

**TAYLORS INDUSTRIAL
SERVICES LIMITED**

Report and Financial Statements

31 October 2000

**Deloitte & Touche
2 Queens Terrace
Aberdeen
AB10 1XL**



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REPORT AND FINANCIAL STATEMENTS 2000

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REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Adrian Taylor
Kevin Taylor

SECRETARY

Ann Taylor

REGISTERED OFFICE

Hareness Circle
Altens Industrial Estate
Aberdeen

BANKERS

Bank of Scotland
Tullos Branch
10 Greenwell Road
Aberdeen
AB1 4AZ

SOLICITORS

Paull & Williamsons
Investment House
6 Union Row
Aberdeen
AB10 1DQ

AUDITORS

Deloitte & Touche
2 Queens Terrace
Aberdeen
AB10 1XL

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 October 2000.

ACTIVITIES

The principal activity of the company during the year was the provision of industrial cleaning services to the waste disposal industry.

REVIEW OF DEVELOPMENTS

Despite difficult market conditions, turnover has been maintained at a similar level to 1999 and the balance sheet position remains strong. The directors are satisfied with the results for the year and expect increasing turnover and improving profitability in future years.

DIVIDENDS

The results for the year are set out in detail on page 5. The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year, together with their interests in the share capital of the company, are as follows:

	Ordinary shares of £1 each	
	2000 No	1999 No
Adrian Taylor	75	75
Kevin Taylor	25	25

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

DIRECTORS' REPORT (continued)

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 as at the end of the financial year 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; and
- 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.

Approved by the Board of Directors
And signed on behalf of the Board

Director

A handwritten signature in black ink, appearing to read 'A. Taylor', is written over a horizontal line.

AUDITORS' REPORT TO THE MEMBERS OF TAYLORS INDUSTRIAL SERVICES LIMITED

We have audited the financial statements on pages 5 to 16 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 United Kingdom 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 the company's affairs as at 31 October 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and
Registered Auditors



PROFIT AND LOSS ACCOUNT
Year ended 31 October 2000

	Note	2000 £	1999 £
TURNOVER: continuing operations	2	5,734,527	5,881,378
Cost of sales		1,941,863	2,011,947
Gross profit		3,792,664	3,869,431
Administrative expenses		2,376,381	2,809,223
Other operating income		(158,281)	(188,038)
		2,218,100	2,621,185
OPERATING PROFIT: continuing operations	4	1,574,564	1,248,246
Exceptional items	6	-	(310,000)
Operating profit after exceptional items		1,574,564	938,246
Investment income	5	970	-
Interest receivable and similar income		-	15,600
Interest payable and similar charges	7	(43,215)	(30,659)
		(42,245)	(15,059)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,532,319	923,187
Tax on profit on ordinary activities	8	478,968	381,746
PROFIT FOR THE FINANCIAL YEAR		1,053,351	541,441
Retained profit brought forward		3,832,027	3,290,586
Retained profit carried forward		4,885,378	3,832,027

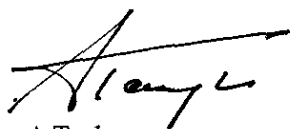
There are no recognised gains or losses for the current financial year and the preceding financial year other than as stated in the profit and loss account.

BALANCE SHEET
31 October 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Tangible assets	9	3,985,271	3,428,551
Investments	10	1,824,445	1,728,771
		<u>5,809,716</u>	<u>5,157,322</u>
CURRENT ASSETS			
Debtors	11	1,503,013	1,262,847
Cash at bank and in hand		502	286
		<u>1,503,515</u>	<u>1,263,133</u>
CREDITORS: amounts falling due within one year	12	<u>2,251,076</u>	<u>2,443,501</u>
NET CURRENT LIABILITIES		<u>(747,561)</u>	<u>(1,180,368)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,062,155	3,976,954
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(176,677)</u>	<u>(144,827)</u>
		<u>4,885,478</u>	<u>3,832,127</u>
CAPITAL AND RESERVES			
Called up share capital	15	100	100
Profit and loss account		<u>4,885,378</u>	<u>3,832,027</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	16	<u>4,885,478</u>	<u>3,832,127</u>

These financial statements were approved by the Board of Directors on 11 April 2001

Signed on behalf of the Board of Directors



A Taylor
Director

CASH FLOW STATEMENT
Year ended 31 October 2000

	Note	2000 £	1999 £
Net cash inflow from operating activities	20	1,840,668	686,929
Returns on investments and servicing of finance			
Investment income received		970	-
Interest received		-	15,600
Interest paid		(43,215)	(30,659)
Net cash inflow from returns on investments and servicing of finance		(42,245)	(15,059)
Taxation			
Corporation tax paid		(548,993)	(68,643)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(948,790)	(290,577)
Receipts from sales of tangible fixed assets		19,000	6,000
Purchase of investments		(95,674)	(1,965,646)
Net cash outflow from capital expenditure and financial investment		(1,025,464)	(2,250,223)
Increase/(decrease) in cash	20	223,966	(1,646,996)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash		223,966	(1,646,996)
Net (debt)/funds at 1 November		(1,278,717)	368,279
Net debt at 31 October	20	(1,054,751)	(1,278,717)

NOTES TO THE ACCOUNTS**Year ended 31 October 2000****1. ACCOUNTING POLICIES**

The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Investment properties

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. *No depreciation is provided in respect of investment properties.*

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation can not easily be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Tangible fixed assets

Depreciation is provided on cost over the estimated useful lives of the assets. The rates of depreciation are as follows:

Buildings	2% straight line
Plant and equipment	15% - 25% reducing balance
Motor vehicles	15% - 25% reducing balance

Freehold land is not depreciated

Investments

Investments are stated at cost less provision for any impairment. No gross equity-based information is provided in respect of joint venture investments as this company is entitled to the exemption available to a company which would be exempt from preparing consolidated financial statements if it did have subsidiaries.

Deferred taxation

Deferred tax is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Pension costs

The company operates a defined contribution pension scheme and the pension charge in the profit and loss account represents the amounts payable by the company to the fund in respect of the year.

Leases and hire purchase

Assets acquired under finance lease or hire purchase contract are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

Rental costs under operating leases are charged to the profit and loss account over the period of the lease.

NOTES TO THE ACCOUNTS

Year ended 31 October 2000

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax.

The turnover, which arises in the United Kingdom, is attributable to the company's principal activity.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2000 £	1999 £
Directors' remuneration		
Emoluments (excluding pension contributions)	621,426	966,155
Company contributions to money purchase and similar pension schemes in respect of directors' services	32,520	8,520
	<u>2000</u> <u>No</u>	<u>1999</u> <u>No</u>
The number of directors who:		
▪ are members of a money purchase pension scheme	1	1
	<u>2000</u> <u>£</u>	<u>1999</u> <u>£</u>
Remuneration of the highest paid director:		
Aggregate of emoluments (excluding Pension contributions)	318,211	593,096
Company contributions to money purchase and similar Pension schemes in respect of directors' services	-	8,520
	<u>2000</u> <u>£</u>	<u>1999</u> <u>£</u>
Average number of persons employed		
Sales	1	1
Administration	7	7
Drivers/labourers	42	42
	<u>50</u>	<u>50</u>
	<u>2000</u> <u>£</u>	<u>1999</u> <u>£</u>
Staff costs during the year (including directors)		
Wages and salaries	1,714,520	2,097,791
Social security costs	182,922	219,172
Pension costs	38,886	14,336
	<u>1,936,328</u>	<u>2,331,299</u>

NOTES TO THE ACCOUNTS
Year ended 31 October 2000**4. OPERATING PROFIT**

	2000 £	1999 £
Operating profit is after charging:		
Depreciation		
Owned assets	371,588	362,685
Loss on disposal of fixed assets	1,482	22,980
Rentals under operating leases		
Hire of plant and machinery	5,280	5,280
Other operating leases	11,500	10,931
Auditors' remuneration	6,250	5,500
	<u> </u>	<u> </u>
and after crediting:		
Rent receivable	158,281	188,038
	<u> </u>	<u> </u>

5. INVESTMENT INCOME

	2000 £	1999 £
Income received from fixed asset investment	970	-
	<u> </u>	<u> </u>

6. EXCEPTIONAL ITEMS

	2000 £	1999 £
Provision for diminution in value of investments	-	310,000
	<u> </u>	<u> </u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £	1999 £
Bank overdraft	43,215	30,659
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS

Year ended 31 October 2000

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
United Kingdom corporation tax at 30% (1999: 30%)	445,850	381,325
Deferred taxation	32,553	7,747
	<u>478,403</u>	<u>389,072</u>
Adjustments to prior years' tax provisions		
Corporation tax	1,268	359
Deferred taxation	(703)	(7,685)
	<u>478,968</u>	<u>381,746</u>

9. TANGIBLE FIXED ASSETS

	Investment properties £	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At 1 November 1999	740,625	1,208,482	1,484,977	1,841,142	5,275,226
Additions in year	310,254	86,866	218,504	333,166	948,790
Disposals in year	-	-	(20,000)	(79,500)	(99,500)
At 31 October 2000	<u>1,050,879</u>	<u>1,295,348</u>	<u>1,683,481</u>	<u>2,094,808</u>	<u>6,124,516</u>
Accumulated depreciation					
At 1 November 1999	-	72,786	898,468	875,421	1,846,675
Charge for the year	-	15,322	129,064	227,202	371,588
Disposals in year	-	-	(9,560)	(69,458)	(79,018)
At 31 October 2000	<u>-</u>	<u>88,108</u>	<u>1,017,972</u>	<u>1,033,165</u>	<u>2,139,245</u>
Net book value					
At 31 October 2000	<u>1,050,879</u>	<u>1,207,240</u>	<u>665,509</u>	<u>1,061,643</u>	<u>3,985,271</u>
At 31 October 1999	<u>740,625</u>	<u>1,135,696</u>	<u>586,509</u>	<u>965,721</u>	<u>3,428,551</u>

The value of freehold land included in freehold land and buildings amounted to £500,000 (1999: £500,000).

Investment properties are valued at historic cost, which the directors consider to represent the open market value.

NOTES TO THE ACCOUNTS
Year ended 31 October 2000

10. INVESTMENTS HELD AS FIXED ASSETS

	Joint venture investment £	Other investments £	Total £
Cost or valuation			
At 1 November 1999	1,965,646	73,125	2,038,771
Additions in year	-	95,674	95,674
At 31 October 2000	1,965,646	168,799	2,134,445
Provision for diminution in value of investments			
At 1 November 1999 and 31 October 2000	310,000	-	310,000
Net book value			
At 31 October 2000	1,655,646	168,799	1,824,445
At 31 October 1999	1,655,646	73,125	1,728,771

The company owns 5000 "B" ordinary shares of £1 each, representing 50% of the equity share capital of Mountwest 229 Limited. The company also owns 409,000 cumulative redeemable preference shares, being 100% of the non-equity share capital of Mountwest 229 Limited.

Mountwest 229 Limited owns 100 ordinary shares of £1 each representing 100% of the issued share capital of Easter Hatton Environmental (Waste Away) Limited.

Mountwest 229 Limited was incorporated on 6 April 1999 as a holding company. Financial statements for the first period of trading have not yet been finalised.

The principal activity of Easter Hatton Environmental (Waste Away) Limited is to operate a landfill site at Easter Hatton, Balmedie, Aberdeenshire. The most recent financial statements prepared by the company are in respect of year ended 31 March 1999, a period prior to the investment by Mountwest 229 Limited. The capital and reserves of the company at that date totalled £1,734,698.

Included in other investments are listed investments amounting to £72,909 (1999: £22,928).

The market value of listed investments at the balance sheet date was £69,186 (1999: £14,285).

NOTES TO THE ACCOUNTS
Year ended 31 October 2000**11. DEBTORS**

	2000	1999
	£	£
Trade debtors	1,432,734	1,173,202
Other debtors	2,125	21,259
Prepayments and accrued income	68,154	68,386
	<u>1,503,013</u>	<u>1,262,847</u>

All amounts are due within one year.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000	1999
	£	£
Bank overdraft	1,055,253	1,279,003
Trade creditors	223,818	337,012
Directors' current accounts	3,832	3,832
Corporation tax	279,450	381,325
Other taxes and social security	202,756	103,931
Accruals and deferred income	485,967	338,398
	<u>2,251,076</u>	<u>2,443,501</u>

13. BORROWINGS

	2000	1999
	£	£
Bank overdraft	<u>1,055,253</u>	<u>1,279,003</u>

The overdraft is secured by a bond and floating charge over the whole assets of the company and a standard security over the land and buildings at Hareness Circle, Aberdeen.

NOTES TO THE ACCOUNTS
Year ended 31 October 2000**14. PROVISIONS FOR LIABILITIES AND CHARGES**

	Balance at 1 November 1999 £	Charged to profit and loss account £	Balance at 31 October 2000 £
Deferred taxation	144,827	31,850	176,677

The amounts of deferred taxation provided and unprovided in the accounts are:

	Provided 2000 £	Provided 1999 £	Not provided 2000 £	Not provided 1999 £
Accelerated capital allowances	176,677	144,827	-	-

15. CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised		
1,000,000 ordinary shares of £1.00 each	1,000,000	1,000,000
Called up, allotted and fully paid		
100 ordinary shares of £1.00 each	100	100

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Profit attributable to members of the company	1,053,351	541,441
Opening shareholders' funds	3,832,127	3,290,686
Closing shareholders' funds	4,885,478	3,832,127

NOTES TO THE ACCOUNTS

Year ended 31 October 2000

17. FINANCIAL COMMITMENTS

Operating lease commitments

At 31 October 2000 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2000 £	Land and buildings 1999 £	Other 2000 £	Other 1999 £
Leases which expire:				
Within one year	-	-	-	5,280
Within two to five years	11,448	11,500	-	-
	<u>11,448</u>	<u>11,500</u>	<u>-</u>	<u>5,280</u>

18. PENSION SCHEMES

The company operated a defined contribution scheme for a director. The company paid £32,520 (1999: £8,520) to the scheme during the year. No amount is outstanding to the pension scheme at the year end (1999: £Nil).

The company also operated a second defined contribution scheme on behalf of its employees. The pension costs represent amounts payable by the company to the pension scheme and amount to £6,366 (1999: £5,816). There were no amounts outstanding to the pension scheme at the year end (1999: £Nil).

19. RELATED PARTY TRANSACTIONS

The company has interest free loan balances with each of the directors and owes them the following amounts:

Adrian Taylor £72 (1999: £72) Maximum amount outstanding during the year £72.

Kevin Taylor £3,760 (1999: £3,760) Maximum amount outstanding during the year £3,760.

Investments as shown in note 10 to the accounts includes an investment costing £60,000 of which £50,000 is attributable to the company, with the remaining £10,000 having been paid personally by Adrian Taylor.

During the year the company paid £177,028 (1999: £nil) to Easter Hatton Environmental (Waste Away) Limited for landfill disposal services. Taylors Industrial Services Limited has a 50% share of the equity share capital of Mountwest 229 Limited, the parent company of Easter Hatton Environmental (Waste Away) Limited, as described in note 10.

NOTES TO THE ACCOUNTS**Year ended 31 October 2000****20. NOTES TO THE CASHFLOW STATEMENT****(a) Reconciliation of operating profit to net cash inflow from operating activities**

	2000 £	1999 £
Operating profit	1,574,564	1,248,246
Depreciation	371,588	362,685
Loss on sale of fixed assets	1,482	22,980
Increase in debtors	(240,166)	(263,790)
Decrease in creditors	133,200	(683,192)
	<u>1,840,668</u>	<u>686,929</u>
Net cash inflow from operating activities	<u><u>1,840,668</u></u>	<u><u>686,929</u></u>

(b) Analysis of changes in net debt

	At 1 November 1999 £	Cash flow £	At 31 October 2000 £
Cash at bank and in hand	286	216	502
Bank overdraft	(1,279,003)	223,750	(1,055,253)
	<u>(1,278,717)</u>	<u>223,966</u>	<u>(1,054,751)</u>