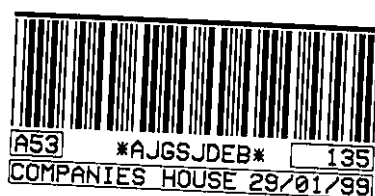


RECHEM INTERNATIONAL LIMITED
(Registered Number 934787)

REPORT AND ACCOUNTS
YEAR ENDED 28 MARCH 1998



RECHEM INTERNATIONAL LIMITED

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RECHEM INTERNATIONAL LIMITED

DIRECTORS' REPORT

The Directors present their annual report and accounts for the year ended 28 March 1998.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE PROSPECTS

The principal activities of the Company are the disposal of chemical wastes by high temperature incineration, clean up and repackaging of redundant chemicals, the provision of environmental monitoring services, recovery of solvents and small-scale chemical manufacturer.

For the second successive year operating profits have significantly risen despite the fact that turnover only increased marginally. The three-year contract from the Intervention Board to incinerate Meat and Bone Meal (MBM) arising from the BSE crisis allowed the division to use its capacity more efficiently. This benefit offset the comparative dearth of work for the Field Services on site decontamination work, particularly overseas.

The second year of the UK Import/Export of Waste Plan continued to restrict imports of waste from OECD countries and post June 1999 these inputs will be restricted to non-OECD countries and certain limited EU nations. The important market of Eire will, however, remain open.

The cash generation of the division remains strong. In the last month of the year the division acquired Lothian plc and the Lothian Chemical Company Limited near Edinburgh for £3m. This acquisition will enable the division to provide a wider range of disposal and recovery operations to current and prospective customers.

Following the previous conclusion of a lengthy court case unsuccessfully brought by a local farmer the Company was allowed to dismantle the closed incinerator near Falkirk in Scotland. The site has now been cleared down to ground level.

The Company's excellent safety record continues and was acknowledged by the award of a gold medal from the Royal Society for the Prevention of Accidents (ROSPA).

TRADING RESULTS AND DIVIDEND

The profit \ (loss) on ordinary activities before taxation for the year ended 28 March 1998 was £774,000 (1997: loss £129,000).

The Directors recommended that a dividend of £670,000 be paid in respect of the year ended 28 March 1998 (1997: £Nil). The retained profit / (loss) transferred to reserves for the year was £89,000 (1997: loss £95,000).

YEAR 2000 AND INTRODUCTION OF THE EURO

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

DIRECTORS

The following were directors of the company during the entire year and up to the date of this report except as noted:

M C E Averill
C A Brown
D J Downes
N MacLellan
A G Barton
R D Hilliard
D Blane (resigned 18 July 1998)

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 28 March 1998</u>			<u>As at 29 March 1997</u>		
	Ordinary Shares of 10p	Share Save	Executive Options	Ordinary Shares of 10p	Share Save	Executive Options
CA Brown	-	21,300	220,000	-	21,300	145,000
N MacLellan	-	17,148	67,500	-	17,148	52,500
RD Hilliard	-	-	57,500	-	-	42,500
AG Barton	-	-	57,500	-	-	42,500

The share options held at the beginning of the year had the following exercise prices:

	<u>Share Save</u>		<u>Executive</u>	
	Number of Shares	Exercise Price	Number of Shares	Exercise Price
CA Brown	8,363	82.5p	25,000	99.0p
	12,937	80.0p	60,000	110.0p
N Maclellan	5,850	80.0p	60,000	135.0p
	11,298	85.5p	25,000	99.0p
RD Hilliard			12,500	110.0p
			15,000	135.0p
AG Barton			15,000	99.0p
			12,500	110.0p
			15,000	135.0p

During the year ended 28 March 1998 the Directors were granted the following, Executive (E) and Savings related (S), share options:

	<u>Granted</u>	<u>Exercise Price</u>
CA Brown	75,000 (E)	199.0p
N Maclellan	15,000 (E)	199.0p
RD Hilliard	15,000 (E)	199.0p
AG Barton	15,000 (E)	199.0p

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

RESEARCH AND DEVELOPMENT

The sum of £131,078 (1997:£124,552) 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.

RECHEM INTERNATIONAL LIMITED

PAYMENT OF SUPPLIERS

It is the Company'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 Company will abide by these terms of payment. At the 28 March 1998 the Company's creditor days were 25.

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

AUDITORS

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board



P Kaye
Secretary
Registered Office:
Station Road
Bourne End
Bucks
SL8 5YP

18 August 1998

AUDITORS' REPORT TO THE MEMBERS OF

RECHEM INTERNATIONAL LIMITED

We have audited the financial statements on pages 5 to 14 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 report our opinion to you.

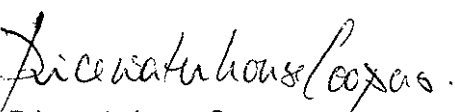
Basis of Opinion

We conducted our audits in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates and judgements made by the directors in preparing the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and prepared 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 company's affairs as at 28 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

18 August 1998

RECHEM INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 28 MARCH 1998

	1998 £'000	1997 £'000
TURNOVER (Notes 1.2,2)	22,013	21,812
Cost of sales	(17,878)	(18,714)
GROSS PROFIT	<u>4,135</u>	<u>3,098</u>
Administrative expenses	(2,728)	(2,509)
PROFIT BEFORE INTEREST AND TAXATION	<u>1,407</u>	<u>589</u>
Net interest payable (Note 6)	(633)	(718)
PROFIT \ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)	<u>774</u>	<u>(129)</u>
Taxation (Note 7)	(15)	34
PROFIT \ (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	<u>759</u>	<u>(95)</u>
Dividends (Note 8)	(670)	-
RETAINED PROFIT / (LOSS) FOR THE FINANCIAL YEAR (Note 17)	<u><u>89</u></u>	<u><u>(95)</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 28 MARCH 1998

The Company has no recognised gains or losses other than the result for the year shown above.

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 28 MARCH 1998

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 14 form part of these financial statements.

RECHEM INTERNATIONAL LIMITED

BALANCE SHEET - 28 MARCH 1998

	<u>1998</u> £'000	<u>1997</u> £'000
FIXED ASSETS		
Tangible assets (Note 9)	19,085	20,871
Investments (Note 10)	<u>3,015</u>	<u>-</u>
	22,100	20,871
CURRENT ASSETS		
Stocks (Note 11)	1,156	1,296
Debtors (Note 12)	3,989	4,349
Cash at bank and in hand	<u>1,008</u>	<u>906</u>
	6,153	6,551
CREDITORS - Amounts falling due within one year (Note 13)	(17,490)	(15,983)
NET CURRENT LIABILITIES	<u>(11,337)</u>	<u>(9,432)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	10,763	11,439
CREDITORS - Amounts falling due after more than one year (Note 14)	(16)	(24)
PROVISIONS FOR LIABILITIES AND CHARGES (Note 15)	(3,209)	(3,966)
	<u>7,538</u>	<u>7,449</u>
CAPITAL AND RESERVES		
Called up share capital (Note 16)	877	877
Share premium account (Note 17)	1,066	1,066
Profit and loss account (Note 17)	<u>5,595</u>	<u>5,506</u>
	7,538	7,449

APPROVED BY THE BOARD ON
18 August 1998



D J Downes
DIRECTOR

The notes on pages 7 to 14 form part of these financial statements.

RECHEM INTERNATIONAL LIMITED
NOTES TO THE ACCOUNTS – 28 MARCH 1998

1 ACCOUNTING POLICIES

1.1 Basis of presentation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 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.

1.3 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 – 28 MARCH 1998

1 ACCOUNTING POLICIES (CONTINUED)

1.4 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.

1.5 Stocks

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

1.6 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.

1.7 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.

1.8 Research and development

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

1.9 Unprocessed waste

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

1.10 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

	1998 £'000	1997 £'000
Analysis of turnover by customer location:		
United Kingdom	16,912	15,578
Europe	4,388	5,221
Rest of World	<u>713</u>	<u>1,013</u>
	22,013	21,812
	<u> </u>	<u> </u>

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 – 28 MARCH 1998

3 PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1998</u> £'000	<u>1997</u> £'000
The Profit / (loss) is stated after charging/(crediting):		
Depreciation of tangible fixed assets		
- owned	3,621	3,587
Operating leases		
- hire of plant and machinery	283	247
- property rentals	98	154
Management charge from immediate parent Company	300	485
Research and development	131	125
Auditors' remuneration	20	18
Gain on sale of fixed assets	(14)	-
Government grant	(43)	(54)
	<u> </u>	<u> </u>

No amounts were paid to auditors in respect of non-audit services. (1997: £Nil)

4 EMOLUMENTS OF DIRECTORS

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

	<u>1998</u> £'000	<u>1997</u> £'000
Aggregate emoluments	119	73
	<u> </u>	<u> </u>

Retirement benefits are accruing to all directors under a defined benefit scheme.

RECHEM INTERNATIONAL LIMITED
NOTES TO THE ACCOUNTS – 28 MARCH 1998

5 EMPLOYEES

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

	<u>1998</u> Number	<u>1997</u> Number
Waste management	<u>164</u>	<u>168</u>
Staff costs comprise:		
	£'000	£'000
Wages and salaries	4,313	3,850
Social security costs	367	323
Other pension costs	<u>242</u>	<u>354</u>
	4,922	4,527
	<u><u> </u></u>	<u><u> </u></u>

6 NET INTEREST PAYABLE

	<u>1998</u> £'000	<u>1997</u> £'000
Interest payable on loans and bank borrowings repayable within five years	679	757
Interest receivable	<u>(46)</u>	<u>(39)</u>
	633	718
	<u><u> </u></u>	<u><u> </u></u>

7 TAXATION

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

	<u>1998</u> £'000	<u>1997</u> £'000
Corporation tax at 31% (1997: 33%)	482	284
Deferred taxation	<u>(467)</u>	<u>(318)</u>
	15	(34)
	<u><u> </u></u>	<u><u> </u></u>

8 DIVIDENDS

	<u>1998</u> £'000	<u>1997</u> £'000
Interim paid	222	-
Final proposed	<u>448</u>	<u>-</u>
	670	-
	<u><u> </u></u>	<u><u> </u></u>

RECHEM INTERNATIONAL LIMITED
NOTES TO THE ACCOUNTS – 28 MARCH 1998

9 TANGIBLE FIXED ASSETS

	Long leasehold land & buildings £'000	Plant & machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 30 March 1997	1,251	41,454	19	42,724
Additions	-	1,925	-	1,925
Disposals	-	(385)	(19)	(404)
At 28 March 1998	1,251	42,994	-	44,245
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation				
At 28 March 1998	119	21,728	6	21,853
Disposals	-	(308)	(6)	(314)
Charge for year	41	3,580	-	3,621
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 March 1997	160	25,000	-	25,160
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book amount				
At 28 March 1998	1,091	17,994	-	19,085
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 March 1997	1,132	19,726	13	20,871
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The net book amounts of assets held under finance leases is £Nil (1997: £Nil). Capitalised interest amounting to £335,000 (1997: £335,000) is included in the cost of plant and machinery.

10 INVESTMENTS

Investments in subsidiary undertakings at cost	£'000
Opening balance	0
Additions	3,015
Closing balance	3,015

On 12 March 1998 the Company acquired 100% of the issued ordinary capital of Lothian plc (a solvent recovery business, incorporated in England), at a total cost of £3,015,000

11 STOCKS

	1998 £'000	1997 £'000
Stocks of consumables	1,156	1,296

12 DEBTORS

	1998 £'000	1997 £'000
Trade debtors	3,587	3,928
Amounts owed by group undertakings	60	5
Other debtors	9	41
Prepayments and accrued income	333	375
	<u>3,989</u>	<u>4,349</u>

RECHEM INTERNATIONAL LIMITED
NOTES TO THE ACCOUNTS – 28 MARCH 1998

13 CREDITORS: Amounts falling due within one year

	<u>1998</u> £'000	<u>1997</u> £'000
Bank overdraft	10,229	9,767
Trade creditors	889	516
Amounts owed to group undertakings	2,248	2,243
Other creditors	1,929	1,972
Corporation tax payable	544	347
Other taxation and social security	61	68
Proposed dividend	448	-
Accruals and deferred income	<u>1,142</u>	<u>1,070</u>
	<u>17,490</u>	<u>15,983</u>

14 CREDITORS : Amounts falling due after one year

	<u>1998</u> £'000	<u>1997</u> £'000
Other creditors	16	24
	<u>16</u>	<u>24</u>

15 PROVISION FOR LIABILITIES AND CHARGES

	<u>Deferred taxation</u> £'000	<u>Site clearance costs</u> £'000	<u>Total</u> £'000
At 30 March 1997	3,676	290	3,966
Utilised during year	-	(290)	(290)
Provided during year	<u>(467)</u>	<u>-</u>	<u>(467)</u>
At 28 March 1998	<u>3,209</u>	<u>-</u>	<u>3,209</u>

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

	<u>Amount provided in the accounts</u> £'000	<u>1998</u> Potential liability £'000	<u>Amount provided in the accounts</u> £'000	<u>1997</u> Potential liability £'000
Accelerated capital allowances	3,242	3,242	3,709	3,709
Other timing differences	<u>(33)</u>	<u>(33)</u>	<u>(33)</u>	<u>(33)</u>
	<u>3,209</u>	<u>3,209</u>	<u>3,676</u>	<u>3,676</u>

RECHEM INTERNATIONAL LIMITED
NOTES TO THE ACCOUNTS – 28 MARCH 1998

16	CALLED UP SHARE CAPITAL	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
	Authorised 934,830 ordinary shares of £1 each	<u>935</u>	<u>935</u>
	Allotted and fully paid 877,370 ordinary shares of £1 each	<u>877</u>	<u>877</u>

17	RESERVES	<u>Share premium</u> <u>£'000</u>	<u>Profit and loss</u> <u>£'000</u>
	At 30 March 1997	1,066	5,506
	Loss for the year	-	89
	Dividends	-	-
	At 28 March 1998	<u>1,066</u>	<u>5,595</u>

18	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
	Total recognised gains and losses for the year	759	(95)
	Dividends	<u>(670)</u>	<u>-</u>
	Net increase / (reduction) of shareholders' funds	89	(95)
	Opening shareholders' funds	<u>7,449</u>	<u>7,544</u>
	Closing shareholders' funds	<u>7,538</u>	<u>7,449</u>

19 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>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Expenditure contracted for	<u>43</u>	<u>614</u>
Expenditure not contracted for	<u>623</u>	<u>800</u>

20 COMMITMENTS UNDER OPERATING LEASES

The annual commitments under operating leases are as follows:

	<u>1998</u>		<u>1997</u>	
	<u>Land and buildings</u> <u>£'000</u>	<u>Other</u> <u>£'000</u>	<u>Land and buildings</u> <u>£'000</u>	<u>Other</u> <u>£'000</u>
Leases expiring:				
Within 1 year	-	178	-	130
Between 2 and 5 years	-	101	-	117
Over 5 years	<u>99</u>	<u>-</u>	<u>154</u>	<u>-</u>
	<u>99</u>	<u>279</u>	<u>154</u>	<u>247</u>

RECHEM INTERNATIONAL LIMITED
NOTES TO THE ACCOUNTS – 28 MARCH 1998

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

The pension charge for the year was £242,000 (1997: £354,000).

Details of the latest actuarial valuation of the scheme on 6 April 1995 are given in the accounts of Shanks & McEwan Group PLC.

22 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.

23 ULTIMATE PARENT COMPANY

The immediate parent company is Shanks & McEwan Environmental Services Limited.

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

24 CASH FLOW STATEMENT

The group financial statements for the year ended 28 March 1998 contains the consolidated cash flow statement. The company has taken advantage of the exemption granted by FRS1 (Revised 1996) whereby it is not required to publish its own cashflow statement .

25 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions of FRS8 , whereby it is not required to disclose transactions with entities which are part of the Shanks McEwan Group , since consolidated financial statements are publicly available , as described in note 23.