

SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED
(Registered Number 1954243)

REPORT AND ACCOUNTS

YEAR ENDED 28 MARCH 1998



SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED

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SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of management services to Rechem International Limited. Rechem's principal activity is the disposal of chemical wastes by High temperature incineration and Chemical treatment and the provision of Environmental monitoring services.

TRADING RESULTS AND DIVIDENDS

The profit on ordinary activities before taxation for the year ended 28 March 1998 was £677,000 (1997: £6,000).

The Directors recommend that a dividend of £670,000 be paid in respect of the year ended 28 March 1998 (1997: £Nil). The profit / (loss) transferred to / (from) reserves for the year was £14,000 (1997: loss £7,000).

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 does not trade outside the UK, the impact of the introduction of the Euro is not significant.

DIRECTORS

The composition of the Board during the year was as follows:

M C Averill
D J Downes
N MacLellan
C A Brown
D J Blane (resigned 18 July 1997)

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 |

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 |
| N MacLellan | 5,850 | 80.0p | 25,000 | 99.0p |
| | 11,298 | 85.5p | 12,500 | 110.0p |
| CA Brown | | | 15,000 | 135.0p |
| | 8,363 | 82.5p | 25,000 | 99.0p |
| | 12,937 | 80.0p | 60,000 | 110.0p |
| | | | 60,000 | 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 |

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

SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED

DIRECTORS' REPORT (CONTINUED)

FIXED ASSETS

There were no significant changes in the fixed assets of the Company during the year.

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

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 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.

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 expressed 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
18 August 1998

Registered Office:
Station Road
Bourne End
Bucks
SL8 5YP

AUDITORS' REPORT TO THE MEMBERS OF
SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of Directors and Auditors

As described on page 2 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

SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 28 MARCH 1998

| | <u>1998</u> £'000 | <u>1997</u> £'000 |
|---|----------------------|----------------------|
| TURNOVER (Notes 1.2, 2) | 451 | 616 |
| Administrative expenses | (444) | (610) |
| OPERATING PROFIT | <u>7</u> | <u>6</u> |
| Income from subsidiary Company | 670 | - |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Notes 2,3) | <u>677</u> | <u>6</u> |
| Taxation (Note 6) | 7 | (13) |
| PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION | <u>684</u> | <u>(7)</u> |
| Dividends (Note 7) | (670) | - |
| RETAINED PROFIT / (LOSS) FOR THE YEAR (Note 14) | <u>14</u> | <u>(7)</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 profit for the year.

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

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

The notes on pages 6 to 12 form part of these accounts.

SHANKS & MCEWAN (ENVIRONMENTAL SERVICES) LIMITED

BALANCE SHEET - 28 MARCH 1998

| | 1998 £'000 | 1997 £'000 |
|--|---------------|---------------|
| FIXED ASSETS | | |
| Tangible assets (Note 8) | 2,190 | 2,203 |
| Investments (Note 9) | 1,765 | 1,765 |
| | <u>3,955</u> | <u>3,968</u> |
| CURRENT ASSETS | | |
| Debtors (Note 10) | 2,699 | 2,231 |
| CREDITORS - Amounts falling due within one year (Note 11) | (468) | (15) |
| NET CURRENT ASSETS | <u>2,231</u> | <u>2,216</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>6,186</u> | <u>6,184</u> |
| PROVISIONS FOR LIABILITIES AND CHARGES (Note 12) | (153) | (165) |
| | <u>6,033</u> | <u>6,019</u> |
| CAPITAL AND RESERVES | | |
| Called up share capital (Note 13) | 537 | 537 |
| Share premium account (Note 14) | 3,002 | 3,002 |
| Profit and loss account (Note 14) | 2,394 | 2,380 |
| Capital redemption reserve (Note 14) | 100 | 100 |
| | <u>6,033</u> | <u>6,019</u> |

APPROVED BY THE BOARD ON
18 August 1998



D J Downes
DIRECTOR

The notes on pages 6 to 12 form part of these accounts

SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED
NOTES TO THE ACCOUNTS - 28 MARCH 1998

1 ACCOUNTING POLICIES

1.1 Basis of presentation

The financial statements have been prepared using the historical cost convention, modified by the revaluation of certain land and buildings, and in accordance with the applicable accounting standards. As the Company is a wholly owned subsidiary undertaking of Shanks & McEwan PLC, group accounts contain information about the company as an individual undertaking.

1.2 Turnover

Turnover represents the value of work executed and goods and services supplied by the Company during the period excluding, where applicable, value added tax.

1.3 Goodwill

Purchased goodwill is written off against reserves in the year in which it arises.

1.4 Fixed assets Land and buildings

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 | 10 - 50 years |
|-----------|---------------|

1.5 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.

1.6 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.

SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED
NOTES TO THE ACCOUNTS - 28 MARCH 1998

2 SEGMENT INFORMATION

The turnover and profit on ordinary activities before taxation are wholly attributable to providing property and management services to group companies in the United Kingdom. All of the Company's turnover and operating profit relates to continuing operations.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | <u>1998</u> £'000 | <u>1997</u> £'000 |
|---------------------------------------|----------------------|----------------------|
| The profit is stated after charging: | | |
| Depreciation of tangible fixed assets | 13 | 14 |
| Auditors' remuneration | - | - |
| | <u> </u> | <u> </u> |

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

4 EMOLUMENTS OF DIRECTORS

The remuneration of the Directors, paid by the company, was as follows:

| | <u>1998</u> £'000 | <u>1997</u> £'000 |
|----------------------|----------------------|----------------------|
| Aggregate emoluments | 196 | 214 |
| | <u> </u> | <u> </u> |

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

SHANKS & McEWAN (ENVIRONMENTAL SERVICES) 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> | <u>1997</u> |
|-----------------------|---------------|---------------|
| Waste management | 4 | 5 |
| | <u> </u> | <u> </u> |
| Staff costs comprise: | £'000 | £'000 |
| Wages and salaries | 222 | 199 |
| Social security costs | 20 | 18 |
| Other pension costs | <u>30</u> | <u>34</u> |
| | 272 | 251 |
| | <u> </u> | <u> </u> |

6. TAXATION

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

| | <u>1998</u> | <u>1997</u> |
|--|---------------|---------------|
| | £'000 | £'000 |
| Corporation tax at 31% (1997: 33%)- Current Year | 5 | - |
| Deferred tax | <u>(12)</u> | <u>13</u> |
| | 7 | 13 |
| | <u> </u> | <u> </u> |

7. DIVIDENDS

| | <u>1998</u> | <u>1997</u> |
|----------|---------------|---------------|
| | £'000 | £'000 |
| Paid | 222 | - |
| Proposed | <u>448</u> | <u>-</u> |
| | 670 | - |
| | <u> </u> | <u> </u> |

SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED
NOTES TO THE ACCOUNTS - 28 MARCH 1998

8. TANGIBLE FIXED ASSETS

| | Freehold £'000 | Land & buildings Leasehold Over 50 Years £'000 | Total £'000 |
|------------------------|-------------------|--|----------------|
| Cost | | | |
| At 30 March 1997 | 2,015 | 402 | 2,417 |
| Disposal | - | - | - |
| At 28 March 1998 | <u>2,015</u> | <u>402</u> | <u>2,417</u> |
| Depreciation | | | |
| At 30 March 1997 | 78 | 136 | 214 |
| Charge for year | 6 | 7 | 13 |
| Disposal | - | - | - |
| At 28 March 1998 | <u>84</u> | <u>143</u> | <u>227</u> |
| Net book amount | | | |
| At 28 March 1998 | <u>1,931</u> | <u>259</u> | <u>2,190</u> |
| At 30 March 1997 | <u>1,937</u> | <u>266</u> | <u>2,203</u> |

9. INVESTMENTS

Investments in subsidiary undertakings at cost: £ 000

At 1 April 1997 and 28 March 1998 1,765

At 28 March 1998 the following company was a subsidiary undertaking of the Company:

| Name of company | Country of registration | Type of shares | Type of business | Proportion of shares held |
|------------------------------|----------------------------|-------------------|---------------------|------------------------------|
| Rechem International Limited | England | Ordinary | Waste Incineration | 100% |

The Directors are of the opinion that the value of investments in and amounts owing from subsidiary undertakings is not less than the aggregate amounts at which they are stated in the accounts.

10. DEBTORS

| | 1998 £'000 | 1997 £'000 |
|---|---------------|---------------|
| Amounts owed by subsidiary undertakings | 2,696 | 2,228 |
| Other debtors | <u>3</u> | <u>3</u> |
| | <u>2,699</u> | <u>2,231</u> |

SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED
NOTES TO THE ACCOUNTS - 28 MARCH 1998

11. CREDITORS: Amounts falling due within one year

| | <u>1998</u> £'000 | <u>1997</u> £'000 |
|-------------------------|----------------------|----------------------|
| Corporation tax payable | 18 | 13 |
| Accruals | 2 | 2 |
| Proposed dividend | <u>448</u> | <u>-</u> |
| | <u>468</u> | <u>15</u> |

12. PROVISION FOR LIABILITIES AND CHARGES

| | |
|--------------------------|-----------------------|
| Deferred taxation | <u>Total</u> £'000 |
| At 1 April 1997 | 165 |
| Utilised during the year | - |
| Provided during the year | <u>(12)</u> |
| At 28 March 1998 | <u>153</u> |

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

| | <u>1998</u> Amount provided in the accounts £'000 | Potential liability £'000 | <u>1997</u> Amount provided in the accounts £'000 | Potential liability £'000 |
|--------------------------------|--|---------------------------------|--|---------------------------------|
| Accelerated capital allowances | <u>153</u> | <u>153</u> | <u>165</u> | <u>165</u> |

13. CALLED UP SHARE CAPITAL

| | <u>1998</u> £'000 | <u>1997</u> £'000 |
|---|----------------------|----------------------|
| Authorised 35,000,000 ordinary shares of 2 pence each | <u>700</u> | <u>700</u> |
| Allotted and fully paid 26,841,120 ordinary shares of 2 pence each | <u>537</u> | <u>537</u> |

SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED
NOTES TO THE ACCOUNTS - 28 MARCH 1998

14. RESERVES

| | <u>Share premium</u> | <u>Profit and loss</u> | <u>Capital Redemption reserves</u> |
|---------------------|--------------------------|----------------------------|--|
| | £'000 | £'000 | £'000 |
| At 1 April 1997 | 3,002 | 2,380 | 100 |
| Profit for the year | - | 14 | - |
| Dividends | - | - | - |
| At 28 March 1998 | <u>3,002</u> | <u>2,394</u> | <u>100</u> |

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | <u>1998 £'000</u> | <u>1997 £'000</u> |
|---|-----------------------|-----------------------|
| Total recognised gains \ (loss) for the year | 684 | (7) |
| Dividends | <u>(670)</u> | - |
| Net increase / (reduction) to shareholders' funds | 14 | (7) |
| Opening shareholders' funds | <u>6,019</u> | <u>6,026</u> |
| Closing shareholders' funds | <u>6,033</u> | <u>6,019</u> |

16. 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.

A qualified actuary on the basis of triennial valuation using the Projected Unit Method determines the contributions.

The pension charge for the year was £30,000, (1997: £34,000).

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

17. 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.

SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED
NOTES TO THE ACCOUNTS - 28 MARCH 1998

18. ULTIMATE PARENT COMPANY

The immediate and 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.

19. 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 cash flow statement .

20. 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 18.