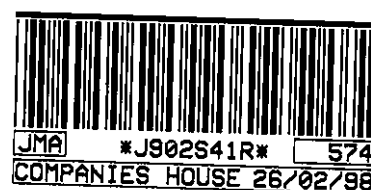


**JBR RECOVERY LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 AUGUST 1997**

**HACKER YOUNG**  
**CHARTERED ACCOUNTANTS**



## **JBR RECOVERY LIMITED**

### **DIRECTORS' REPORT**

The directors submit their report and financial statements for the year ended 31 August 1997.

#### **Results and dividends**

The profit for the year, after taxation amounted to £487,114 (1996 - profit £432,338).

Dividends amounting to £287,281 were paid during the year (1996 - £159,264). The directors do not recommend the payment of a final dividend.

The profit has been added to retained reserves.

#### **Principal activity and business review**

The company's principal activity during the year was to provide a waste recovery service to manufacturers, processors and major users of photographic chemicals and materials, whereby their waste products are disposed of in an environmentally sound and economic manner and valuable material, such as silver, is recovered.

A majority of JBR's business is obtained from overseas customers and some of the company's major competitors are based on the continent. JBR's business has therefore been affected by the increase in the value of sterling compared with the continental currencies and the US dollar. This has resulted in reduced margins in some cases and has made it more difficult for JBR to achieve the volume growth which was expected.

Production of silver was 214 tonnes, compared with 222 tonnes in the preceding year.

The company continued to invest heavily in new plant and equipment both to increase productivity and to improve further its environmental performance.

During the course of the year, the group was re-organised with a new holding company, Recycling Services Group plc (RSG) being formed. Shares in the company's subsidiary, Recoup Metals Limited, were transferred to the new holding company. RSG, having also acquired G & P Batteries Limited, is quoted on the London Stock Exchange Alternative Investment Market.

#### **Fixed assets**

The changes in fixed assets during the year are summarised in the notes to the financial statements.

#### **Creditors payment policy**

Amounts due to trade and other suppliers are settled as expeditiously as possible within their terms of payment. The number of creditor days was 35.

#### **Share capital**

Details of movements in share capital are given in note 18 to the financial statements.

**JBR RECOVERY LIMITED**

**DIRECTORS' REPORT**

**- CONTINUED -**

**Directors and their interests**

The directors who held office during the year and their beneficial interests in the share capital of the company, were as follows:

	<b>At 31.8.97</b>	<b>At 31.8.96</b>
	<b>Ordinary Shares</b>	<b>Ordinary Shares</b>
Dr C B Phipps	-	-
Mr R Pendleton	-	30,000
Mr S L Phipps	-	140,000
Mr A Tiley	-	-
Mr R Punt	-	-
Mr M Green	-	-
Mr A Gilchrist (appointed 13 December 1996)	-	-

The interests of the directors in the ultimate holding company are disclosed in the financial statements of that company.

**Employees**

Briefing and consultative procedures exist throughout the company to inform employees on matters of concern to them and to provide opportunities for comment and discussion. The company encourages the involvement of employees in the company's performance and to this end continues to operate a profit related pay scheme.

The company makes every effort to provide the same opportunities to disabled persons as to others and does not discriminate between employees on the grounds of race, ethnic origin or sex. Equal opportunity is given to all job applicants.

**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.

**JBR RECOVERY LIMITED**

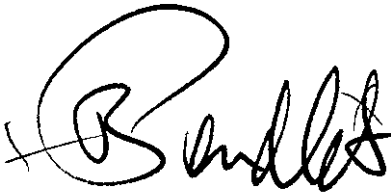
**DIRECTORS' REPORT**

**- CONTINUED -**

**Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution to re-appoint Hacker Young as auditors will be proposed at the annual general meeting.

On behalf of  
the board of directors:

A handwritten signature in black ink, appearing to read 'R Pendleton', with a large, stylized initial 'R'.

**Director: R Pendleton**

**Approved by the Board:**

1 December 1997

**AUDITORS' REPORT TO THE MEMBERS OF**  
**JBR RECOVERY LIMITED**

We have audited the financial statements on pages 6 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

**Respective responsibilities of directors and auditors**

As described on page 4 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 financial statements, 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 as at 31 August 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

HACKER YOUNG

Registered Auditor  
Chartered Accountants  
St James Building  
79 Oxford Street  
Manchester M1 6HT

1 December 1997

**JBR RECOVERY LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 AUGUST 1997**

	Note	1997 £	1996 £
<b>Turnover</b>	2	16,961,421	18,944,630
Cost of sales		14,951,497	16,961,809
<b>Gross profit</b>		2,009,924	1,982,821
Administrative expenses		1,426,697	1,274,603
<b>Operating profit</b>	3	583,227	708,218
Interest receivable	5	(2,889)	(13,196)
Interest payable	6	45,831	90,361
		42,942	77,165
<b>Profit on ordinary activities before taxation</b>	2	540,285	631,053
Taxation	7	53,171	198,715
<b>Profit for the financial year after taxation</b>		487,114	432,338
Dividends	8	287,281	159,264
Other appropriations	8	140	593
		287,421	159,857
<b>Retained profit for the financial year</b>	19	199,693	272,481
Earnings per share	9	149.8p	184.1p

**Continuing operations**

None of the company's activities were acquired or discontinued during the above two financial years.

**Total recognised gains or losses**

The company has no recognised gains or losses other than the profit for the above two financial years.

**JBR RECOVERY LIMITED**

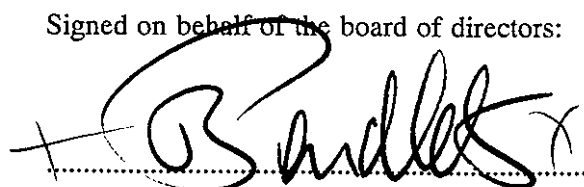
**BALANCE SHEET AT 31 AUGUST 1997**

	Note	1997 £	1996 £
<b>Fixed assets</b>			
Tangible assets	10	2,297,946	1,838,141
Investments	11	-	501,783
		<u>2,297,946</u>	<u>2,339,924</u>
<b>Current assets</b>			
Stock and work in progress	12	3,305,404	3,468,744
Debtors - Due after more than one year	13	872,074	368,860
Debtors - Due within one year	14	728,971	1,218,954
Cash at bank and in hand		413,738	15,359
		<u>5,320,187</u>	<u>5,071,917</u>
<b>Creditors - Amounts falling due within one year</b>	15	5,897,180	5,750,166
		<u>(576,993)</u>	<u>(678,249)</u>
<b>Net current liabilities</b>			
		<u>1,720,953</u>	<u>1,661,675</u>
<b>Total assets less current liabilities</b>			
<b>Creditors - Amounts falling due after more than one year</b>	16	198,685	405,400
<b>Provision for liabilities and charges</b>			
Deferred taxation	17	261,591	195,431
		<u>460,276</u>	<u>600,831</u>
		<u>1,260,677</u>	<u>1,060,844</u>
<b>Capital and reserves</b>			
Called up share capital	18	350,000	350,000
Share premium account	19	53,683	53,543
Capital redemption reserve	19	240,000	240,000
Profit and loss account	19	616,994	417,301
		<u>1,260,677</u>	<u>1,060,844</u>
<b>Shareholders' funds</b>			
		<u>1,260,677</u>	<u>1,060,844</u>

Shareholders' funds comprise £1,260,677 (1996 - £976,044) equity interests and £Nil (1996 - £84,800) non equity interests.

These financial statements were approved by the board of directors on 1 December 1997.

Signed on behalf of the board of directors:

 R Pendleton, director

The notes on pages 8 to 18 form part of these financial statements.

**JBR RECOVERY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 AUGUST 1997**

**1 Accounting policies**

**Accounting convention**

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

**Cash flow statement**

The company has taken advantage of the exemption permitted by Financial Reporting Standard Number 1, whereby a cash flow statement need not be prepared by a wholly owned subsidiary of a parent company which itself publishes a consolidated cash flow statement.

**Depreciation**

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset over its expected useful life as follows:

Short leasehold land and buildings	...	evenly over the lease period
Plant and machinery	...	10% on cost
Motor vehicles	...	25% on a reducing balance basis
Fixtures and fittings	...	10 - 33 1/3% on cost

**Stock and work in progress**

Raw materials are valued on an individual job cost basis.

Work in progress is calculated by reference to the year end spot price of silver and includes an appropriate portion of attributable overheads.

Finished goods are stated at selling price.

**Deferred taxation**

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.



**JBR RECOVERY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 AUGUST 1997**

**1      Accounting policies - continued -**

**Finance leases and hire purchase contracts**

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their expected useful lives.

Interest on finance leases and hire purchase contracts is charged in the profit and loss account in accordance with Statement of Standard Accountancy Practice Number 21 so as to produce a constant rate of charge against capital outstanding.

Rentals paid under operating leases are charged to income as incurred.

**Pensions**

The company operates an insured defined contribution pension scheme for its present directors and certain employees.

Contributions to the scheme are recognised in the profit and loss account as they accrue.

**Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or at a committed forward exchange rate. Exchange differences are included in the operating profit for the year.

**2      Turnover and profit on ordinary activities before taxation**

Turnover represents the invoiced amount of goods sold and services provided (stated net of value added tax) during the year.

The turnover and pre-tax profit are attributable to the company's principal activity within the United Kingdom.

**JBR RECOVERY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 AUGUST 1997**

**3 Operating profit**

**This is stated after charging/(crediting):**

	<b>1997</b>	<b>1996</b>
	£	£
Directors' remuneration (see below)	139,072	320,187
Auditors' remuneration		
- audit services	12,500	10,000
- non audit services	5,900	300
Depreciation of owned assets	237,999	176,904
Depreciation of assets held under finance leases	61,650	70,309
Management charge	100,000	-
Operating leases - land and buildings	181,480	143,523
Operating leases - other assets	25,702	18,812
Loss/(profit) on disposal of fixed assets	490	(3,061)
Exceptional items - (see below)	-	(99,773)
	<u>139,072</u>	<u>320,187</u>

**Exceptional items**

	<b>1997</b>	<b>1996</b>
	£	£
Profit on insurance proceeds for replacement assets destroyed in fire	-	99,773
	<u>-</u>	<u>99,773</u>

**Directors' remuneration**

Emoluments of the directors are as follows:

	<b>1997</b>	<b>1996</b>
	£	£
Fees	118,158	297,067
Pension contributions	7,680	9,690
Other emoluments	13,234	13,430
	<u>139,072</u>	<u>320,187</u>

**JBR RECOVERY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 AUGUST 1997**

4	<b>Staff costs - directors and employees</b>	<b>1997</b>	<b>1996</b>
		£	£
	Wages and salaries	1,016,822	1,095,502
	Social security cost	92,083	89,033
	Other pension costs	38,809	34,687
		<u>1,147,714</u>	<u>1,219,222</u>

The average weekly number of employees during the year was made up as follows:

	<b>No</b>	<b>No</b>
Production	41	40
Commercial/administration	12	12
	<u>53</u>	<u>52</u>

5	<b>Interest receivable</b>	<b>1997</b>	<b>1996</b>
		£	£
	Bank interest	2,269	11,277
	Interest on advanced payments	620	1,919
		<u>2,889</u>	<u>13,196</u>

6	<b>Interest payable</b>	<b>1997</b>	<b>1996</b>
		£	£
	Bank overdraft interest	2,268	9,080
	Silver overdraft interest	6,536	7,601
	Loan interest	7,805	45,208
	Finance lease interest	3,388	3,805
	Hire purchase interest	22,455	21,136
	Other interest	3,379	3,531
		<u>45,831</u>	<u>90,361</u>

**JBR RECOVERY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 AUGUST 1997**

7	<b>Taxation</b>		
	Based on the results for the year:	1997 £	1996 £
	Corporation tax at 24.6% (1996 - 30.13%)	2,1981	95,606
	Under/(overprovision) in prior years	1,956	(1,015)
	Transfer to deferred taxation	29,234	66,265
	Underprovision in respect of prior years:		
	Deferred taxation	-	37,859
		<u>53,171</u>	<u>198,715</u>
8	<b>Dividends and other appropriations</b>		
		1997 £	1996 £
	<b>Dividends</b>		
	<b>Non-equity dividends:</b>		
	<b>Paid 12% Preference</b>	1,920	8,000
	<b>Proposed 12% Preference</b>	-	4,800
	<b>Equity dividends:</b>		
	<b>Paid</b>		
	'A' ordinary interim 12.36p per share (1996 - 6p)	14,837	7,200
	Ordinary interim 12.07p per share (1996 - Nil)	20,524	-
	Ordinary interim 71.43p per share (1996 - Nil)	250,000	-
	<b>Proposed</b>		
	'A' ordinary final Nil per share (1996 - 52.65p)	-	55,976
	Ordinary final Nil per share (1996 - 46.85p)	-	89,499
	<b>Adjustment re previous year:</b>		
	'A' ordinary	-	(2,570)
	Ordinary	-	(3,641)
		<u>287,281</u>	<u>159,264</u>
	<b>Other appropriations</b>		
	<b>Non-equity:</b>		
	Amortisation of issue costs on redeemable preference shares	<u>140</u>	<u>593</u>

**JBR RECOVERY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AT 31 AUGUST 1997**

**9 Earnings per share**

The calculation of earnings per share is based on earnings of £470,217 (1996 - £313,001) and issued ordinary shares of 314,000 (1996 - 170,000). The effect on earnings per £1 ordinary share of the issue of shares under option would not be material.

**10 Tangible assets**

	<b>Short leasehold land and buildings £</b>	<b>Plant and machinery £</b>	<b>Motor vehicles £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 September 1996	121,662	2,313,798	189,069	43,586	2,668,115
Additions	46,304	616,629	68,341	41,770	773,044
Disposals	-	-	(42,504)	(6,213)	(48,717)
At 31 August 1997	167,966	2,930,427	214,906	79,143	3,392,442
<b>Depreciation</b>					
At 1 September 1996	53,520	692,734	57,652	26,068	829,974
Charge for the year	15,281	248,943	26,912	8,513	299,649
On disposals	-	-	(28,914)	(6,213)	(35,127)
At 31 August 1997	68,801	941,677	55,650	28,368	1,094,496
<b>Net book value</b>					
At 31 August 1997	99,165	1,988,750	159,256	50,775	2,297,946
At 31 August 1996	68,142	1,621,064	131,417	17,518	1,838,141

The net book value of fixed assets above includes an amount of £405,397 in respect of assets held under finance leases and hire purchase agreements.

**JBR RECOVERY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 AUGUST 1997**

**11 Fixed assets - investments**

Investment in subsidiary undertaking

	£
At 1 September 1996	501,783
Transferred to debtors on group reorganisation	(501,683)
Interest disposed of by group reorganisation	(100)
	<hr/>
At 31 August 1997	-
	<hr/> <hr/>

**12 Stock and work in progress**

Stock and work in progress comprises:

	1997 £	1996 £
Raw materials	635,871	676,510
Work in progress	2,269,055	2,114,341
Finished goods and goods for resale	400,478	677,893
	<hr/>	<hr/>
	3,305,404	3,468,744
	<hr/> <hr/>	<hr/> <hr/>

**13 Debtors - falling due after more than one year**

	1997 £	1996 £
Silver advance to customer (see creditors - silver overdraft)	321,979	368,860
Amounts owed by group undertaking	550,095	-
	<hr/>	<hr/>
	872,074	368,860
	<hr/> <hr/>	<hr/> <hr/>

**14 Debtors - amounts falling due within one year**

	1997 £	1996 £
Trade debtors	592,273	1,148,242
Other debtors	300	450
Prepayments and accrued income	87,745	70,262
ACT recoverable	48,653	-
	<hr/>	<hr/>
	728,971	1,218,954
	<hr/> <hr/>	<hr/> <hr/>

**JBR RECOVERY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 AUGUST 1997**

**15 Creditors - amounts falling due within one year**

	<b>1997</b>	<b>1996</b>
	£	£
Bank loan (see note 16)	3,406	-
Bank overdraft	-	472,109
Silver overdraft (see below)	321,979	368,860
Other loan	-	138,333
Obligations under finance leases and hire purchase contracts	90,155	62,797
Trade creditors	4,185,328	3,791,553
Corporation tax	4,131	58,166
Other taxes and social security costs	479,251	505,496
Other creditors	9,060	4,951
Accruals	93,051	200,196
Proposed dividends	-	147,705
Amounts owned to group undertaking	710,819	-
	<u>5,897,180</u>	<u>5,750,166</u>

The silver overdraft is used to provide a corresponding silver advance to a customer (see debtors falling due after more than one year).

Security on the silver overdraft is provided by a letter of credit from the Royal Bank of Scotland. The interest on the silver overdraft is at 2.0% per annum.

The bank overdraft is secured by a debenture dated 14 August 1992 with an unlimited intercompany composite guarantee dated 28 November 1996.

**16 Creditors - amounts falling due after more than one year**

	<b>1997</b>	<b>1996</b>
	£	£
Bank loan	7,844	-
Other loan	-	218,335
Obligations under finance leases and hire purchase contracts	190,841	187,065
	<u>198,685</u>	<u>405,400</u>

Loans are repayable as follows:

	<b>1997</b>	<b>1996</b>
	£	£
Between 1 and 2 years	3,754	138,335
Between 2 and 5 years	4,090	80,000
	<u>7,884</u>	<u>218,335</u>

The bank loan is repayable over 3 years by equal monthly instalments, including interest, of £368.84 commencing on 11 January 1997.

**JBR RECOVERY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 AUGUST 1997**

**16 Creditors - amounts falling due after more than one year - continued -**

Obligations under finance leases and hire purchase contracts.

These are repayable over varying periods by monthly instalments as follows:

	1997 £	1996 £
Within one year	90,155	62,797
Between 2 and 5 years	190,841	168,779
Between 5 and 10 years	-	18,286
	<u>280,996</u>	<u>249,862</u>

**17 Deferred taxation**

	£
At 1 September 1996	232,357
Profit and loss account	29,234
	<u>261,591</u>
At 31 August 1997	<u>261,591</u>

The deferred taxation balance relates to:

	1997 £	1996 £
Capital allowances in advance of depreciation	259,031	230,963
Other timing differences	2,560	1,394
	<u>261,591</u>	<u>232,357</u>
ACT recoverable	-	(36,926)
	<u>261,591</u>	<u>195,431</u>

**18 Share capital**

	Authorised		Allotted, called up and fully paid	
	1997 No	1996 No	1997 £	1996 £
'A' ordinary shares of £1 each	-	120,000	-	120,000
Ordinary shares of £1 each	350,000	180,000	350,000	170,000
12% redeemable cumulative preference shares of 75p each	-	400,000	-	60,000
	<u>350,000</u>	<u>700,000</u>	<u>350,000</u>	<u>350,000</u>



**JBR RECOVERY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AT 31 AUGUST 1997**

**18 Share capital - continued -**

On 12 November 1996 the company converted the following shares into 180,000 ordinary shares of £1 each:-

- a) 120,000 'A' ordinary shares of £1 each
- b) 80,000 'A' redeemable cumulative preference shares of 75p each

At the same time the authorised share capital of the company was adjusted to be 350,000 ordinary shares of £1 each.

**19 Reserves**

	<b>Profit and loss account</b>	<b>Share premium account</b>	<b>Capital redemption reserve</b>
	£	£	£
At 1 September 1996	417,301	53,543	240,000
Retained profit for the year	199,693	-	-
Other appropriations added back	-	140	-
	<hr/>	<hr/>	<hr/>
At 31 August 1997	616,994	53,683	240,000
	<hr/>	<hr/>	<hr/>

**20 Reconciliation of movements in shareholders' funds**

	<b>1997</b>	<b>1996</b>
	£	£
Profit attributable to members of the company	487,114	432,338
Dividends	(287,281)	(159,264)
Redemption of preference shares	-	(80,000)
	<hr/>	<hr/>
Net increase in shareholders' funds	199,833	193,074
Opening shareholders' funds	1066,844	867,770
	<hr/>	<hr/>
Closing shareholders' funds	1,260,677	1,060,844
	<hr/>	<hr/>
Equity	1,260,677	976,044
Non-equity	-	84,800
	<hr/>	<hr/>
	1,260,677	1,060,844
	<hr/>	<hr/>

**21 Capital commitments**

	<b>1997</b>	<b>1996</b>
	£	£
Contracted for but not provided in the financial statements	Nil	Nil
	<hr/>	<hr/>
Authorised but not contracted for	87,000	155,000
	<hr/>	<hr/>

**JBR RECOVERY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 AUGUST 1997**

**22 Commitments under operating leases**

At 31 August, the company had annual commitments under operating leases as follows:

	<b>Land and buildings</b>	
	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Leases expiring in over five years	158,188	119,743
	<u>          </u>	<u>          </u>

**23 Pension commitments**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £38,809 (1996 - £34,687). Contributions totalling £8,261 (1996 - £4,224) were payable to the fund at the year end and are included in creditors.

**24 Contingent liabilities**

There are unlimited cross guarantees in respect of the bank accounts between the company and the group. In addition to this the company has guaranteed loan notes to the value of £2,000,000 at the year end.

There is also a guarantee of £15,000 in favour of the Environment Agency.

**25 Transactions with directors**

Arms length provision of goods and services totalling £81,888 were provided by Priors Court Associates, an entity in which Mr T A Pendleton is materially interested.

The company also entered into transactions totalling £76,642, on an arms length basis, with Phipps & Co Limited, a company in which Dr C B Phipps and Mr S L Phipps are materially interested.

**26 Ultimate parent undertaking**

The directors consider Recycling Services Group plc, a company incorporated in England, to be the company's ultimate holding company.