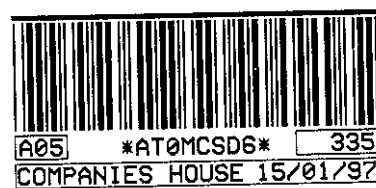


RECHEM INTERNATIONAL LIMITED
(Registered Number 934787)

REPORT AND ACCOUNTS

YEAR ENDED 30 MARCH 1996



RECHEM INTERNATIONAL LIMITED

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RECHEM INTERNATIONAL LIMITED

DIRECTORS' REPORT

The Directors present their annual report and accounts for the year ended 30 March 1996.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE PROSPECTS

The principal activities of the Company are the disposal of chemical wastes by High temperature incineration (HTI), Chemical treatment and the provision of Environmental monitoring services.

The Company intends to strengthen its position as a market leader of HTI services in the UK, through continued improvements in its customer care systems and reinforcing its marketing strategy.

The DoE has recently published its "United Kingdom Management Plan for Imports and Exports of Waste". The provisions of which are that from the 1 June 1996 it will become increasingly difficult for the Company to import waste from a range of countries, including "developed" EC member states and OECD countries.

In addition, since May 1996 some four cement kilns in the UK have received variations to their existing IPC (Integrated Pollution Control) authorisations to burn SLFs (Secondary Liquid Fuels). It is anticipated that ultimately some six to eight cement kilns will be able to burn SLFs. The main business effect to date has been a decrease in prices achievable for the disposal of a range of chemical wastes, although it is probable that volumes of certain wastes will be affected at some stage in the future. Lobbying effort continues to ensure that the UK government recognises the importance of maintaining a viable HTI industry within the UK.

TRADING RESULTS AND DIVIDEND

The loss on ordinary activities before taxation for the year ended 30 March 1996 was £1,056,000 (1995: £2,044,000).

The Directors recommended that a dividend of £145,000 be paid in respect of the year ended 30 March 1996 (1995: Nil). The retained loss transferred from reserves for the year was £1,672,000 (1995: £2,057,000).

DIRECTORS

The composition of the Board at the date of this report is as follows:

M C E Averill	C A Brown
D J Downes	N MacLellan
D Blane	A Woods (Non Executive)

The following Directors resigned from the Board during the year:

A E Price	(resigned 30 March 1996)
A Woodhead	(resigned 12 June 1996)

RECHEM INTERNATIONAL 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 30 March 1996</u>		<u>As at 1 April 1995</u>	
	<u>Ordinary Shares of 10p</u>	<u>Options</u>	<u>Ordinary Shares of 10p</u>	<u>Options</u>
A E Price	-	29,010	-	25,665
A Woods	250	-	250	39,680

The options of A Woods' lapsed during the year.

The Directors had no interests in the shares of any other Company in the group.

FIXED ASSETS

The movements in fixed assets are shown in note 9 to the Financial Statements.

RESEARCH AND DEVELOPMENT

The sum of £109,291 (1995: £115,925) has been spent on research and development.

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.

PAYMENT OF SUPPLIERS

It is the Company's payment policy for the year ending 29 March 1997, in respect of all suppliers, to settle agreed outstanding accounts in accordance with terms and conditions agreed with suppliers when placing orders. The Company will abide by these terms of payment.

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 & McEwan Group PLC.

RECHEM INTERNATIONAL 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:

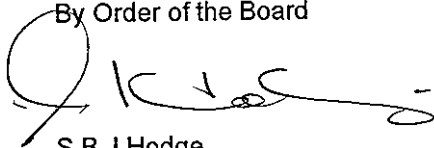
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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 B J Hodge
Secretary
22 November 1996

Registered Office:
Station Road
Bourne End
Bucks
SL8 5YP

Price Waterhouse



**AUDITORS' REPORT TO THE MEMBERS OF
RECHEM INTERNATIONAL LIMITED**

We have audited the financial statements on pages 5 to 15 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 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 affairs of the Company as at 30 March 1996 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

22 November 1996

RECHEM INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 MARCH 1996

	<u>1996</u> £'000	<u>1995</u> £'000
TURNOVER (Notes 1.2,2)	19,038	20,640
Cost of sales	<u>16,805</u>	<u>18,270</u>
GROSS PROFIT	2,233	2,370
Administrative expenses	<u>2,251</u>	<u>3,424</u>
LOSS BEFORE INTEREST AND TAXATION	(18)	(1,054)
Net interest payable (Note 6)	<u>1,038</u>	<u>990</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)	(1,056)	(2,044)
Taxation (Note 7)	<u>471</u>	<u>13</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	(1,527)	(2,057)
Dividends (Note 8)	<u>145</u>	<u>-</u>
RETAINED LOSS FOR THE FINANCIAL YEAR (Note 16)	<u>(1,672)</u>	<u>(2,057)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 MARCH 1996

The Company has no recognised gains or losses other than the loss for the year.

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 30 MARCH 1996

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

The notes on pages 7 to 15 form part of these financial statements.

RECHEM INTERNATIONAL LIMITED**BALANCE SHEET - 30 MARCH 1996**

	<u>1996</u> £'000	<u>1995</u> £'000
FIXED ASSETS		
Tangible assets (Note 9)	23,537	26,269
CURRENT ASSETS		
Stocks (Note 10)	1,028	881
Debtors (Note 11)	4,703	7,111
Cash at bank and in hand	974	672
	<u>6,705</u>	<u>8,664</u>
CREDITORS - Amounts falling due within one year (Note 12)	<u>18,219</u>	<u>21,871</u>
NET CURRENT LIABILITIES	<u>(11,514)</u>	<u>(13,207)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	12,023	13,062
CREDITORS - Amounts falling due after more than one year (Note 13)	64	121
PROVISIONS FOR LIABILITIES AND CHARGES (Note 14)	4,415	3,725
	<u>7,544</u>	<u>9,216</u>
CAPITAL AND RESERVES		
Called up share capital (Note 15)	877	877
Share premium account (Note 16)	1,066	1,066
Profit and loss account (Note 16)	5,601	7,273
	<u>7,544</u>	<u>9,216</u>

APPROVED BY THE BOARD ON
22 November 1996



D J Downes
DIRECTOR

The notes on pages 7 to 15 form part of these financial statements.

RECHEM INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 30 March 1996

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.

Insurance costs totalling £917,000 (1995: £971,000) have been reclassified from Administrative expenses to Cost of sales. To facilitate meaningful comparatives 1995 figures have been restated.

(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

(a) Owned assets

Depreciation is provided on assets other than land to write off their cost by equal annual instalments over their estimated useful economic lives.

The estimated lives are:

Buildings	50 years
Plant and machinery	3 to 12 years
Motor vehicles	3 to 6 years

(b) 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 as 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.

(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.

RECHEM INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 30 MARCH 1996 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(4) Government grants

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

(5) Stocks

Stocks of consumables are valued at the lower of cost and estimated net realisable value.

(6) 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 accounts.

(7) Pensions

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the expected working lives of the pension scheme members currently in service. Any differences between the actuarial valuation of the scheme and the value of assets in the scheme are also charged or credited to the profit and loss account over the expected working lives of the scheme members. Differences and payments to the scheme are treated as assets or liabilities in the balance sheet.

(8) Research and development

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

(9) Unprocessed waste

The provision for waste still to be processed is valued at sales price.

(10) Foreign Currencies

Balance sheet items in foreign currencies are translated into sterling at the year end exchange rates or at 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.

2 SEGMENT INFORMATION

	1996 £'000	1995 £'000
Analysis of turnover by customer location:		
United Kingdom	12,834	12,031
Europe	4,986	7,033
Rest of World	<u>1,218</u>	<u>1,576</u>
	19,038	20,640

The turnover and operating profit are wholly attributable to the Company's business of waste management. All of the Company's turnover and operating profit relates to continuing operations and derives from the United Kingdom.

RECHEM INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 30 MARCH 1996 (CONTINUED)

3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1996</u> £'000	<u>1995</u> £'000
The loss is stated after charging/(crediting):		
Depreciation of tangible fixed assets		
- owned	3,649	3,566
Operating leases		
- hire of plant and machinery	232	127
- property rentals	207	232
Management charge from immediate parent Company	446	647
Research and development	109	116
Auditors' remuneration	17	20
Government grant	(56)	(57)
	<u> </u>	<u> </u>

No amounts were paid to auditors in respect of non-audit services. (1995: Nil)

4 EMOLUMENTS OF DIRECTORS

The total emoluments of the directors paid by the Company, including pension contributions, were as follows:

	<u>1996</u> £'000	<u>1995</u> £'000
Remuneration including bonuses	62	150
Pension Contributions	6	166
Compensation for loss of office	-	104
	<u>68</u>	<u>420</u>

RECHEM INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 30 MARCH 1996 (CONTINUED)

4 EMOLUMENTS OF DIRECTORS (CONTINUED)

The emoluments of the Chairman, excluding pension contributions, amounted to £Nil (1995: £Nil), the total emoluments of the highest paid Director, excluding pension contributions, were £50,931 (1995: £47,860).

The following table shows the number of directors whose emoluments excluding pension contributions fell into the ranges below:

		1996	1995
Other directors		Number	Number
£0	- £5,000	1	-
£5,001	- £10,000	-	-
£10,001	- £15,000	1	-
£35,001	- £40,000	-	-
£40,001	- £45,000	-	2
£45,001	- £50,000	-	1
£50,001	- £55,000	1	-
		<u>1</u>	<u>3</u>

The remaining five Directors received no remuneration from Rechem International Ltd, but did receive remuneration as disclosed in the notes to the accounts of the immediate parent company, Shanks & McEwan (Environmental Services) Ltd.

5 EMPLOYEES

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

	1996	1995
	Number	Number
Waste management	171	194
Staff costs comprise:		
	£'000	£'000
Wages and salaries	3,863	4,440
Social security costs	315	378
Other pension costs	<u>271</u>	<u>381</u>
	4,449	5,199
	<u>4,449</u>	<u>5,199</u>

6 NET INTEREST PAYABLE

	1996	1995
	£'000	£'000
Interest payable on loans and bank borrowings repayable within five years	1,066	1,041
Interest receivable	<u>(28)</u>	<u>(51)</u>
	1,038	990
	<u>1,038</u>	<u>990</u>

RECHEM INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 30 MARCH 1996 (CONTINUED)

7 TAXATION

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

	<u>1996</u> £'000	<u>1995</u> £'000
Corporation tax at 33% (1995: 33%)	(235)	(1,397)
Corporation tax prior year adjustment	-	(147)
Deferred taxation	<u>706</u>	<u>1,557</u>
	471	13
	<u>=====</u>	<u>=====</u>

8 DIVIDENDS

	<u>1996</u> £'000	<u>1995</u> £'000
Interim paid	48	-
Final proposed	<u>97</u>	<u>-</u>
	145	-
	<u>=====</u>	<u>=====</u>

9 TANGIBLE FIXED ASSETS

	<u>Long leasehold Land & buildings</u> £'000	<u>Plant & machinery</u> £'000	<u>Motor Vehicles</u> £'000	<u>Total</u> £'000
Cost				
At 1 April 1995	913	40,162	-	41,075
Additions	284	617	19	920
Disposals	<u>-</u>	<u>(24)</u>	<u>-</u>	<u>(24)</u>
At 30 March 1996	<u>1,197</u>	<u>40,755</u>	<u>19</u>	<u>41,971</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
Depreciation				
At 1 April 1995	53	14,753	-	14,806
Disposals	-	(21)	-	(21)
Charge for year	<u>14</u>	<u>3,634</u>	<u>1</u>	<u>3,649</u>
At 30 March 1996	<u>67</u>	<u>18,366</u>	<u>1</u>	<u>18,434</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
Net book amount				
At 30 March 1996	<u>1,130</u>	<u>22,389</u>	<u>18</u>	<u>23,537</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
At 1 April 1995	<u>860</u>	<u>25,409</u>	<u>-</u>	<u>26,269</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

The net book amounts of assets held under finance leases is £Nil (1995: £Nil). Capitalised interest amounting to £335,000 (1995: £335,000) is included in the cost of plant and machinery.

RECHEM INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 30 MARCH 1996 (CONTINUED)

10 STOCKS

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Stocks of consumables	1,028	881
	<u> </u>	<u> </u>

11 DEBTORS

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Trade debtors	3,969	4,320
Amounts owed by group undertakings	8	-
Other debtors	32	866
Prepayments and accrued income	459	381
Corporation tax recoverable	<u>235</u>	<u>1,544</u>
	4,703	7,111
	<u> </u>	<u> </u>

12 CREDITORS: Amounts falling due within one year

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Bank overdraft	11,982	14,176
Trade creditors	1,071	1,201
Amounts owed to group undertakings	2,204	3,375
Other creditors	1,794	2,057
Corporation tax payable	75	114
Other taxation and social security	65	68
Proposed dividend	97	-
Accruals and deferred income	<u>931</u>	<u>880</u>
	18,219	21,871
	<u> </u>	<u> </u>

13 CREDITORS : Amounts falling due after one year

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Other creditors	64	121
	<u> </u>	<u> </u>

14 PROVISION FOR LIABILITIES AND CHARGES

	<u>Deferred</u> <u>taxation</u> <u>£'000</u>	<u>Site</u> <u>clearance</u> <u>costs</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
At 1 April 1995	3,288	437	3,725
Utilised during year	-	(16)	(16)
Provided during year	<u>706</u>	<u>-</u>	<u>706</u>
At 30 March 1996	3,994	421	4,415
	<u> </u>	<u> </u>	<u> </u>

RECHEM INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 30 MARCH 1996 (CONTINUED)

14 PROVISION FOR LIABILITIES AND CHARGES (CONTINUED)

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

	<u>1996</u> Amount provided in the accounts £'000	Potential liability £'000	<u>1995</u> Amount provided in the accounts £'000	Potential liability £'000
Accelerated capital allowances	3,967	3,967	3,030	4,038
Other timing differences	<u>27</u>	<u>27</u>	<u>258</u>	<u>344</u>
	<u>3,994</u>	<u>3,994</u>	<u>3,288</u>	<u>4,382</u>

15 CALLED UP SHARE CAPITAL

	<u>1996</u> £'000	<u>1995</u> £'000
Authorised 934,830 ordinary shares of £1 each	935	935
Alotted and fully paid 877,370 ordinary shares of £1 each	<u>877</u>	<u>877</u>

16 RESERVES

	<u>Share premium</u> £'000	<u>Profit and loss</u> £'000
At 1 April 1995	1,066	7,273
Loss for the year	-	(1,527)
Dividends	<u>-</u>	<u>(145)</u>
At 30 March 1996	<u>1,066</u>	<u>5,601</u>

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1996</u> £'000	<u>1995</u> £'000
Total recognised gains and losses for the year	(1,527)	(2,057)
Dividends	<u>(145)</u>	<u>-</u>
Net reduction of shareholders' funds	(1,672)	(2,057)
Opening shareholders' funds	<u>9,216</u>	<u>11,273</u>
Closing shareholders' funds	<u>7,544</u>	<u>9,216</u>

RECHEM INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 30 MARCH 1996 (CONTINUED)

18 CAPITAL COMMITMENTS

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

	<u>1996</u> £'000	<u>1995</u> £'000
Expenditure contracted for	43	591
Expenditure not contracted for	<u>88</u>	<u>75</u>

19 COMMITMENTS UNDER OPERATING LEASES

The annual commitments under operating leases are as follows:

	<u>1996</u>		<u>1995</u>	
	<u>Land and buildings</u>	<u>Other</u>	<u>Land and buildings</u>	<u>Other</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Leases expiring:				
Within 1 year	-	5	-	8
Between 2 and 5 years	-	227	-	119
Over 5 years	<u>207</u>	<u>-</u>	<u>207</u>	<u>-</u>
	207	232	207	127

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 are held separately from those of the group companies and are invested by professional investment managers.

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

The pension charge for the year was £271,000 (1995: £395,000)

Details of the latest actuarial valuation of the scheme on 6 April 1995 are contained in the financial statements of Shanks & McEwan Group PLC.

21 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 parent and fellow subsidiary undertakings. The Company has in the normal course of business given guarantees and performance bonds relating to the Company's own contracts.

Claims for compensation made against the company by third parties are outstanding. 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.

RECHEM INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 30 MARCH 1996 (CONTINUED)

22 ULTIMATE PARENT COMPANY

The ultimate parent Company is Shanks & McEwan Group PLC, a Company registered in Scotland. Copies of the Group financial statements can be obtained from the Company Secretary, Shanks & McEwan Group PLC, Astor House, Station Road, Bourne End, Buckinghamshire, SL8 5YP.