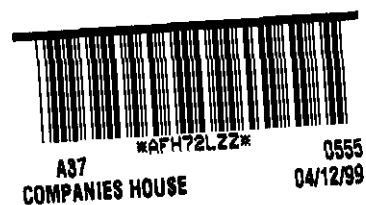


ERM Plc

(formerly ERM Europe (Holdings) Limited)

Report and Accounts

31 March 1999



ERM Plc
(formerly ERM Europe (Holdings) Limited)

Registered No. 3128071

DIRECTORS

Robin Bidwell
Paul Woodruff
Martin Sarbicki
Dan Sevick
James Kelly

SECRETARY

Gordon Ashworth

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London
EC4A 1NH

BANKERS

Barclays Bank Plc
PO Box 544
54 Lombard Street
London
EC3V 9EX

SOLICITORS

S J Berwin
222 Grays Inn Road
London
WC1X 8HB

REGISTERED OFFICE

8 Cavendish Square
London
W1M 0ER

 **ERNST & YOUNG**

DIRECTORS' REPORT

The directors present their report and accounts of the group for the year ended 31 March 1999. The accounts reflect that, on 21 January 1999, the shareholders of ERM Plc (formerly ERM Europe (Holdings) Limited) and ERM Asia Pacific Holdings Limited agreed to combine their businesses. This group reorganisation has been accounted for using the merger accounting principles set out in Financial Reporting Standard 6 "Acquisitions and Mergers".

RESULTS AND DIVIDENDS

The group profit for the year after taxation and minority interests amounted to £755,000 (1998 - £544,000). The directors do not recommend a dividend for the year.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the group during the year continued to be the provision of environmental, risk and health and safety consulting services.

We continued to expand our global coverage. During the year we established new offices in Japan and Argentina, acquired the environmental team of the German engineering firm Lahmeyer International, and developed a new risk management service in the USA and Europe. We maintained strong commercial links with ERM North America, working together for joint clients around the world.

FUTURE DEVELOPMENTS

Our marketplace remains strong, the key drivers (globalisation of industry, environmental regulation and sustainable development pressures) together with improvement in the worldwide economy offer us considerable opportunities. Our strategy is to continue to build our presence in the major markets and to focus on broadening our services by acquisition where appropriate. The group is anticipating considerable further growth, as the markets in Europe, Asia and Latin America change and develop. The board plans to develop Scandinavia and strengthen our company in Spain; in Asia, the board plan to enter the Korean market and strengthen the businesses in China and India.

EVENTS SINCE THE BALANCE SHEET DATE

Details of the group's acquisitions after the year end are given in note 25.

DIRECTORS AND THEIR INTERESTS

The directors at 31 March 1999, and their interests in the shares of the company, were as follows:

	At 31 March 1999 Ordinary shares	At 1 April 1998 or subsequent date of appointment Ordinary shares
Robin Bidwell	118,904	87,980
Paul Woodruff	501,198	360,521
Martin Sarbicki	5,936	4,152
Dan Sevick (appointed 21 December 1998)	16,728	2,141
James Kelly (appointed 21 December 1998)	nil	nil

In addition to the above, at 31 March 1999 Martin Sarbicki held no options to purchase ordinary shares in the company (1998 - 363). He also held 4,999 (1998 - 4,999) ordinary shares in Environmental Resources Management Ltd and 250 (at date of acquisition on 21 January 1999 - 250) ordinary shares in ERM Hong Kong Ltd.

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (continued)

In addition to the directors listed above, Carlo Alberto Marcoaldi, Maurice De Waldner, Nils Zorn, Tassilo Metternich, Arnon Garonzik, Kent Patterson and William Lorenz served as directors until 20 December 1998 when they resigned.

Details of the shares issued by the company during the year, together with the shares issued to effect the group reorganisation, are given in note 21.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to a lesser extent on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

A group-wide programme, designated to address the impact of the Year 2000 on our business, was commissioned by the board. Resources were allocated and the board received regular reports on progress. This programme is now substantially complete.

A significant risk analysis was performed to determine the impact of the issue on all our activities. From this, prioritised action plans were developed which were designed to address the key risks in advance of critical dates and without disruption to the underlying business activities. Priority was given to those systems which could cause a significant financial or legal impact on the company's business if they were to fail. The plan also included a requirement for the testing of systems changes, involving the participation of users.

The risk analysis also considered the impact on our business of Year 2000 related failures by our significant suppliers and customers. In appropriate cases we initiated formal communication with these other parties.

It is not possible for any organisation to guarantee that no Year 2000 problem will remain, because at least some level of failure may still occur. However, the board believes that it has achieved an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

Where the group has recently installed new computer software in order to meet the future business requirements of the group, this software is Year 2000 compliant.

The costs specifically related to having addressed the impact of the Year 2000 issue are not considered by the directors to be significant enough to disclose separately.

CREDITOR PAYMENT POLICY AND PRACTICE

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 March 1999, the group had an average of 90 days purchases outstanding in trade creditors.

The company had no trade creditors at the year end.

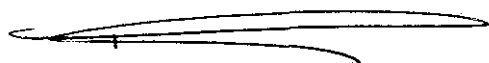
DIRECTORS' REPORT

AUDITORS

On 20 December 1998 the previous auditors, Citroen Wells, resigned and Ernst & Young were appointed as auditors.

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



Martin Sarbicki
Finance Director

2 December 1999

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group 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 group and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the members of ERM Plc
(formerly ERM Europe (Holdings) Limited)

We have audited the accounts on pages 7 to 25, which have been prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and on the basis of the accounting policies set out on pages 13 to 15.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

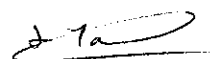
Basis of opinion

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 accounts. 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 group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 March 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Emst & Y 

Registered Auditor
London

2 December 1999

ERM Plc
(formerly ERM Europe (Holdings) Limited)

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 March 1999

	Notes	1999 £000	As restated 1998 £000
TURNOVER	2	57,814	44,621
Change in work in progress		2,481	808
Project costs		(21,438)	(16,043)
Staff costs	6	(24,552)	(18,385)
Depreciation and amortisation		(1,097)	(605)
Other operating income		582	747
Other operating charges		(10,146)	(8,923)
		(54,170)	(42,401)
Operating profit			
Before impairment of goodwill		3,889	2,557
Impairment of goodwill	10	(245)	(337)
OPERATING PROFIT		3,644	2,220
Reorganisation costs	4	(668)	-
Profit on disposal of tangible fixed assets		10	1
Profit/(loss) on disposal of fixed asset investments		441	(64)
		(217)	(63)
		3,427	2,157
Net interest payable	7	(552)	(506)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,875	1,651
Taxation	8	1,184	675
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,691	976
Minority interests		(936)	(432)
RETAINED PROFIT FOR THE FINANCIAL YEAR	22	755	544

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 1999

	1999	<i>As restated</i> 1998
	£000	£000
Profit for the financial year attributable to members of the parent company	755	544
Exchange difference on retranslation of net assets of subsidiary undertakings	(176)	33
Total recognised gains relating to the year	579	577
Prior year adjustments (note 23)	(487)	
Total gains recognised since the last annual report	92	

RECONCILIATION OF SHAREHOLDERS' FUNDS
for the year ended 31 March 1999

	1999	<i>As restated</i> 1998
	£000	£000
Total recognised gains and losses for the year	579	577
New share capital subscribed	2	-
Premium on shares issued	126	7
Capital contribution	53	-
Transfer to minority interests	(93)	23
Net additions to shareholders' funds	667	607
Opening shareholders' funds as restated	1,317	710
Closing shareholders' funds	1,984	1,317

ERM Plc
(formerly ERM Europe (Holdings) Limited)

GROUP BALANCE SHEET
at 31 March 1999

	Notes	1999 £000	As restated 1998 £000
FIXED ASSETS			
Intangible assets	10	1,332	859
Tangible assets	11	2,200	1,558
Investments	12	8	52
		<u>3,540</u>	<u>2,469</u>
CURRENT ASSETS			
Work in progress		6,853	4,304
Debtors	13	15,643	11,935
Cash at bank and in hand		3,562	1,835
		<u>26,058</u>	<u>18,074</u>
CREDITORS: amounts falling due within one year	14	(24,296)	(16,910)
		<u>1,762</u>	<u>1164</u>
NET CURRENT ASSETS			
		<u>5,302</u>	<u>3,633</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: amounts falling due after more than one year	15	809	468
PROVISIONS FOR LIABILITIES AND CHARGES	18	323	205
		<u>1132</u>	<u>673</u>
		<u>4,170</u>	<u>2,960</u>
CAPITAL AND RESERVES			
Called up share capital	21	53	51
Share premium account	22	264	138
Capital reserve	22	276	276
Other reserves	22	53	-
Profit and loss account	22	1,338	852
		<u>1,984</u>	<u>1,317</u>
SHAREHOLDERS' FUNDS			
Minority interests		2,186	1,643
		<u>4,170</u>	<u>2,960</u>

Robin Bidwell
2 December 1999

Director

Martin Sarbicki
2 December 1999

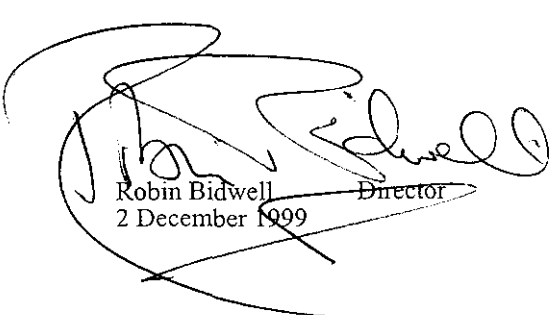
Director

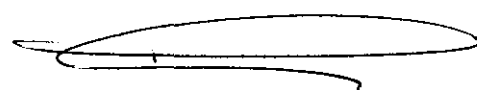
ERM Plc
(formerly ERM Europe (Holdings) Limited)

BALANCE SHEET
at 31 March 1999

	Notes	1999 £000	1998 £000
FIXED ASSETS			
Investments	12	154	166
CURRENT ASSETS			
Debtors	13	220	269
Cash at bank and in hand		128	6
		348	275
CREDITORS: amounts falling due within one year	14	60	92
NET CURRENT ASSETS		288	183
TOTAL ASSETS LESS CURRENT LIABILITIES		442	349
CAPITAL AND RESERVES			
Called up share capital	21	53	39
Share premium account	22	264	138
Profit and loss account	22	125	172
		442	349

ERNST & YOUNG


Robin Bidwell Director
2 December 1999


Martin Sarbicki Director
2 December 1999

ERM Plc
(formerly ERM Europe (Holdings) Limited)

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 March 1999

	Notes	1999 £000	1998 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(b)	2,634	3,347
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		68	63
Bank interest paid		(590)	(591)
Interest element of finance lease rental payments		(40)	(34)
Dividends paid to minority interests		(106)	(121)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(668)	(683)
TAXATION			
Corporation tax paid		(135)	(633)
Overseas tax paid		(594)	(214)
TAX PAID		(729)	(847)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(1,128)	(524)
Proceeds from sale of tangible fixed assets		70	38
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(1,058)	(486)
ACQUISITIONS AND DISPOSALS			
Payments to acquire fixed asset investments		(668)	(85)
Proceeds from disposal of fixed asset investments		433	-
Payment of reorganisation costs		(668)	-
NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS		(903)	(85)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(724)	1,246
FINANCING			
Repayments of capital element of finance lease rentals		(177)	(112)
Loan repayments		(471)	(207)
New loans		1,546	470
Issue of ordinary share capital		94	7
Proceeds from issue of subsidiary shares		-	23
Payments in advance of the issue of shares		73	-
NET CASH INFLOW FROM FINANCING		1,065	181
INCREASE IN CASH	20	341	1,427

ERM Plc
(formerly ERM Europe (Holdings) Limited)

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 March 1999

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS

	1999 £000	1998 £000
INCREASE IN CASH	341	1427
Lease financing	177	112
Loan repayments	471	207
New loans	(1,546)	(470)
Change in net debt resulting from cash flows	(557)	1,276
New finance leases	(257)	(228)
Exchange differences	25	(10)
MOVEMENT IN NET (DEBT)/FUNDS IN THE YEAR	(789)	1,038
NET DEBT AT 1 APRIL	(3,663)	(4,701)
NET DEBT AT 31 MARCH (NOTE 20)	(4,452)	(3,663)

NOTES TO THE ACCOUNTS
at 31 March 1999

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

The group profit and loss account is presented in Companies Act Format 2. In previous years Companies Act Format 1 has been used but, in the opinion of the directors, Format 2 provides the users of the accounts with a better understanding of the results of the group.

The accounting policies for work in progress and for onerous property lease provisions have been amended. In both cases this has resulted in a prior year adjustment. Fuller details of the prior year adjustments are given in note 23.

Basis of consolidation

The group accounts consolidate the accounts of ERM Plc and its subsidiary undertakings, drawn up to 31 March each year. No profit and loss account is presented for the company as permitted by section 230 of the Companies Act 1985. All accounts are for the year to 31 March 1999 with the exception of ERM Hungaria Kft, ERM Lanka PVT Ltd and ERM Siam Co Ltd whose accounts are for the year to 31 December 1998 and Impacto 2000 Lda whose accounts are for the 15 months to 31 March 1999.

On 21 January 1999 the shareholders of ERM Plc (formerly ERM Europe (Holdings) Limited) and ERM Asia Pacific Holdings Ltd agreed to combine their businesses. This was effected by way of the issue of 251,887 ordinary shares of 5p each in ERM Plc. This group reorganisation has been accounted for using the merger accounting principles set out in Financial Reporting Standard 6 "Acquisitions and Mergers". Accordingly, the financial information for the current year and the prior period has been restated as if ERM Asia Pacific Holdings Ltd had been owned by ERM Plc throughout the current and prior accounting periods.

Schedule 4A to the Companies Act 1985 and FRS 6 requires acquisition accounting to be adopted where all the conditions laid down for merger accounting are not satisfied. The combination does not meet all the criteria for merger accounting under FRS 6 principally because the shareholders' relative rights are not maintained exactly.

However, in the opinion of the directors, the transaction is a group reconstruction rather than an acquisition, since there is clear common control with the majority of the share holding in each entity being held by the same shareholders. The purpose of bringing together the two entities was to properly reflect that, in substance, they had been operating for several years as though they were one group. Consequently, the directors consider that to record the transaction as an acquisition by the company, to attribute fair values to the assets and liabilities of the group and to reflect only the post-combination results within these accounts would fail to give a true and fair view of the group's results and financial position.

Accordingly, having regard to the overriding requirement under Section 227(6) of the Companies Act 1985 for the accounts to give a true and fair view of the group's results and financial position, the directors have adopted merger accounting principles in drawing up these accounts. The directors consider that it is not practicable to quantify the effect of this departure from the Companies Act 1985 requirements and that to do so would be misleading.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

NOTES TO THE ACCOUNTS
at 31 March 1999

1. ACCOUNTING POLICIES (continued)

Depreciation

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

Leasehold property	-	over the lease term
Fixtures, fittings, plant and machinery	-	20% to 33%
Computer equipment	-	33%
Motor vehicles	-	25%

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Work in progress

Work in progress is valued at the lower of cost and net realisable value. Cost comprises staff salary costs and direct expenses together with an appropriate proportion of overheads.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion.

Foreign currencies

Group

The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the translation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the net investment in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Leasing and hire purchase agreements

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged to the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

NOTES TO THE ACCOUNTS
at 31 March 1999

1. ACCOUNTING POLICIES (continued)

Pensions

The group operates a number of defined contribution pension schemes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that taxation will be payable. Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Property lease provisions

In accordance with Financial Reporting Standard 12 "Provisions, Contingent Assets and Contingent Liabilities", provision is made for future costs on onerous property lease contracts.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties in respect of the group's continuing activity as stated in the directors' report.

An analysis of turnover by geographical market is given below:

	1999 £000	As restated 1998 £000
Turnover by destination:		
United Kingdom	10,839	11,036
Rest of Europe	19,079	9,842
United States	5,872	4,837
Asia	11,943	12,378
Rest of world	10,081	6,528
	<u>57,814</u>	<u>44,621</u>
Turnover by origin:		
United Kingdom	24,563	19,719
Rest of Europe	11,993	6,734
United States	1,247	1,132
Asia	11,991	10,882
Rest of world	8,020	6,154
	<u>57,814</u>	<u>44,621</u>

No analysis by geographical market of the profit before tax and the net assets has been given as the directors believe that it would be seriously prejudicial to the interests of the group.

ERM Plc
(formerly ERM Europe (Holdings) Limited)

NOTES TO THE ACCOUNTS
at 31 March 1999

3. OPERATING PROFIT

(a) This is stated after charging:

	1999 £000	1998 £000
Auditors' remuneration - audit services - UK	108	86
- audit services - overseas	121	141
- non-audit services	15	-
Depreciation of owned fixed assets	603	434
Depreciation of assets held under finance leases and hire purchase contracts	159	107
Operating lease rentals - land and buildings	1,601	1,118
Operating lease rentals - plant and machinery	407	303
Foreign exchange losses	94	41
Amortisation of goodwill	90	64
	<u> </u>	<u> </u>

(b) Reconciliation of operating profit to net cash inflow from operating activities:

	1999 £000	1998 £000
Operating profit	3,644	2,220
Amortisation	90	64
Depreciation	762	541
Increase in work in progress	(2,481)	(808)
Increase in operating debtors and prepayments	(3,589)	(144)
Increase in operating creditors and accruals	3,963	1,137
Impairment of goodwill	245	337
	<u>2,634</u>	<u>3,347</u>

4. REORGANISATION COSTS

The reorganisation costs comprise professional fees incurred in implementing the group reorganisation. As the group reorganisation has been accounted for using the merger accounting principles set out in FRS 6, these costs have been treated as the costs of a fundamental reorganisation in accordance with FRS 3 and disclosed as a non-operating exceptional item.

5. DIRECTORS' REMUNERATION

	1999 £000	1998 £000
Emoluments	508	742
	<u> </u>	<u> </u>
Group contributions paid to defined contribution pension schemes	29	42
	<u> </u>	<u> </u>
	1999 No.	1998 No.
Members of defined contribution pension schemes	2	2
	<u> </u>	<u> </u>

ERM Plc
(formerly ERM Europe (Holdings) Limited)

NOTES TO THE ACCOUNTS
at 31 March 1999

5. DIRECTORS' REMUNERATION (continued)

The amounts in respect of the highest paid director are as follows:

	1999 £000	1998 £000
Emoluments	177	144
Group contributions paid to defined contribution pension schemes	25	25

6. STAFF COSTS

	1999 £000	1998 £000
Wages and salaries	21,847	16,514
Social security costs	1,861	1,250
Other pension costs	844	621
	24,552	18,385

	1999 No.	1998 No.
Average monthly number of employees during the year	883	636

7. NET INTEREST PAYABLE

	1999 £000	1998 £000
Interest receivable:		
Bank interest	31	29
Other interest	37	33
	68	62
Interest payable:		
Interest on bank loans and overdrafts wholly repayable within five years	563	522
Finance charges payable under finance leases and hire purchase contracts	40	38
Other	17	8
	620	568
	(552)	(506)

NOTES TO THE ACCOUNTS
at 31 March 1999

8. TAXATION

	1999 £000	As restated 1998 £000
Based on the profit for the year:		
UK corporation tax	297	161
Deferred taxation	168	(19)
Overseas tax	736	532
Corporation tax (over)/under provided in previous years	(17)	1
	<u>1,184</u>	<u>675</u>

The effective tax rate for the current year is higher than standard as a result of the write down of the deferred tax asset.

9. RESULT ATTRIBUTABLE TO MEMBERS OF PARENT UNDERTAKING

The loss dealt with in the accounts of the parent undertaking was £47,000 (1998: profit £168,000).

10. INTANGIBLE FIXED ASSETS

Group

	Goodwill £000
Cost:	
At 1 April 1998	1,133
Additions	808
	<u>1,941</u>
At 31 March 1999	
Amortisation:	
At 1 April 1998	274
Charge for the year	90
Impairment of goodwill	245
	<u>609</u>
At 31 March 1999	
Net book value:	
At 31 March 1999	<u>1,332</u>
	<u>859</u>

Goodwill is being amortised in equal annual instalments over its estimated economic life of 20 years.

Following a goodwill impairment review, the directors consider it prudent to recognise an impairment loss in respect of the whole of the goodwill arising on the investment in its Portuguese subsidiary undertakings.

ERM Plc
(formerly ERM Europe (Holdings) Limited)

NOTES TO THE ACCOUNTS
at 31 March 1999

11. TANGIBLE FIXED ASSETS

Group and Company

	<i>Leasehold property £000</i>	<i>Fixtures, fittings, plant and machinery £000</i>	<i>Motor vehicles £000</i>	<i>Computer equipment £000</i>	<i>Total £000</i>
Cost or valuation:					
At 1 April 1998	695	670	204	2,660	4,229
Additions	99	266	186	934	1,485
Disposals	(5)	(12)	(75)	(167)	(259)
Exchange differences	(16)	(7)	(3)	(35)	(61)
At 31 March 1999	773	917	312	3,392	5,394
Depreciation:					
At 1 April 1998	312	497	127	1,735	2,671
Provided during the year	76	111	51	524	762
Disposals	(4)	(17)	(67)	(111)	(199)
Exchange differences	(12)	(5)	(2)	(21)	(40)
At 31 March 1999	372	586	109	2,127	3,194
Net book value:					
At 31 March 1999	401	331	203	1,265	2,200
At 1 April 1998	383	173	77	925	1,558

The net book value of fixtures, fittings, plant and machinery and motor vehicles above includes an amount of £315,000 (1998 - £269,000) in respect of assets held under finance leases and hire purchase contracts.

12. FIXED ASSET INVESTMENTS

Group

	<i>Investment in subsidiary undertakings £000</i>
Cost:	
At 1 April 1998	52
Disposals	(44)
At 31 March 1999	8

Company

	<i>Investment in subsidiary undertakings £000</i>
Cost:	
At 1 April 1998	166
Additions	33
Disposals	(45)
At 31 March 1999	154

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12. FIXED ASSET INVESTMENTS (continued)

Subsidiary undertakings

The following is a list of the company's principal subsidiary undertakings and particulars of the shareholding therein:

<i>Name</i>	<i>Class of Shares</i>	<i>Proportion of shares</i>	<i>Country of incorporation</i>
Environmental Resources Management Ltd	Ordinary	72.36%	UK
ERM-Lahmeyer International GmbH	Ordinary	50.09%	Germany
ERM Hong Kong Ltd	Ordinary	71.12%	Hong Kong
ERM Mitchell McCotter Pty Ltd	Ordinary	56.13%	Australia
ERM Italia SRL	Ordinary	75.00%	Italy

The nature of the business of all of the company's principal subsidiaries is the provision of environmental, risk and health and safety consulting services.

On 1 April 1998 the group acquired the trade of Lahmeyer International GmbH for a consideration of £238,000 satisfied by a loan to Lahmeyer International GmbH. The group did not acquire any assets or liabilities and so goodwill of £238,000 arising on this acquisition has been accounted for.

In April 1998 the group signed an agreement to dispose of its holding in China Environmental Consultancy Inc, an environmental consulting practise based in Taiwan for a consideration of £90,000. This gave rise to a profit on disposal of £73,000.

Other acquisitions and disposals during the year comprised small changes in shareholdings in subsidiary companies.

13. DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	13,329	10,311	-	-
Amounts owed by group undertakings	-	-	218	267
Other debtors	1,370	814	2	2
Prepayments	944	810	-	-
	<u>15,643</u>	<u>11,935</u>	<u>220</u>	<u>269</u>

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14. CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Current instalment on loans (note 16)	4,077	3,272	-	-
Bank overdraft (secured)	2,947	1,595	-	-
Obligations under finance leases and hire purchase contracts (note 17)	183	164	-	-
Trade creditors	4,982	4,975	-	-
Corporation tax	663	368	-	75
Other taxes and social security costs	1,215	536	-	-
Deferred income	3,463	1,709	-	-
Other creditors	2,782	1,420	47	-
Accruals	3,984	2,871	13	17
	<u>24,296</u>	<u>16,910</u>	<u>60</u>	<u>92</u>

The bank facilities are secured by a charge over the assets and liabilities of the group, together with guarantees provided by subsidiaries.

15. CREDITORS: amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loan	221	284	-	-
Other loans	342	-	-	-
Obligations under finance leases and hire purchase contracts (note 17)	244	183	-	-
Other creditors	2	1	-	-
	<u>809</u>	<u>468</u>	<u>-</u>	<u>-</u>

16. LOANS

	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>
Amounts fully due:		
In one year or less or on demand (note 14)	4,077	3,272
In more than one year but not more than two years	554	274
In more than two years but not more than five years	9	10
	<u>4,640</u>	<u>3,556</u>

NOTES TO THE ACCOUNTS
at 31 March 1999

17. OBLIGATIONS UNDER FINANCE LEASES

<i>Group</i>	<i>1999</i> <i>£000</i>	<i>1998</i> <i>£000</i>
Amounts payable under finance leases	488	374
Less: Finance charges allocated to future periods	(61)	(27)
	<u>427</u>	<u>347</u>
Net obligations under finance leases are payable as follows:		
within one year	183	164
in two to five years	244	183
	<u>427</u>	<u>347</u>

18. PROVISION FOR LIABILITIES AND CHARGES

	<i>1999</i> <i>£000</i>	<i>As restated</i> <i>1998</i> <i>£000</i>
Deferred taxation (note 19)	23	(145)
Property lease provision (note 23)	300	350
	<u>323</u>	<u>205</u>

19. DEFERRED TAXATION

Group

The movements in deferred taxation during the current and previous years are as follows:

	<i>1999</i> <i>£000</i>	<i>1998</i> <i>£000</i>
At 1 April 1998 - (asset)	(145)	(126)
Charge/(credit) for the year	168	(19)
At 31 March 1999 - liability/(asset)	<u>23</u>	<u>(145)</u>

Deferred taxation provided in the accounts are as follows:

	<i>1999</i> <i>£000</i>	<i>1998</i> <i>£000</i>
Decelerated capital allowances	-	(52)
Short-term timing differences	23	(93)
	<u>23</u>	<u>(145)</u>

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NOTES TO THE ACCOUNTS
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20. ANALYSIS OF NET DEBT

	<i>At 1 April 1998 £000</i>	<i>Cash flow £000</i>	<i>Exchange differences £000</i>	<i>Other non cash movements £000</i>	<i>At 31 March 1999 £000</i>
Cash at bank and in hand	1,835	1,686	41	-	3,562
Overdraft	(1,595)	(1,345)	(7)	-	(2,947)
	<u>240</u>	<u>341</u>	<u>34</u>	<u>-</u>	<u>615</u>
Debt due within one year	(3,272)	(791)	(14)	-	(4,077)
Debt due after one year	(284)	(284)	5	-	(563)
Finance leases	(347)	177	-	(257)	(427)
	<u>(3,663)</u>	<u>(557)</u>	<u>25</u>	<u>(257)</u>	<u>(4,452)</u>

21. SHARE CAPITAL
Company

	<i>1999 thousands</i>	<i>Authorised 1998 thousands</i>	<i>Allotted, called up and fully paid 1999 £000</i>	<i>1998 £000</i>
Ordinary shares of 5p each	<u>1,060</u>	<u>773</u>	<u>53</u>	<u>39</u>

On 31 July 1998, the company issued a total of 4,271 ordinary shares of 5p each at a premium of £2.91 per share.

On 15 October 1998, the company issued a total of 30,885 ordinary shares of 5p each at a premium of £3.67 per share.

On 21 January 1999, the company issued a total of 251,887 ordinary shares of 5p each at par.

Group

	<i>1999 thousands</i>	<i>Authorised 1998 thousands</i>	<i>Allotted, called up and fully paid 1999 £000</i>	<i>1998 £000</i>
Ordinary shares of 5p each	<u>1,060</u>	<u>1,024</u>	<u>53</u>	<u>51</u>

The comparatives for 1998 have been restated for the shares issued to effect the merger of ERM Plc (formerly ERM Europe (Holdings) Limited) and ERM Asia Pacific Holdings Limited.

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22. MOVEMENTS IN SHARE CAPITAL AND RESERVES

Group

	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Capital reserve £000</i>	<i>Other reserves £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 April 1998 as previously stated	51	138	276	-	1,339	1,804
Prior year adjustments (note 23)	-	-	-	-	(487)	(487)
At 1 April 1998 as restated	51	138	276	-	852	1,317
Issue of shares (nominal value £1,758)	2	126	-	-	-	128
Profit for the year	-	-	-	-	755	755
Transfer to minority interests	-	-	-	-	(93)	(93)
Capital contribution	-	-	-	53	-	53
Exchange difference on re-translation of net assets of subsidiary undertakings	-	-	-	-	(176)	(176)
At 31 March 1999	53	264	276	53	1,338	1,984

Company

	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 April 1998	39	138	172	349
Loss for the year	-	-	(47)	(48)
Issued during year	14	126	-	141
At 31 March 1999	53	264	125	442

NOTES TO THE ACCOUNTS
at 31 March 1999

23. PRIOR YEAR ADJUSTMENTS

	£000
Work in progress	356
Property lease provision	125
Income recognition	6
	<u>487</u>

Work in progress

The accounting policy of the group in respect of the valuation of work in progress has been amended to treat all work in progress as short-term work in progress rather than on a long term contract basis. The directors believe that this represents a more appropriate treatment of work in progress. The effect of this change in accounting policy is to reduce the profit after tax and minority interests for the year ended 31 March 1999 by £106,000, to reduce the profit after tax and minority interests for the year ended 31 March 1998 by £129,000 and to reduce reserves at 1 April 1997 by £227,000.

Property lease provision

The company has adopted the new Financial Reporting Standard, FRS 12- 'Provisions, Contingent Assets and Contingent Liabilities' which sets out strict requirements governing the content of provisions and the timing of their recognition in the accounts. The effect of adopting the standard is to include a provision for the net present value of the future expected loss on a leasehold property. The effect of including this provision is to increase the profit after tax and minority interests for the year ended 31 March 1999 by £35,000, to increase the profit after tax and minority interests for the year ended 31 March 1998 by £75,000 and to reduce reserves at 1 April 1997 by £200,000.

Income recognition

The company has corrected a timing error that occurred on recognition of income between this year's and last year's financial statements. The effect of correcting the error for the year ended 31 March 1999 is to reduce turnover by £203,000, reduce the cost of sales by £216,000 and increase the profit after tax and minority interests by £7,000. For the year ended 31 March 1998, the effect is to reduce turnover by £218,000, reduce costs of sales by £233,000 and reduce the profit after tax and minority interests by £9,000. At 1 April 1997, the effect is to increase reserves by £3,000.

24. OTHER FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	<i>Land and buildings</i>		<i>Other</i>	
<i>Group</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
within one year	438	115	137	24
between two and five years	1,404	352	304	227
over five years	747	719	-	-
	<u>2,589</u>	<u>1,186</u>	<u>441</u>	<u>251</u>

25. POST BALANCE SHEET EVENTS

On 25 October 1999 the group acquired 90% of IRMS (UK) Ltd, whose main business is transport risk consulting, through its subsidiary, Environmental Resources Management Limited.

On 5 November 1999 the group acquired 51% of Dynamo Ecology AB and 51% of Dynamo Futura AB.