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RECHEM INTERNATIONAL LIMITED

REPORT AND ACCOUNTS

Year ended 30 March 1991

RECHEM INTERNATIONAL LIMITED

REPORT & ACCOUNTS

YEAR ENDED 30 MARCH 1991

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RECHEM INTERNATIONAL LIMITED

Directors

R C Biffa
 M C Lee
 M C E Averill
 L E Baker
 D J Blane
 R Drewett
 A J N Fowler (appointed 15 May 1991)
 M R Hewitt (appointed 15 May 1991)
 P W Jones
 P Kaye
 M R Pullen
 H L I Runciman (appointed 15 May 1991)
 G W Searle (appointed 15 May 1991)
 D F Wheeler

Secretary and registered office

P Kaye, 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 30 March 1991.

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 is committed to volume growth and maximising utilisation of its resources.

It is the intention to ensure that the company retains its position of market leader in the disposal of hazardous chemical wastes, in reinforcing its marketing effort, and investing in new plant, designed to improve still further the standard of operation, whilst at the same time increasing capacity and widening the range of materials which can be processed. The sum of £289,000 (1990 - £232,000) has been spent on research and development during the year.

2. Trading results and dividend

£000

Profit for the year after taxation and extraordinary item	4,657
Interim dividend paid	(1,193)
Proposed dividend	(1,520)

Retained profit	1,944
	=====

3. Merger with Shanks & McEwan Group PLC

On January 17 1991 the parent company, Rechem Environmental Services PLC, merged with Shanks & McEwan Group PLC.

RECHEM INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

4. Directors

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

None of the directors had an interest in the shares of the company.

The interests of R C Biffa, M C Lee and P Kaye in the shares of the immediate parent company are shown in the accounts of that company, Rechem Environmental Services PLC.

The interests of the other directors in the shares of the immediate parent company, Rechem Environmental Services PLC, are as follows:

	Ordinary shares of 2p each		Share options	
	30.3.91	31.3.90	30.3.91	31.3.90
M C E Averill	-	-	-	-
D F Wheeler	-	100	-	41,196
M R Pullen	-	300	-	40,292
L E Baker	-	60,000	-	40,292
R Drewett	-	35,000	-	26,477
D J Blane	-	200	-	27,177
P W Jones	-	-	-	26,377

The interests of R C Biffa and M C Lee in the shares of the ultimate parent company are disclosed in the accounts of that company, Shanks & McEwan Group PLC.

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 30 March 1991 together with their interests on 17 January 1991, the date of merger of Rechem Environmental Services PLC, with Shanks & McEwan Group PLC were as follows:

	Ordinary shares of 50p each		Share options	
	30.3.91	17.1.91	30.3.91	17.1.91
M C E Averill	-	-	4,000	4,000
D F Wheeler	50	50	11,636	26,511
M R Pullen	-	150	10,901	25,776
L E Baker	15,000	15,000	23,646	23,646
R Drewett	5,158	5,158	18,112	18,112
D J Blane	70	100	6,888	17,088
P W Jones	-	-	8,166	17,966

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

RECHEM INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

5. Changes in fixed assets

During the year the company spent £5,846,000 on motor vehicles and plant and machinery. The significant expenditure in the year principally represents the installation of the rotary kiln at Fawley. This was completed during 1990/1991.

6. Charitable and political donations

During the year donations made by the company for charitable purposes amounted to £15,000. No donations were made for political purposes as defined by the Companies Act 1985.

7. Auditors

Price Waterhouse resigned as auditors following the merger of Rechem Environmental Services PLC with Shanks & McEwan Group PLC and Moores Rowland were appointed to fill the vacancy. A resolution to re-appoint Moores Rowland will be proposed at the forthcoming Annual General Meeting.

By order of the board



P Kaye
Secretary

18 June 1991

RECHEM INTERNATIONAL LIMITED

REPORT OF THE AUDITORS

TO THE MEMBERS OF RECHEM INTERNATIONAL LIMITED

We have audited the accounts on pages 5 to 16 in accordance with Auditing Standards.

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



MOORES ROWLAND

Chartered Accountants

25 Bothwell Street
Glasgow G2 6NL

18 June 1991

RECHEM INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 MARCH 1991

		1991	1990
	Note	£000	£000
TURNOVER	3	26,093	21,062
Cost of sales		13,309	9,675
GROSS PROFIT		<u>12,784</u>	<u>11,387</u>
Administrative expenses		4,656	3,660
Distribution expenses		851	720
		<u>5,507</u>	<u>4,380</u>
TRADING PROFIT		<u>7,277</u>	<u>7,007</u>
Interest (payable) receivable	5	(159)	747
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2&3	<u>7,118</u>	<u>7,754</u>
Tax on profit on ordinary activities	6	2,024	2,436
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>5,094</u>	<u>5,318</u>
Extraordinary item	7	437	-
PROFIT AFTER EXTRAORDINARY ITEM		<u>4,657</u>	<u>5,318</u>
Dividend	8	2,713	2,640
RETAINED PROFIT FOR THE YEAR	17	<u>1,944</u> =====	<u>2,678</u> =====

The notes on pages 8 to 16 form part of these accounts

RECHEM INTERNATIONAL LIMITED

BALANCE SHEET

30 MARCH 1991

		1991	1990
	Note	£000	£000
FIXED ASSETS			
Tangible assets	9	15,804	12,185
CURRENT ASSETS			
Stocks	10	865	286
Debtors	11	7,897	4,331
Cash at bank and in hand		372	2,929
		9,134	7,546
CREDITORS: amounts falling due within one year	12	10,895	8,001
NET CURRENT LIABILITIES			
		(1,761)	(455)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		14,043	11,730
CREDITORS: amounts falling due after more than one year	13	40	94
PROVISIONS FOR LIABILITIES AND CHARGES			
	14	1370	933
ACCRUALS AND DEFERRED INCOME:			
Unprocessed waste		1,440	1,425
Government grants		389	418
		3,239	2,870
		10,804	8,860
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	15	877	877
Share premium account	16	1,066	1,066
Profit and loss account	17	8,861	6,917
		10,804	8,860
		=====	=====

H L I Runciman Director

A J N Fowler Director

18 June 1991

The notes on pages 8 to 16 form part of these accounts

RECHEM INTERNATIONAL LIMITED

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	7,118	7,754
Extraordinary item before taxation	(437)	-
	<u>6,681</u>	<u>7,754</u>
Adjustment for items not involving the movement of funds:		
Depreciation of tangible fixed assets	2,161	814
Loss on disposal of tangible fixed assets	-	10
Government grant credit	(29)	-
Other provisions	437	-
Total generated from operations	<u>9,250</u>	<u>8,578</u>
Funds from other sources:		
Increase (decrease) in unprocessed waste	15	(147)
Disposal of tangible fixed assets	66	224
	<u>9,331</u>	<u>8,655</u>
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	5,846	8,190
Tax paid	3,130	3,265
Dividend paid	2,903	2,480
Repayment of lease obligations	48	43
	<u>11,927</u>	<u>13,978</u>
(Decrease) in working capital	(2,596)	(5,323)
	=====	=====
COMPONENTS OF (DECREASE) IN WORKING CAPITAL		
Increase in stocks	579	78
Increase in debtors	1,976	246
Decrease (increase) in creditors	1,062	(1,573)
Increase in amounts owing by group companies	1,119	-
Net liquid funds:		
Increase in bank borrowing	(4,775)	-
Decrease in cash at bank and in hand	(2,557)	(4,074)
	<u>(2,596)</u>	<u>(5,323)</u>
	=====	=====

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

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:

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

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.

(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. Previously capital grants were deducted from the cost of fixed assets. The policy has been changed in accordance with SSAP 4 (revised) and prior year amounts for fixed assets and government grants have been adjusted accordingly.

(v) Stocks

Stocks of consumables are valued at cost.

RECHEM INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS

(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.

RECHEM INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS

	1991 £000	1990 £000
2. Profit on ordinary activities before taxation		

The profit is stated after charging:

Depreciation of owned assets	2,114	796
Depreciation of assets held under finance leases	47	47
Hire of plant and machinery - operating leases	594	261
Property rentals	202	110
Management charge from immediate parent company	2,731	2,263
Research and development	289	232
Auditors' remuneration	20	18

And after crediting:

Government grant	29	29
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3. Turnover and profit before taxation

Analysis of turnover by geographical areas:

United Kingdom	15,315	12,880
Europe	9,901	6,807
Rest of World	877	1,375
	<u>26,093</u>	<u>21,062</u>
	=====	=====

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

	1991		1990	
	Profit before taxation		Profit before taxation	
	£000	£000	£000	£000
Waste management	26,093	7,277	21,062	7,007
	=====		=====	
Interest (payable) receivable		(159)		747
	<u>7,118</u>		<u>7,754</u>	
	=====		=====	

NOTES ON THE ACCOUNTS

	1991	1990
	Number	Number

4. Directors and other employees

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

Waste management	219	187
	=====	=====

Staff costs comprise:	£000	£000
Wages and salaries	4,269	3,328
Social security costs	446	338
Other pension costs	237	108
	<u>4,952</u>	<u>3,774</u>
	=====	=====

The remuneration of the directors was as follows:

Fees	-	-
Other emoluments	441	279
	<u>441</u>	<u>279</u>
	=====	=====

Particulars of directors remuneration excluding pension contributions:

Chairman	NIL	NIL
Highest paid director	66	60
	=====	=====

Other directors	Number	Number
£0 to £5000	2	5
£40001 to £45000	-	1
£45001 to £50000	1	1
£50001 to £55000	2	2
£60001 to £65000	3	-

Directors also receive remuneration as disclosed in the notes to the accounts of the immediate parent company, Rechem Environmental Services PLC.

NOTES ON THE ACCOUNTS

	1991 £000	1990 £000
5. Interest		
Interest payable on loans and bank borrowings repayable within five years	(147)	-
Interest payable on finance leases	(12)	(17)
Interest receivable	-	764
	<u>(159)</u>	<u>747</u>
	=====	=====

6. Taxation

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

UK Corporation tax at 34% (1990:35%)	2,024	1,956
Deferred tax	-	480
	<u>2,024</u>	<u>2,436</u>
	=====	=====

The taxation charge reflects the benefit of deferred taxation not provided of £539,000 (1990: Nil)

	1991 £000	1990 £000
7. Extraordinary item		
Provision for site clearance costs	437	-
	=====	=====

The provision relates to the costs of clearing and making good the site at Roughmote which is no longer used by the company.

	1991 £000	1990 £000
8. Dividend		
Interim paid	1,193	930
Final proposed	1,520	1,710
	<u>2,713</u>	<u>2,640</u>
	=====	=====

RECHEM INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS

9. Tangible fixed assets

	Plant & Machinery	Motor vehicles	Total
	£000	£000	£000
Cost			
At 1 April 1990	16,490	227	16,717
Additions	5,722	124	5,846
Disposals	(907)	(113)	(1,020)
At 30 March 1991	<u>21,305</u>	<u>238</u>	<u>21,543</u>
	=====	=====	=====
Depreciation:			
At 1 April 1990	4,503	29	4,532
Eliminated in respect of disposals	(907)	(47)	(954)
Charge for year	2,088	73	2,161
At 30 March 1991	<u>5,684</u>	<u>55</u>	<u>5,739</u>
	=====	=====	=====
Net book amount:			
At 30 March 1991	<u>15,621</u>	<u>183</u>	<u>15,804</u>
	=====	=====	=====
At 1 April 1990	<u>11,987</u>	<u>198</u>	<u>12,185</u>
	=====	=====	=====

The net book amount of plant and machinery includes assets capitalised under finance leases of £80,000, consisting of cost of £235,000 and accumulated depreciation of £155,000.

The depreciation charge for plant and machinery includes £489,000 in respect of provision for permanent diminution in value.

RECHEM INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS

10. Stocks

This amount represents stocks of consumables.

	1991 £000	1990 £000
11. Debtors		
Trade debtors	5,972	3,706
Amounts owed by parent and fellow subsidiaries	1,590	-
Other debtors	166	387
Prepayments and accrued income	169	238
	<u>7,897</u> =====	<u>4,331</u> =====

12. Creditors: amounts falling due within one year

Bank overdraft	4,775	-
Trade creditors	1,307	1,843
Amounts owed to parent and fellow subsidiaries	982	511
Taxation and social security	243	5
Other creditors	58	27
Finance lease obligations	54	48
Accruals and deferred income	891	1,686
Corporation tax payable	1,065	2,171
Proposed dividend	1,520	1,710
	<u>10,895</u> =====	<u>8,001</u> =====

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

Finance lease obligations	40	94
	=====	=====

Finance lease obligations all fall due within five years.

RECHEM INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS

14. Provision for liabilities and charges	Deferred taxation £000	Other provisions £000	Total £000
Balance at 1 April 1990	933	-	933
Charged to profit & loss account	-	437	437
Balance at 30 March 1991	<u>933</u> =====	<u>437</u> =====	<u>1,370</u> =====

The full potential deferred tax liability including the amount stated above is made up as follows:

	1991 £000	1990 £000
Accelerated capital allowances	<u>1,472</u> =====	<u>933</u> =====

Other provisions relate to site clearance costs.

15. Called up share capital

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> =====

16. Share premium account

	£000
At 1 April 1990 and 30 March 1991	<u>1,066</u> =====

17. Profit and loss account

At 1 April 1990	6,917
Retained profit for the year	1,944
At 30 March 1991	<u>8,861</u> =====

RECHEM INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS

18. Capital commitments

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

	1991	1990
	£000	£000
Expenditure contracted for	500	3,690
Expenditure not contracted for	1,404	1,522
	<u>1,904</u>	<u>5,212</u>
	=====	=====

19. Financial commitments

Financial commitments	1991		1990	
	£000		£000	
	Land and buildings	Other	Land and buildings	Other
Annual commitments under operating leases expiring:				
Within one year	-	40	-	64
Between two and five years	-	275	-	152
Over five years	202	-	110	-
	<u>202</u>	<u>315</u>	<u>110</u>	<u>216</u>
	=====	=====	=====	=====

20. Pension commitments

The company operates a scheme for individual employees and senior staff to provide pension benefits. Trustees of the scheme are Standard Life Trustee Company. The scheme provides benefits based on contributions. In addition the group targets contributions to provide benefits based on final pensionable salary.

20. Contingent liabilities

The company has entered into cross guarantees with its intermediate parent company, Rechem Environmental Services PLC, to secure the overdraft facilities of the company. Facilities subject to the guarantees amount to £8,000,000. Claims for compensation have been made against the company in 1989 by third parties. No provision has been established in the accounts as the Directors are of the opinion that the claims have no foundation.

21. 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.