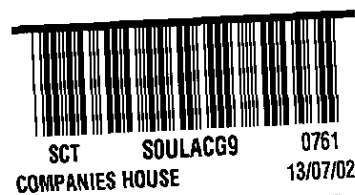


**TAYLORS INDUSTRIAL
SERVICES LIMITED**

Report and Financial Statements

31 October 2001

**Deloitte & Touche
2 Queen's Terrace
Aberdeen
AB10 1XL**



REPORT AND FINANCIAL STATEMENTS 2001

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REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Adrian Taylor
Kevin Taylor

SECRETARY

Ann Taylor

REGISTERED OFFICE

Hareness Circle
Altens Industrial Estate
Aberdeen
AB12 3LY

BANKERS

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

SOLICITORS

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

AUDITORS

Deloitte & Touche
2 Queen's Terrace
Aberdeen
AB10 1XL

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 October 2001.

ACTIVITIES

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

RESULTS

The profit for the year after tax amounted to £1,890,505 (2000: £1,053,351).

REVIEW OF DEVELOPMENTS

The directors are satisfied with the results for the year and look forward to continued profitability.

DIVIDENDS

No dividend was paid during the year and no final dividend is proposed (2000: £nil). The retained profit of £1,890,505 (2000: £1,053,351) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1.

The directors' interests in the share capital of the company, as defined by the Companies Act 1985, at 31 October 2001 and 1 November 2000 are as follows:

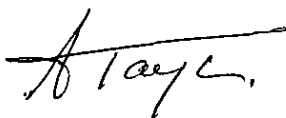
	Ordinary shares of £1 each No
Adrian Taylor	75
Kevin Taylor	25

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.

Approved by the board of directors
And signed on behalf of the board

Director



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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TAYLORS INDUSTRIAL SERVICES LIMITED

We have audited the financial statements of Taylors Industrial Services Limited for the year ended 31 October 2001 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors' are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit 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 affairs of the company as at 31 October 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors

17 June 2002

PROFIT AND LOSS ACCOUNT
Year ended 31 October 2001

	Note	2001 £	2000 £
TURNOVER: continuing operations	2	8,337,202	5,734,527
Cost of sales		3,058,591	1,941,863
Gross profit		5,278,611	3,792,664
Administrative expenses		2,896,953	2,376,381
Other operating income		(156,337)	(158,281)
		2,740,616	2,218,100
OPERATING PROFIT: continuing operations	4	2,537,995	1,574,564
Investment income	5	172,865	970
Interest receivable and similar income		3,927	-
Interest payable and similar charges	6	(27,971)	(43,215)
		148,821	(42,245)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,686,816	1,532,319
Tax on profit on ordinary activities	7	796,311	478,968
PROFIT FOR THE FINANCIAL YEAR		1,890,505	1,053,351
Retained profit brought forward		4,885,378	3,832,027
Retained profit carried forward		6,775,883	4,885,378

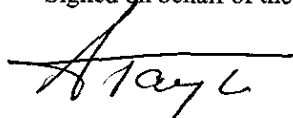
There are no recognised gains or losses for the current financial year and the preceding financial year other than as stated in the profit and loss account.

BALANCE SHEET
At 31 October 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Tangible assets	8	4,630,229	3,985,271
Investments	9	1,643,033	1,824,445
		<u>6,273,262</u>	<u>5,809,716</u>
CURRENT ASSETS			
Debtors	10	2,252,094	1,503,013
Cash at bank and in hand		1,458	502
		<u>2,253,552</u>	<u>1,503,515</u>
CREDITORS: amounts falling due within one year	11	1,509,757	2,251,076
NET CURRENT ASSETS/(LIABILITIES)		<u>743,795</u>	<u>(747,561)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,017,057	5,062,155
CREDITORS: amounts falling due after more than one year	12	981	-
PROVISIONS FOR LIABILITIES AND CHARGES	13	240,093	176,677
		<u>6,775,983</u>	<u>4,885,478</u>
CAPITAL AND RESERVES			
Called up share capital	14	100	100
Profit and loss account		6,775,883	4,885,378
TOTAL EQUITY SHAREHOLDERS' FUNDS	15	<u>6,775,983</u>	<u>4,885,478</u>

These financial statements were approved by the board of directors on 14 June 2002.

Signed on behalf of the board of directors



Director

CASH FLOW STATEMENT
Year ended 31 October 2001

	Note	2001 £	2000 £
Net cash inflow from operating activities	19	2,456,966	1,840,668
Returns on investments and servicing of finance	20i	148,821	(42,245)
Taxation		(598,615)	(548,993)
Capital expenditure	20ii	(1,129,100)	(1,025,464)
Net cash inflow before financing		878,072	223,966
Financing	20iii	(14,733)	-
Increase in cash	21	863,339	223,966

NOTES TO THE ACCOUNTS

Year ended 31 October 2001

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 cannot 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 machinery	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 contracts 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 2001

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

	2001 £	2000 £
Directors' remuneration		
Emoluments (excluding pension contributions)	500,967	621,426
Company contributions to money purchase and similar pension schemes in respect of directors' services	39,020	32,520
	2001 £	2000 £
The number of directors who:		
▪ are members of a money purchase pension scheme	1	1
	2001 £	2000 £
Remuneration of the highest paid director:		
Aggregate of emoluments (excluding pension contributions)	355,096	318,211
	2001 £	2000 £
Average number of persons employed		
Sales	1	1
Administration	9	5
Drivers/labourers	37	27
Operations	21	17
	68	50
	2001 £	2000 £
Staff costs during the year (including directors)		
Wages and salaries	2,044,823	1,714,520
Social security costs	225,048	182,922
Pension costs	46,136	38,886
	2,316,007	1,936,328

NOTES TO THE ACCOUNTS
Year ended 31 October 2001**4. OPERATING PROFIT**

	2001	2000
	£	£
Operating profit is stated after charging:		
Depreciation		
Owned assets	503,100	371,588
Assets held on hire purchase	3,994	-
Amortisation of investment	181,412	-
Loss on disposal of fixed assets	-	1,482
Rentals under operating leases		
Hire of plant and machinery	2,107	5,280
Other operating leases	11,448	11,500
Auditors' remuneration	7,000	6,250
	<u> </u>	<u> </u>
and after crediting:		
Rent receivable	156,337	158,281
Gain on disposal of fixed assets	4,296	-
	<u> </u>	<u> </u>

5. INVESTMENT INCOME

	2001	2000
	£	£
Income received from fixed asset investments	172,865	970
	<u> </u>	<u> </u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2001	2000
	£	£
Bank overdraft	27,971	43,215
	<u> </u>	<u> </u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001	2000
	£	£
United Kingdom corporation tax at 30% (2000: 30%)	769,740	445,850
Deferred taxation	66,990	32,553
	<u> </u>	<u> </u>
	836,730	478,403
Adjustments to prior years' tax provisions		
Corporation tax	(36,845)	1,268
Deferred taxation	(3,574)	(703)
	<u> </u>	<u> </u>
	796,311	478,968
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 31 October 2001**8. TANGIBLE FIXED ASSETS**

	Investment properties £	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At 1 November 2000	1,050,879	1,295,348	1,683,481	2,094,808	6,124,516
Additions in year	-	39,240	305,583	829,773	1,174,596
Disposals in year	-	-	-	(72,050)	(72,050)
At 31 October 2001	<u>1,050,879</u>	<u>1,334,588</u>	<u>1,989,064</u>	<u>2,852,531</u>	<u>7,227,062</u>
Accumulated depreciation					
At 1 November 2000	-	88,108	1,017,972	1,033,165	2,139,245
Charge for the year	-	16,870	155,511	334,713	507,094
Disposals in year	-	-	-	(49,506)	(49,506)
At 31 October 2001	<u>-</u>	<u>104,978</u>	<u>1,173,483</u>	<u>1,318,372</u>	<u>2,596,833</u>
Net book value					
At 31 October 2001	<u>1,050,879</u>	<u>1,229,610</u>	<u>815,581</u>	<u>1,534,159</u>	<u>4,630,229</u>
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>

The value of freehold land included in freehold land and buildings amounted to £500,000 (2000: £500,000).

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

The net book value of tangible fixed assets includes £11,981 (2000: £nil) in respect of assets held under hire purchase agreements.

NOTES TO THE ACCOUNTS
Year ended 31 October 2001

9. INVESTMENTS HELD AS FIXED ASSETS

	Joint venture investment £	Other investments £	Total £
Cost			
At 1 November 2000 and at 31 October 2001	1,965,646	168,799	2,134,445
Provision for diminution in value of investments			
At 1 November 2000	310,000	-	310,000
Charge for the year	181,412	-	181,412
At 31 October 2001	491,412	-	491,412
Net book value			
At 31 October 2001	1,474,234	168,799	1,643,033
At 31 October 2000	1,655,646	168,799	1,824,445

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. The capital and reserves of the company at that date totalled £1,521,873 and the loss for the year ended 30 June 2001 amounted to £1,999.

The principal activity of Easter Hatton Environmental (Waste Away) Limited is to operate a landfill site at Easter Hatton, Balmedie, Aberdeenshire. The latest financial statements prepared by the company are in respect of year ended 30 June 2001. The capital and reserves of the company at that date totalled £1,313,034 and the loss for the year ended 30 June 2001 amounted to £100,172.

Included in other investments are listed investments amounting to £72,909 (2000: £72,909).

The market value of listed investments at the balance sheet date was £73,785 (2000: £69,186).

10. DEBTORS

	2001 £	2000 £
Trade debtors	2,174,172	1,432,734
Other debtors	4,525	2,125
Prepayments and accrued income	73,397	68,154
	<u>2,252,094</u>	<u>1,503,013</u>

NOTES TO THE ACCOUNTS

Year ended 31 October 2001

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank overdraft	192,870	1,055,253
Trade creditors	327,225	223,818
Amounts due to related party (note 18)	158,851	-
Directors' current accounts	3,832	3,832
Obligations under finance leases and hire purchase contracts (note 13)	2,942	-
Corporation tax	413,730	279,450
Other taxes and social security	339,262	202,756
Accruals and deferred income	71,045	485,967
	<u>1,509,757</u>	<u>2,251,076</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.

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £	2000 £
Obligations under finance leases and hire purchase contracts due between one and two years	981	-

Obligations under finance leases and hire purchase contracts are secured over the related assets.

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 1 November 2000 £	Charged to profit and loss account £	Balance at 31 October 2001 £
Deferred taxation	176,677	63,416	240,093

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

	Provided 2001 £	Provided 2000 £	Not provided 2001 £	Not provided 2000 £
Accelerated capital allowances	240,093	176,677	-	-

NOTES TO THE ACCOUNTS
Year ended 31 October 2001

14. CALLED UP SHARE CAPITAL

	2001 £	2000 £
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

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit attributable to members of the company	1,890,505	1,053,351
Opening shareholders' funds	4,885,478	3,832,127
Closing shareholders' funds	6,775,983	4,885,478

16. FINANCIAL COMMITMENTS

Operating lease commitments

At 31 October 2001 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2001 £	Land and buildings 2000 £	Other 2001 £	Other 2000 £
Leases which expire:				
Within one to two years	11,448	-	-	-
Within two to five years	-	11,448	2,809	-
	11,448	11,448	2,809	-

NOTES TO THE ACCOUNTS

Year ended 31 October 2001

17. PENSION SCHEMES

The company operates a defined contribution scheme for a director. The company paid £39,020 (2000: £32,520) to the scheme during the year. No amount is outstanding to the pension scheme at the year end (2000: £nil)

The company also operates 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 £7,116 (2000: £6,366). There were no amounts outstanding to the pension scheme at the year end (2000: £nil).

18. RELATED PARTY TRANSACTIONS

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

Adrian Taylor £72 (2000: £72) Maximum amount outstanding during the year £72.

Kevin Taylor £3,760 (2000: £3,760) Maximum amount outstanding during the year £3,760.

Investments as shown in note 9 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 traded with Easter Hatton Environmental (Waste Away) Limited, a company in which 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 9

Sales of £111,722 (2000: £nil) and purchases of £771,049 (2000: £177,028) were made with Easter Hatton Environmental (Waste Away) Limited, of which £158,851 (2000: £nil) remained due to Easter Hatton Environmental (Waste Away) Limited at the year end.

19. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2001 £	2000 £
Operating profit	2,537,995	1,574,564
Depreciation	507,094	371,588
(Gain) / loss on disposal of tangible fixed assets	(4,296)	1,482
Amortisation of investment	181,412	-
Increase in debtors	(749,081)	(240,166)
(Decrease)/increase in creditors	(16,158)	133,200
Net cash inflow from operating activities	<u>2,456,966</u>	<u>1,840,668</u>

NOTES TO THE ACCOUNTS
Year ended 31 October 2001**20. GROSS CASH FLOWS****i) Returns on Investments and Servicing of Finance**

	2001 £	2000 £
Net interest paid	(24,044)	(43,215)
Investment income received	172,865	970
	<u>148,821</u>	<u>(42,245)</u>

ii) Capital Expenditure

	2001 £	2000 £
Payment to acquire tangible fixed assets	(1,155,940)	(948,790)
Proceeds on disposal of fixed assets	26,840	19,000
Purchase of investments	-	(95,674)
	<u>(1,129,100)</u>	<u>(1,025,464)</u>

iii) Financing

	2001 £	2000 £
Capital element of hire purchase	<u>(14,733)</u>	<u>-</u>

21. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2001 £	2000 £
Increase in cash in the period	863,339	223,966
Cash outflow from debt and lease financing	14,733	-
Changes in net debt resulting from cash flows	878,072	223,966
Inception of new finance leases	(18,656)	-
Movement in net debt in the period	859,416	223,966
Opening net debt	(1,054,751)	(1,278,717)
Closing net debt	<u>(195,335)</u>	<u>(1,054,751)</u>

NOTES TO THE ACCOUNTS
Year ended 31 October 2001**22. ANALYSIS OF CHANGES IN NET DEBT**

	Net debt as at 1 November 2000	Cash flows £	Other non cash movements £	Net debt as at 31 October 2001 £
Cash at bank and in hand	502	956	-	1,458
Bank overdraft	(1,055,253)	862,383	-	(192,870)
	(1,054,751)	863,339	-	(191,412)
Finance leases	-	14,733	(18,656)	(3,923)
	(1,054,751)	878,072	(18,656)	(195,335)