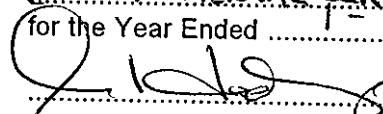


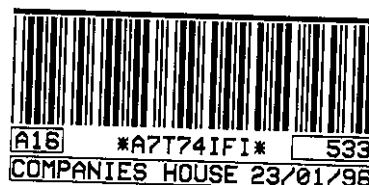
Certified that this and the following 12 pages
are a true copy of the Directors Report and
audited Accounts of SHANKS & McEWAN
(ENVIRONMENTAL SERVICES) Limited
for the Year Ended 1- APR 1995

 Secretary

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

REPORT AND ACCOUNTS

YEAR ENDED 1 APRIL 1995



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 1 April 1995.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of management services to Rechem International Limited.

TRADING RESULTS AND DIVIDENDS

The loss on ordinary activities before taxation for the year ended 1 April 1995 was £296,000 (1994: £5,545,000 Profit).

The Directors recommend that no dividend be paid in respect of the year ended 1 April 1995 (1994: £4,914,000). The loss transferred to reserves for the year was £373,000 (1994: £403,000 Profit).

DIRECTORS

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

M C Averill
D J Blane
D J Downes
C A Brown
N MacLellan

The following directors resigned from the board during the year:

G H Gracie (resigned 14 February 1995)
P H Jones (resigned 14 February 1995)
G Searle (resigned 31 March 1995)

In addition to this A Burian joined the board on 3 October 1994 and subsequently resigned on 14 February 1995.

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 1 April 1995</u>		<u>As at 26 March 1994</u>	
	Ordinary <u>Shares of 10p</u>	<u>Options</u>	Ordinary <u>Shares of 10p</u>	<u>Options</u>
D J Blane	350	56,940	350	56,940
C A Brown	-	12,937	-	5,652
N MacLellan	-	5,850	-	-
G Searle	17,500	-	17,500	-

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.

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:

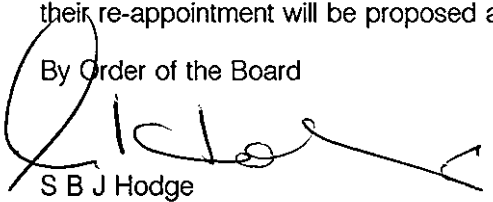
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare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

Price Waterhouse 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



S B J Hodge
SECRETARY
31 October 1995

Registered Office:
Station Road
Bourne End
Bucks
SL8 5YP

Price Waterhouse



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

We have audited the financial statements on pages 4 to 11 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 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 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 state of affairs of the Company at 1 April 1995 and of the loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

31 October 1995

SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 1 APRIL 1995

	<u>1995</u> £'000	<u>1994</u> £'000
TURNOVER (Notes 1.2, 2)	647	1,982
Administrative expenses	<u>646</u>	<u>1,351</u>
OPERATING PROFIT	1	631
Income from group companies	-	4,914
Exceptional Item (Note 6)	<u>(297)</u>	<u>-</u>
 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 2,3)	 (296)	 5,545
Taxation (Note 7)	<u>77</u>	<u>228</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	(373)	5,317
Dividends (Note 8)	<u>-</u>	<u>4,914</u>
RETAINED (LOSS)/PROFIT FOR THE YEAR (Note 15)	<u>(373)</u>	<u>403</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 1 APRIL 1995

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 1 APRIL 1995

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

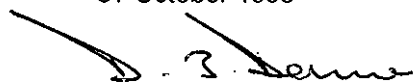
The notes on pages 6 to 11 form part of these accounts.

SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED

BALANCE SHEET - 1 APRIL 1995

	1995 £'000	1994 £'000
FIXED ASSETS		
Tangible assets (Note 9)	2,244	2,262
Investments (Note 10)	1,765	3,851
	<u>4,009</u>	<u>6,113</u>
CURRENT ASSETS		
Debtors (Note 11)	2,898	4,293
CREDITORS - Amounts falling due within one year (Note 12)	<u>715</u>	<u>3,926</u>
NET CURRENT ASSETS	<u>2,183</u>	<u>367</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>6,192</u>	<u>6,480</u>
PROVISION FOR LIABILITIES AND CHARGES (Note 13)	<u>145</u>	<u>60</u>
	<u>6,047</u>	<u>6,420</u>
CAPITAL AND RESERVES		
Called up share capital (Note 14)	537	537
Share premium account (Note 15)	3,002	3,002
Profit and loss account (Note 15)	2,408	2,781
Capital redemption reserve (Note 15)	100	100
	<u>6,047</u>	<u>6,420</u>

APPROVED BY THE BOARD ON
31 October 1995



D J Downes
DIRECTOR

The notes on pages 6 to 11 form part of these accounts.

SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED

NOTES TO THE ACCOUNTS - 1 APRIL 1995

1 ACCOUNTING POLICIES

(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 applicable Accounting Standards.

As the Company is a wholly owned subsidiary undertaking of Shanks & McEwan Group PLC, group accounts have not been prepared as permitted by the Companies Act 1985 and accordingly the accounts contain information about the company as an individual undertaking.

(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.

(3) Goodwill

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

(4) Fixed assets

(i) Land and buildings, plant and vehicles

Depreciation is provided on assets other than land in equal annual instalments over the estimated useful lives of the assets and is calculated on the cost or valuation of the assets.

The estimated lives are:

Buildings	50 years
-----------	----------

(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.

(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.

(7) 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.

SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED

NOTES TO THE ACCOUNTS - 1 APRIL 1995 (CONTINUED)

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>1995</u> £'000	<u>1994</u> £'000
The (loss)/profit is stated after charging:		
Depreciation of tangible fixed assets	18	18
Auditors' remuneration	2	2
	<u> </u>	<u> </u>

No amounts were paid to auditors in respect of non-audit services.

4 EMOLUMENTS OF DIRECTORS

The remuneration of the directors was as follows:

Fees	36	-
Other emoluments	288	303
Pension contributions	<u>30</u>	<u>-</u>
	354	303
	<u> </u>	<u> </u>
Whereof:		
Paid by company	318	283
Paid by subsidiary company	<u>36</u>	<u>20</u>
	354	303
	<u> </u>	<u> </u>

The emoluments of the Chairman amounted to £Nil (1994: £19,000). Excluding pension contributions, the total emoluments of the highest paid Director were £62,467 (1994: £91,000).

Other directors	Number	Number
£0 - £5,000	-	4
£5,001 - £10,000	-	2
£20,001 - £25,000	-	-
£35,001 - £40,000	1	-
£50,001 - £55,000	-	1
£55,001 - £60,000	1	2
£60,001 - £65,000	2	-
	<u> </u>	<u> </u>

SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED

NOTES TO THE ACCOUNTS - 1 APRIL 1995 (CONTINUED)

5 EMPLOYEES

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

	<u>1995</u>	<u>1994</u>
Waste management	4	12
	<u> </u>	<u> </u>
Staff costs comprise:	£'000	£'000
Wages and salaries	318	420
Social security costs	-	38
Other pension costs	<u>-</u>	<u>35</u>
	318	493
	<u> </u>	<u> </u>

6 EXCEPTIONAL ITEM

Loss on disposal of subsidiary	(297)	-
	<u> </u>	<u> </u>

During the year the Company sold its investment in Shanks & McEwan (Technical Services) Limited to Shanks & McEwan (Southern) Limited.

7 TAXATION

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

	<u>1995</u> £'000	<u>1994</u> £'000
Corporation tax at 33% (1994: 33%)	(8)	228
Deferred tax	<u>85</u>	<u>-</u>
	77	228
	<u> </u>	<u> </u>

8 DIVIDENDS

	<u>1995</u> £'000	<u>1994</u> £'000
Paid	-	1,638
Proposed	<u>-</u>	<u>3,276</u>
	-	4,914
	<u> </u>	<u> </u>

SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED

NOTES TO THE ACCOUNTS - 1 APRIL 1995 (CONTINUED)

9 TANGIBLE FIXED ASSETS

	Land & buildings			Total £'000
	Freehold £'000	Leasehold Over 50 Years £'000	Under 50 Years £'000	
Cost or valuation				
At 26 March 1994 and 1 April 1995	2,015	402	29	2,446
Depreciation				
At 26 March 1994	61	112	11	184
Charge for year	7	8	3	18
At 1 April 1995	68	120	14	202
Net book amount				
At 1 April 1995	1,947	282	15	2,244
At 26 March 1994	1,954	290	18	2,262

10 INVESTMENTS

Investments in subsidiary undertakings at cost:	£,000
At 26 March 1994	3,851
Disposals	(2,086)
At 1 April 1995	1,765

At 1 April 1995 the following companies were subsidiary undertakings of the Company:

<u>Name of company</u>	<u>Country of registration</u>	<u>Type of shares</u>	<u>Type of business</u>	<u>Proportion of shares held</u>
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.

11 DEBTORS

	<u>1995</u> £'000	<u>1994</u> £'000
Amounts owed by parent and fellow subsidiary undertakings	-	548
Amounts owed by subsidiary undertakings	2,895	3,742
Other debtors	3	3
	2,898	4,293

SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED

NOTES TO THE ACCOUNTS - 1 APRIL 1995 (CONTINUED)

12 CREDITORS: Amounts falling due within one year

	<u>1995</u> £'000	<u>1994</u> £'000
Other creditors	711	17
Corporation tax payable	-	631
Accruals	4	2
Proposed dividend	-	<u>3,276</u>
	<u>715</u>	<u>3,926</u>

13 PROVISION FOR LIABILITIES AND CHARGES

	<u>1995</u> £'000	<u>1994</u> £'000
Deferred taxation	145	60
	<u>145</u>	<u>60</u>

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

	<u>1995</u>		<u>1994</u>	
	<u>Amount provided in the accounts</u> £'000	<u>Potential liability</u> £'000	<u>Amount provided in the accounts</u> £'000	<u>Potential liability</u> £'000
Accelerated capital allowances	145	145	60	151
	<u>145</u>	<u>145</u>	<u>60</u>	<u>151</u>

14 CALLED UP SHARE CAPITAL

	<u>1995</u> £'000	<u>1994</u> £'000
Authorised 35,000,000 ordinary shares of 2 pence each	700	700
Alotted and fully paid 26,841,120 ordinary shares of 2 pence each	537	537
	<u>537</u>	<u>537</u>

15 RESERVES

	<u>Share premium</u> £'000	<u>Profit and loss</u> £'000	<u>Capital Redemption reserves</u> £'000
At 26 March 1994	3,002	2,781	100
Loss for the year	-	(373)	-
Dividends	-	-	-
At 1 April 1995	<u>3,002</u>	<u>2,408</u>	<u>100</u>

SHANKS & McEWAN (ENVIRONMENTAL SERVICES) LIMITED

NOTES TO THE ACCOUNTS - 1 APRIL 1995 (CONTINUED)

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1995</u> £'000	<u>1994</u> £'000
Total recognised gains and losses for the year	(373)	5,317
Dividends	—	(4,914)
Net (reduction of)/addition to shareholders' funds	(373)	403
Opening shareholders' funds	<u>6,420</u>	<u>6,017</u>
Closing shareholders' funds	<u>6,047</u>	<u>6,420</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 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 £30,427.

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

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 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.

19 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, 22 Woodside Place, Glasgow, G3 7QY.