
	18,228	880p	1996 or 1998

20. Called up share capital (continued)

Executive Share Option Scheme	Number of shares	Price	Earliest date of exercise
	54,000	110p	November 1987
	125,000	300p	September 1989
	14,000	575p	October 1990
	36,000	610p	September 1990
	70,500	868p	July 1991
	11,000	1577p	July 1992
	75,900	1397p	July 1993
Rechem Environmental Services PLC Share Option Scheme 1988	33,300	390p	May 1991
	39,500	1328p	May 1992
	37,500	1044p	June 1993

Executive Share Options were all granted three years before the earliest date of exercise.

21. Reserves

Group	Share premium £000	Profit and loss account £000	Merger reserve £000
At 1 April 1990	17,974	15,634	-
On purchase of subsidiaries	-	-	2,691
Premium on issue of shares	243	-	-
Share issue expenses	(1,892)	-	-
Goodwill written off	-	-	(460)
Retained profit for year	-	7,078	-
At 30 March 1991	16,325	22,712	2,231
Reserves of associated undertaking included in above	-	943	-
Company			
At 1 April 1990	17,974	8,305	
Premium on issue of shares	243	-	
Share issue expenses	(1,892)	-	
Retained profit for year	-	738	
	16,325	9,043	

The cumulative goodwill written off Group Reserves to 30 March 1991, net of merger relief, on businesses continuing within the Group amounts to £8,672,000.

	1991 £000	1990 £000
22. Capital commitments		
Group		
The aggregate amount of capital expenditure authorised by the Directors for which no provision has been made in the accounts is:		
Expenditure contracted for	7,652	1,481
Expenditure not contracted for	5,203	5,253
	12,855	6,734

23. Financial commitments

Group	1991 Land & buildings £000	1991 Other £000	1990 Land & buildings £000	1990 Other £000
Annual commitments under operating leases expiring:				
Within 1 year	5	40	29	–
Between 2 and 5 years	152	275	56	4
Over 5 years	334	–	12	–
	491	315	97	4

24. Pension commitments

The Company operates pension arrangements providing benefits based on final pensionable salary. The assets are held separately from those of the Company, being 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 most recent valuation was at 6 April 1989.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and to the rates of increase in salaries. It was assumed that the investment returns would be 2% per annum higher than the growth in pensionable pay. It was further assumed that pensions in payment under the Shanks & McEwan Group PLC Retirement Benefits Scheme would increase at 3% p.a. compound.

The most recent actuarial valuation showed that the market value of the scheme's assets was £8.8 million and that the actuarial value of those assets represented 125% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

In addition Rechem Environmental Services PLC operates a pension scheme which provides benefits based on contributions. The company also targets contributions to provide benefits based on final pensionable salaries. The trustees of this scheme are Standard Life Trustee Company.

The Group pensions charge for the year was £798,000 (1990: £469,000).

25. Contingent liabilities

The parent company has guaranteed the bank borrowings of certain of its subsidiary undertakings.

Performance bonds have been entered into in the normal course of business in respect of a subsidiary company engaged in long term contracts.

Claims for compensation made against a subsidiary by third parties are outstanding. No provision has been established in the accounts as the Directors are of the opinion that the claims have no foundation.

SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

At 30 March 1991

Subsidiary undertakings

The Company held 100% of the equity share capital of the following trading subsidiary companies:

Registered in Scotland	Nature of business
Shanks & McEwan Limited	*Property services*
Shanks & McEwan (Contractors) Limited	*Construction services*
Shanks & McEwan (Northern) Limited	*Waste management*
Shanks & McEwan (Midlands) Limited	*Waste management*
Airdriehill Quarries Limited	*Construction services*
Registered in England	
Shanks & McEwan (Southern) Limited	*Waste management*
Clear Waste Limited	*Waste management*
Shanks & McEwan (Camden) Limited	*Property services*
Rechem Environmental Services PLC	*Waste management*
Rechem International Limited*	*Waste management*

* *held by a subsidiary company*

The Company also holds 100% of the allotted deferred shares of Shanks & McEwan Limited.
A full list of subsidiary companies will be annexed to the next annual return.

Associated undertaking

The following company is an associated undertaking of the Group:

	Country of registration	Class of shares	Proportion held	Nature of business
Colvilles Clugston Shanks (Holdings) Limited	Scotland	Ordinary	33⅓%	Material Handling

SHAREHOLDER INFORMATION

At 30 March 1991

Range of shareholding	Number of accounts	Shares '000	%
1- 1,000	1,628	550	2
1,001- 5,000	341	834	2
5,001- 10,000	103	794	2
10,001- 20,000	107	1,648	5
20,001- 50,000	108	3,594	10
50,001-100,000	46	3,310	10
Over 100,000	65	23,915	69
	2,398	34,645	100
Analysis of shareholders			
Individuals – male	1,005	5,083	14
– female	484	1,626	5
Trustee & joint accounts	24	156	1
Banks & nominee companies	689	16,194	47
Other institutions & companies	196	11,586	33
	2,398	34,645	100

FINANCIAL CALENDAR

25 July 1991	Annual General Meeting
30 July 1991	Payment of final dividend for 1990/91
Late November 1991	Announcement of results for six months ending 28 September 1991 and interim dividend
January 1992	Payment of interim dividend for 1991/92
June 1992	Announcement of results for 1991/92 and of recommended final dividend

REPORT OF THE AUDITORS

To the Members of Shanks & McEwan Group PLC

We have audited the accounts on pages 22 to 40 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 30 March 1991 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Moores Rowland

Moores Rowland
Chartered Accountants
25 Bothwell Street
Glasgow G2 6NL

18 June 1991

Certified that this and the preceding twenty four pages plus cover are a true extract from the Report & Accounts of Shanks & McEwan Group PLC for the year ended 30 March 1991

Secretary