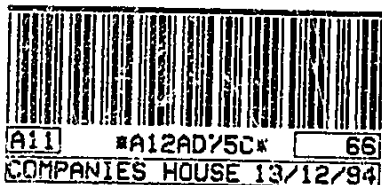


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RECHEM INTERNATIONAL LIMITED

REPORT AND ACCOUNTS

Year ended 26 March 1994



RECHEM INTERNATIONAL LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 26 MARCH 1994

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RECHEM INTERNATIONAL LIMITED

Directors

M C E Averill	N MacLellan
D J Downes	A E Price
D J Blane	G W Searle
C A Brown	A C Woodhead
G H Gracie	A R Woods
P H-Jones	

Secretary and registered office

G H Gracie, Astor House, Station Road, Bourne End, Bucks. SL8 5YP

REPORT OF THE DIRECTORS

The directors submit their report and statement of accounts for the year ended 26 March 1994.

Company law requires the directors to prepare accounts that give a true and fair view of the state of affairs of the company and of the profit or loss for its financial year. In doing so the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

1. Principal activities, business review and future prospects

The principal activity of the company is the disposal of hazardous chemical wastes by chemical treatment or incineration in an environmentally safe manner.

The company intends to retain its position as market leader in the disposal of hazardous chemical wastes, through reinforcing its marketing effort. The new rotary kiln at Pontypool was completed in the year and became fully operational in January 1994. This plant is designed to improve still further the standard of operation and widen the range of materials which can be profitably processed.

There does, however, remain a major uncertainty in regard to profits arising from the fact that the British Government now has the power to ban the importation of hazardous wastes. How that power is exercised is crucial to whether the company's incinerators remain viable. It is to be hoped that the Government recognise the need to maintain this country's incinerator capacity through an interim period as it is most probable that the quantities of United Kingdom wastes that require incineration will thereafter increase substantially.

RECHEM INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

1. Principal activities, business review and future prospects (continued)

The High Court case being brought against the company by Scottish farming couple Mr and Mrs Andrew Graham continued beyond the year end. The Grahams have claimed damages as a result of injury allegedly caused to their cattle by emissions from a former incinerator in Bonnybridge, Scotland, over a period from 1982 to 1983 – a claim being strongly defended by the company.

2. Trading results and dividend		£000	£000
Profit for the year after taxation			886
Dividends:	interim paid	1,101	
	final proposed	<u>2,202</u>	<u>3,303</u>
Transferred from reserves			<u>(2,417)</u>

3. Directors

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

A J N Fowler and M R Pullen resigned on 30 September 1993, P Kaye on 25 November 1993, J M Warrener on 1 December 1993 and M R Hewitt on 12 January 1994.

A E Price and A Woodhead were appointed on 19 May 1993, D J Downes on 12 January 1994 and C A Brown and N MacLellan on 9 February 1994.

The other directors served throughout the year.

The interest at 26 March 1994 of D J Downes in the shares of the ultimate parent company are shown in the accounts of the ultimate parent company, Shanks & McEwan Group PLC.

The interests at 26 March 1994 of M C E Averill, D J Blane, C A Brown, G H Gracie, P H-Jones, N MacLellan and G W Searle in the shares of the ultimate parent company are shown in the accounts of Shanks & McEwan (Environmental Services) Limited.

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

	Ordinary shares of 10p each		Share options	
	26.3.94	27.3.93	26.3.94	27.3.93
A E Price	-	-	28,074	28,074
A Woodhead	-	-	-	-
A Woods	250	250	39,680	39,680

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

RECHEM INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

4. Changes in fixed assets

During the year the company spent £9,784,000 on land and buildings and plant and machinery.

In the directors opinion there is no significant difference between the book and market value of the land.

5. Research and development

The sum of £325,000 (1993: £553,000) has been spent on research and development

6. Health, safety and welfare at work of employees

The board has continued with measures to ensure the health, safety and welfare at work of employees through training of staff, assessing the risks associated with substances hazardous to health and implementing appropriate safe working practices.

7. Directors' and officers' liability insurance

Insurance cover for directors' and officers' liability is maintained under a policy effected by the ultimate parent company, Shanks & McEwan Group PLC.

By order of the board



G. H. Gracie

Secretary

22 June 1994

RECHEM INTERNATIONAL LIMITED

REPORT OF THE AUDITORS

TO THE MEMBERS OF RECHEM INTERNATIONAL LIMITED

We have audited the accounts on pages 5 to 16.

Respective responsibilities of directors and auditors

As described in the directors' report the company's directors are responsible for the preparation of accounts. It is our responsibility as auditors to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 26 March 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Moore Rowland
MOORES ROWLAND

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

RECHEM INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 26 MARCH 1994

		1994	1993
	Note	£000	£000
TURNOVER	3	27,451	30,813
Cost of sales		<u>18,237</u>	<u>17,674</u>
GROSS PROFIT		9,214	13,139
Administrative expenses before exceptional item		5,593	5,827
Exceptional item:			
Legal costs	2	1,100	-
		<u>6,693</u>	<u>5,827</u>
OPERATING PROFIT		2,521	7,312
Share of cost of group reorganisation		<u>369</u>	<u>-</u>
PROFIT BEFORE INTEREST		2152	7312
Interest payable (receivable)	5	<u>305</u>	<u>(31)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2&3	1,847	7,343
Taxation payable	6	<u>961</u>	<u>1,761</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		886	5,582
Dividends	7	<u>3,303</u>	<u>3,715</u>
TRANSFERRED (FROM) TO RESERVES	14	<u>(2,417)</u>	<u>1,867</u>

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

The notes on pages 7 to 16 form part of these accounts

RECHEM INTERNATIONAL LIMITED

BALANCE SHEET

26 MARCH 1994

		1994 £000	1993 £000
FIXED ASSETS	Note		
Tangible assets	8	27,598	20,708
CURRENT ASSETS			
Stocks	9	800	971
Debtors	10	8,843	7,190
Cash at bank and in hand		877	97
		10,520	8,258
CREDITORS: amounts falling due within one year	11	21,624	11,840
NET CURRENT LIABILITIES		<u>(11,104)</u>	<u>(3,582)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		16,494	17,126
PROVISION FOR LIABILITIES AND CHARGES	12	2,318	1,011
ACCRUALS AND DEFERRED INCOME:			
Unprocessed waste		2,669	2,136
Government grants		234	289
		<u>5,221</u>	<u>3,436</u>
		<u>11,273</u>	<u>13,690</u>
CAPITAL AND RESERVES			
Called up share capital	13	877	877
Share premium account	14	1,066	1,066
Profit and loss account	14	9,330	11,747
		<u>11,273</u>	<u>13,690</u>


 D J Downes

Director

22 June 1994

The notes on pages 7 to 16 form part of these accounts

RECHEM INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS

1. Accounting policies

(i) Basis of presentation

The accounts have been prepared using the historical cost convention and in accordance with applicable Accounting Standards.

(ii) Turnover

Turnover represents the invoiced value of waste streams processed and other services provided excluding value added tax. Turnover is recognised when processing occurs or the service is provided.

(iii) Fixed assets

(a) Owned assets

Depreciation is provided on cost less estimated residual value in equal annual instalments over the estimated useful lives of the assets.

The estimated lives are:	Buildings	: 50 years
	Plant and machinery	: 3 to 12 years
	Motor vehicles	: 3 to 6 years

(b) Leased assets

Finance leases

Assets financed by lease arrangements under which substantially all the risks and rewards of ownership are transferred to the company are included in tangible fixed assets at the aggregate of the capital elements of payments during the lease term and the corresponding obligation is included in creditors. Depreciation is provided to write off the assets over the shorter of the lease term or useful life.

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.

(c) Capitalisation of interest

The gross interest attributable to the financing of separately identifiable major capital projects prior to their date of completion is capitalised as part of the cost of the asset.

(iv) Government grants

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

RECHEM INTERNATIONAL LIMITED**NOTES ON THE ACCOUNTS****(v) Stocks**

Stocks of consumables are valued at cost.

(vi) 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.

(vii) 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.

(viii) Research and development

Expenditure on research and development is charged to revenue in the period in which it is incurred.

(ix) Unprocessed waste

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

(x) Foreign currencies

Foreign currency assets and liabilities are translated at closing rates or the rate contracted if forward cover has been arranged. Exchange differences on these and any other trading transactions in foreign currency are dealt with in the profit and loss account.

RECHEM INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS

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

The profit is stated after charging:

Depreciation of owned assets	2,855	2,431
Depreciation of assets held under finance leases	–	32
Operating leases		
– Hire of plant and machinery	89	239
– Property rentals	211	207
Management charge from immediate parent company	1,982	2,296
Research and development	326	553
Auditors' remuneration	22	21
Loss on sale of fixed assets	75	103

And after crediting:

Government grant	55	54
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The company has provided £1,100,000 being its share of the total estimated legal costs relating to the Graham case (see note 18).

3. Turnover and profit before taxation

	1994 £000	1993 £000
Analysis of turnover by customer location:		
United Kingdom	14,166	17,627
Europe	11,231	12,025
Rest of World	2,054	1,161
	27,451	30,813

Turnover and profit on ordinary activities before taxation derive from waste management.

RECHEM INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS

	1994	1993
4. Directors and other employees	Number	Number
The average weekly number of persons employed by the company during the year was as follows:		
Waste management	<u>223</u>	<u>230</u>
Staff costs comprise:	£000	£000
Wages and salaries	5,147	5,161
Social security costs	459	443
Other pension costs	<u>301</u>	<u>294</u>
	<u>5,907</u>	<u>5,398</u>
The remuneration of the directors was as follows:		
Fees	-	-
Other emoluments	368	316
Compensation for loss of office	<u>135</u>	<u>-</u>
	<u>503</u>	<u>316</u>
Whereof : - Paid by company	318	253
: - Paid by immediate parent company	<u>185</u>	<u>63</u>
	<u>503</u>	<u>316</u>
Particulars of directors remuneration excluding pension contributions:		
Chairmen	NIL	NIL
Highest paid director	<u>56</u>	<u>64</u>
Other directors	Number	Number
£0 to £5000	5	7
£5001 to £10000	2	-
£30001 to £35000	2	-
£35001 to £40000	1	-
£40001 to £45000	1	-
£50001 to £55000	1	3
£55001 to £60000	<u>1</u>	<u>1</u>

Directors also receive remuneration as disclosed in the notes to the accounts of the immediate parent company, Shanks & McEwan (Environmental Services) Limited.

RECHEM INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS

	1994 £000	1993 £000
5. Interest (receivable) payable		
Interest payable on loans and bank borrowings repayable within five years	556	162
Interest payable on finance leases	<u>-</u>	<u>1</u>
	556	163
Interest capitalised	<u>(205)</u>	<u>(130)</u>
	351	33
Interest receivable	<u>(46)</u>	<u>(64)</u>
	<u>305</u>	<u>(31)</u>
6. Taxation		
Taxation charge based on the profits of the year is made up as follows:		
UK Corporation tax at 33% (1993:33%)	(186)	1,809
Prior year adjustment	(10)	-
Deferred taxation	<u>1,157</u>	<u>(48)</u>
	<u>961</u>	<u>1,761</u>
The tax charge takes into account the reduction of deferred tax not provided of £266,000 mainly as a result of a lower level of capital expenditure now being forecast for future years.		
7. Dividend	1994 £000	1993 £000
Interim paid	1,101	1,238
Final proposed	<u>2,202</u>	<u>2,477</u>
	<u>3,303</u>	<u>3,715</u>

RECHEM INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS

8. Tangible fixed assets

	Long Leasehold Land & Buildings	Plant & Machinery	Total
	£000	£000	£000
Cost			
At 28 March 1993	895	28,743	29,638
Additions	15	9,769	9,784
Disposals	-	(615)	(615)
Inter group transfers	-	43	43
At 26 March 1994	<u>910</u>	<u>37,940</u>	<u>38,850</u>
Depreciation:			
At 28 March 1993	17	8,913	8,930
Eliminated in respect of disposals	-	(540)	(540)
Charge for year	18	2,837	2,855
Inter group transfers	-	7	7
At 26 March 1994	<u>35</u>	<u>11,217</u>	<u>11,252</u>
Net book amount:			
At 26 March 1994	<u>875</u>	<u>26,723</u>	<u>27,598</u>
At 27 March 1993	<u>878</u>	<u>19,830</u>	<u>20,708</u>

The net book amount of plant and machinery includes assets capitalised under finance leases of £Nil (1993:£1,000). Interest amounting to £335,000 (1993:£130,000) is included in the cost of plant & machinery. Included in plant & machinery are assets under construction with a net book value of £Nil (1993: £4,879,000).

RECHEM INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS

9. Stocks

This amount represents stocks of consumables.

	1994 £000	1993 £000
10. Debtors		
Trade debtors	6,023	6,483
Amounts owed by parent and fellow subsidiary undertakings	1,859	85
Other debtors	491	434
Prepayments and accrued income	470	188
	<u>8,843</u>	<u>7,190</u>
11. Creditors: amounts falling due within one year		
Bank overdraft	12,930	3,953
Trade creditors	2,183	2,384
Amounts owed to parent and fellow subsidiary undertakings	773	232
Taxation and social security	149	162
Other creditors	75	50
Accruals and deferred income	1,645	638
Corporation tax payable	1,667	1,944
Proposed dividend	2,202	2,477
	<u>21,624</u>	<u>11,840</u>

RECHEM INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS

12. Provision for liabilities and charges

	Deferred taxation £000	Site clearance costs £000	Reorgan- -isation provision £000	Total £000
Balance at 28 March 1993	574	437	-	1,011
Utilised during year	-	-	(219)	(219)
Provided during year	1,157	-	369	1,526
Balance at 26 March 1994	1,731	437	150	2,318

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

	19 94		19 93	
	Provision £000	Total potential liability £000	Provision £000	Total potential liability £000
Accelerated capital allowances	1,923	3,593	574	2,468
Other timing differences	(192)	(192)	-	42
	1,731	3,401	574	2,510

	1994 £000	1993 £000
13. Called up share capital		
Authorised:		
934,630 ordinary shares of £1 each	935	935
Allotted and fully paid:		
877,370 ordinary shares of £1 each	877	877

14. Reconciliation of shareholders funds

	Share Capital £000	Share Premium £000	Profit and loss £000	Total £000
At 28 March 1993	877	1,066	11,747	13,690
Profit for year	-	-	886	886
Dividends	-	-	(3,303)	(3,303)
At 26 March 1994	877	1,066	9,330	11,273

RECHEM INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS

15. Capital commitments

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

	1994 £000	1993 £000
Expenditure contracted for	787	3,360
Expenditure not contracted for	2,041	5,574
	<u>2,828</u>	<u>8,934</u>

16. Financial commitments

	1994		1993	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Annual commitments under operating leases expiring:				
Within one year	-	21	-	16
Between two and five years	-	32	-	68
Over five years	211	-	207	-
	<u>211</u>	<u>53</u>	<u>207</u>	<u>84</u>

17. Pension commitments

The company, along with other companies in the Shanks & McEwan Group, participates in pension arrangements providing benefits based on final salary. The assets are held separately from those of the group companies and are invested by professional investment managers.

The pension costs are determined by a qualified actuary on the basis of triennial valuation using the Projected Unit Method.

Details of the latest actuarial value of the scheme on 6 April 1992 are given in the accounts of Shanks & McEwan Group PLC.

RECHEM INTERNATIONAL LIMITED**NOTES ON THE ACCOUNTS****18. Contingent liabilities**

The company has granted to its bankers an unlimited guarantee and a right of set off against amounts outstanding on advances to its ultimate parent and fellow subsidiary companies.

Claims for compensation made against the company by third parties are outstanding in particular those relating to the Graham case. However no provision has been made in the accounts as the Directors are of the opinion that the claims have no foundation. The company will continue to resist vigorously all such claims.

19. Ultimate parent company

The company's ultimate parent company is Shanks & McEwan Group PLC, a company registered in Scotland. Copies of the group accounts may be obtained from the Company Secretary, Shanks & McEwan Group PLC, 22 Woodside Place, Glasgow, G3 7QY.