

Company Registration No. SC134666

TAYLORS INDUSTRIAL SERVICES LIMITED

Report and Financial Statements

31 October 2002



**Deloitte & Touche
Aberdeen**

TAYLORS INDUSTRIAL SERVICES LIMITED**REPORT AND FINANCIAL STATEMENTS 2002**

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Statement of total recognised gains and losses	6
Balance sheet	7
Cash flow statement	8
Notes to the accounts	9
Additional information	21

TAYLORS INDUSTRIAL SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Adrian Taylor
Kevin Taylor

SECRETARY

Ann Taylor

REGISTERED OFFICE

Hareness Circle
Altens Industrial Estate
Altens
Aberdeen
AB12 3LY

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
Chartered Accountants
Aberdeen

TAYLORS INDUSTRIAL SERVICES LIMITED**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 October 2002.

ACTIVITIES

The company's principal activity is the provision of industrial cleaning services to the waste disposal industry.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

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 (2001 : £nil). The retained profit of £1,547,421 (2001 : £1,890,505) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

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

	Ordinary shares	
	As at 31 October 2002 No.	As at 1 November 2001 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 re-appoint them will be proposed at the forthcoming Annual General Meeting.

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


.....22/01/.....2003

TAYLORS INDUSTRIAL SERVICES LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom 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 2002, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of 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 to you 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 company's affairs as at 31 October 2002 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
Aberdeen



TAYLORS INDUSTRIAL SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
Year ended 31 October 2002

	Note	2002 £	2001 £
TURNOVER: continuing operations	2	9,703,405	8,337,202
Cost of sales		(3,127,499)	(3,060,698)
Gross profit		<u>6,575,906</u>	<u>5,276,504</u>
Administrative expenses		(4,476,064)	(2,894,846)
Other operating income		77,461	156,337
Net operating expenses		<u>(4,398,603)</u>	<u>(2,738,509)</u>
OPERATING PROFIT: continuing operations	4	2,177,303	2,537,995
Investment income	5	23,538	172,865
Interest receivable and similar income		29,321	3,927
Interest payable and similar charges	6	<u>(9,794)</u>	<u>(27,971)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,220,368	2,686,816
Tax on profit on ordinary activities	7	<u>(672,947)</u>	<u>(796,311)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR			
TRANSFERRED TO RESERVES	16	<u>1,547,421</u>	<u>1,890,505</u>

The statement of movements on reserves is shown in note 16 to the accounts.

TAYLORS INDUSTRIAL SERVICES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 October 2002

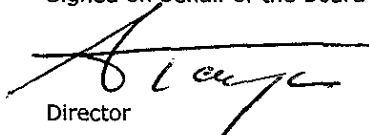
	2002	2001
	£	£
Profit attributable to the members of the company	1,547,421	1,890,505
Movement in revaluation reserve	200,000	-
Total recognised gains and losses related to the year	<u><u>1,747,421</u></u>	<u><u>1,890,505</u></u>

TAYLORS INDUSTRIAL SERVICES LIMITED
**BALANCE SHEET
31 October 2002**

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	8	5,131,829	4,630,229
Investments	9	1,734,110	1,643,033
		<u>6,865,939</u>	<u>6,273,262</u>
CURRENT ASSETS			
Debtors	10	2,060,172	2,252,094
Cash at bank and in hand		1,976,399	1,458
		<u>4,036,571</u>	<u>2,253,552</u>
CREDITORS: amounts falling due within one year	11	<u>(2,003,684)</u>	<u>(1,509,757)</u>
NET CURRENT ASSETS		<u>2,032,887</u>	<u>743,795</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,898,826</u>	<u>7,017,057</u>
CREDITORS: amounts falling due after more than one year	12	(87,365)	(981)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(288,057)	(240,093)
NET ASSETS		<u><u>8,523,404</u></u>	<u><u>6,775,983</u></u>
CAPITAL AND RESERVES			
Called up share capital	15	100	100
Revaluation reserve	16	200,000	-
Profit and loss account	16	8,323,304	6,775,883
TOTAL EQUITY SHAREHOLDERS' FUNDS	17	<u><u>8,523,404</u></u>	<u><u>6,775,983</u></u>

These financial statements were approved by the Board of Directors on22/07/.....2003.

Signed on behalf of the Board of Directors


Director

TAYLORS INDUSTRIAL SERVICES LIMITED
**CASH FLOW STATEMENT
Year ended 31 October 2002**

	Note	2002 £	2001 £
Net cash inflow from operating activities	21	3,778,073	2,456,966
Returns on investments and servicing of finance	22	43,065	148,821
Taxation	22	(858,491)	(598,615)
Capital expenditure and financial investment	22	(770,639)	(1,129,100)
Net cash inflow before financing		2,192,008	878,072
Financing	22	(24,197)	(14,733)
Increase in cash in the year		2,167,811	863,339

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS (note 23)

	2002 £	2001 £
Increase in cash in the year	2,167,811	863,339
Cash outflow from decrease in debt and lease financing	24,197	14,733
Change in net funds resulting from cash flows	2,192,008	878,072
New finance leases and hire purchase contracts	(125,261)	(18,656)
Movement in net funds in the year	2,066,747	859,416
Net debt brought forward	(195,335)	(1,054,751)
Net funds / (debt) carried forward	1,871,412	(195,335)

TAYLORS INDUSTRIAL SERVICES LIMITED**NOTES TO THE ACCOUNTS
Year ended 31 October 2002****1 ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of investment properties.

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:

Freehold buildings	2% straight line
Plant & 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 taxation is provided in full on timing differences which result in an obligation at the balance sheet date, to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

TAYLORS INDUSTRIAL SERVICES LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 October 2002
1 ACCOUNTING POLICIES (continued)
Leases and hire purchase

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease rentals in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal amounts over the lease term.

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.

2 TURNOVER

Turnover, which arises in the United Kingdom, 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.

All turnover is attributable to the provision of industrial cleaning services to the waste disposal industry.

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002 £	2001 £
Directors' remuneration		
Emoluments (excluding pension contributions)	<u>1,453,653</u>	<u>505,096</u>
Company contributions to money purchase and similar pension schemes in respect of directors' services	<u>38,020</u>	<u>39,020</u>
	2002 No.	2001 No.
The number of directors who:		
▪ are members of a money purchase pension scheme	<u>1</u>	<u>1</u>
	2002 £	2001 £
Remuneration of the highest paid director:		
Aggregate of emoluments (excluding pension contributions)	<u>805,000</u>	<u>344,637</u>
Company contributions to money purchase and similar pension schemes in respect of director's services	<u>38,020</u>	<u>39,020</u>

TAYLORS INDUSTRIAL SERVICES LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 October 2002
3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2002	2001
	No.	No.
Average number of persons employed		
Sales	1	1
Administration	10	9
Drivers/labourers	33	37
Operations	25	21
	<u>69</u>	<u>68</u>

	2002	2001
	£	£
Staff costs during the year (including directors)		
Wages and salaries	3,224,336	2,044,823
Social security costs	339,415	225,048
Pension costs	44,287	46,136
	<u>3,608,038</u>	<u>2,316,007</u>

4 OPERATING PROFIT

	2002	2001
	£	£
Operating profit is after charging:		
Depreciation		
Owned assets	455,549	503,100
Leased assets	34,842	3,994
Loss on disposal of fixed assets	2,076	-
Rentals under operating leases		
Hire of plant and machinery	4,303	2,107
Other operating leases	11,448	11,448
Amortisation of investments	-	181,412
Auditors' remuneration	7,200	7,000
	<u>77,461</u>	<u>156,337</u>
and after crediting:		
Rents receivable	77,461	156,337
Profit on disposal of fixed assets	-	4,296
	<u>-</u>	<u>4,296</u>

TAYLORS INDUSTRIAL SERVICES LIMITED
**NOTES TO THE ACCOUNTS
Year ended 31 October 2002**
5 INVESTMENT INCOME

	2002	2001
	£	£
Dividends received	23,538	172,865

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
Bank loans and overdrafts	2,429	27,971
Finance leases and hire purchase contracts	7,365	-
	9,794	27,971

7 TAX ON PROFIT ON ORDINARY ACTIVITIES
Tax charge for the year

	2002	2001
	£	£
<i>Current taxation</i>		
United Kingdom corporation tax	646,766	769,740
Adjustments in respect of prior years	(21,783)	(36,845)
Total current tax charge	624,983	732,895
<i>Deferred taxation</i>		
Timing differences, origination and reversal	47,964	63,416
Tax on profit on ordinary activities	672,947	796,311

TAYLORS INDUSTRIAL SERVICES LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 October 2002
7 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The standard rate of corporation tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and the previous year differs from the standard rate for the reasons set out in the following tax reconciliation:

Reconciliation of current tax

	2002	2001
	£	£
Profit on ordinary activities before taxation	2,220,368	2,686,816
Tax on profit on ordinary activities at standard rate	666,110	806,045
<i>Factors affecting charge for the year:</i>		
Capital allowances in excess of depreciation	(44,320)	(66,990)
Expenses not deductible for tax purposes	20,037	82,545
Dividend income	(7,062)	(51,860)
Prior period adjustments	(21,783)	(36,845)
Total actual amount of current tax	612,982	732,895

Analysis of deferred tax balances

	Provided 2002	Provided 2001
	£	£
Accelerated capital allowances	288,057	240,093

Analysis of movement in deferred tax provision

	Deferred taxation
	£
Balance at 1 November 2001 (note 14)	240,093
Charged to the profit and loss account	47,964
Balance at 31 October 2002 (note 14)	288,057

TAYLORS INDUSTRIAL SERVICES LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 October 2002
8 TANGIBLE FIXED ASSETS

	Investment properties	Freehold buildings	Plant & machinery	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 November 2001	1,050,879	1,334,588	1,989,064	2,852,531	7,227,062
Additions in year	-	167,185	296,372	346,750	810,307
Disposals in year	-	-	-	(99,515)	(99,515)
Revaluation adjustment	200,000	-	-	-	200,000
At 31 October 2002	<u>1,250,879</u>	<u>1,501,773</u>	<u>2,285,436</u>	<u>3,099,766</u>	<u>8,137,854</u>
Accumulated depreciation					
At 1 November 2001	-	104,978	1,173,483	1,318,372	2,596,833
Charge in year	-	20,035	170,848	299,508	490,391
Disposals in year	-	-	-	(81,199)	(81,199)
At 31 October 2002	<u>-</u>	<u>125,013</u>	<u>1,344,331</u>	<u>1,536,681</u>	<u>3,006,025</u>
Net book value					
At 31 October 2002	<u>1,250,879</u>	<u>1,376,760</u>	<u>941,105</u>	<u>1,563,085</u>	<u>5,131,829</u>
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>

The value of freehold land included in freehold land and buildings amounted to £500,000 (2001 : £500,000).

The investment properties were revalued during the year by the directors. The directors consider this to represent the open market value. The historical cost of the investment properties is £1,050,879 (2001 : £1,050,879)

The net book value of tangible fixed assets includes £104,521 (2001 : £11,981) in respect of assets held under hire purchase agreements.

TAYLORS INDUSTRIAL SERVICES LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 October 2002
9 INVESTMENTS HELD AS FIXED ASSETS

	Joint venture investment £	Other investments £	Total £
Cost or valuation			
At 1 November 2001	1,965,646	168,799	2,134,445
Additions in year	-	101,833	101,833
At 31 October 2002	1,965,646	270,632	2,236,278
Provisions for diminution in value			
At 1 November 2001	491,412	-	491,412
Charge for the year	-	10,756	10,756
At 31 October 2002	491,412	10,756	502,168
Net book value			
At 31 October 2002	1,474,234	259,876	1,734,110
At 31 October 2001	1,474,234	168,799	1,643,033

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 was £1,797,171 (2001: £1,521,873 and the profit for the year ended 30 June 2002 amounted to £405,298 (2001: £18,451).

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 the year to 30 June 2002. The capital and reserves of the company at that date totalled £1,312,637 2001 : £1,313,034 and the profit for the year ended 30 June 2002 amounted to £299,603 (2001 : loss £100,172).

Included in other investments are listed investments amounting to £174,744 (2001 : £72,909).

The market value of listed investments at the balance sheet date was £172,269 (2001 : £73,785).

TAYLORS INDUSTRIAL SERVICES LIMITED
**NOTES TO THE ACCOUNTS
Year ended 31 October 2002**
10 DEBTORS

	2002	2001
	£	£
Trade debtors	1,887,516	2,174,172
Other debtors	3,475	4,525
Prepayments and accrued income	169,181	73,397
	<u>2,060,172</u>	<u>2,252,094</u>

All amounts are due within one year.

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Bank overdraft (note 13)	-	192,870
Obligations under finance leases and hire purchase contracts (note 13)	17,622	2,942
Trade creditors	383,948	327,225
Amounts due by related party	89,115	158,851
Directors' current accounts	3,832	3,832
Corporation tax	180,222	413,730
Other taxes and social security	326,531	339,262
Accruals and deferred income	1,002,414	71,045
	<u>2,003,684</u>	<u>1,509,757</u>

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

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

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002	2001
	£	£
Obligations under finance leases and hire purchase contracts (note 13)	<u>87,365</u>	<u>981</u>

TAYLORS INDUSTRIAL SERVICES LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 October 2002
13 BORROWINGS

	2002	2001
	£	£
Bank loans and overdrafts	-	192,870
Obligations under finance leases and hire purchase contracts	104,987	3,923
	<u>104,987</u>	<u>196,793</u>

The maturity of the above amounts is as follows:

In one year or less, or on demand	17,622	195,812
In more than one year but not more than two years	16,641	981
In more than two years but not more than five years	70,724	-
	<u>104,987</u>	<u>196,793</u>

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

14 PROVISIONS FOR LIABILITIES AND CHARGES

	2002	2001
	£	£
Deferred taxation (note 7)	288,057	240,093
	<u>288,057</u>	<u>240,093</u>

15 CALLED UP SHARE CAPITAL

	2002	2001
	£	£
Authorised		
1,000,000 Ordinary shares of £1.00 each	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
Called up, allotted and fully paid		
100 Ordinary shares of £1.00 each	100	100
	<u>100</u>	<u>100</u>

TAYLORS INDUSTRIAL SERVICES LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 October 2002
16 STATEMENT OF MOVEMENTS ON RESERVES

	Revaluation reserve £	Profit and loss account £	Total £
At 1 November 2001	-	6,775,883	6,775,883
Profit retained for the year	-	1,547,421	1,547,421
Movement in the year	200,000	-	200,000
At 31 October 2002	200,000	8,323,304	8,523,304

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit attributable to members of the company	1,547,421	1,890,505
Net other recognised gains for the year	200,000	-
Net addition to shareholders' funds	1,747,421	1,890,505
Opening shareholders' funds	6,775,983	4,885,478
Closing shareholders' funds	8,523,404	6,775,983

18 OPERATING LEASE COMMITMENTS

At 31 October 2002 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2002 £	Other 2002 £	Land and buildings 2001 £	Other 2001 £
Leases which expire:				
Within one year	11,448	3,055	11,448	-
Within two to five years	-	1,200	-	2,809
	11,448	4,255	11,448	2,809

TAYLORS INDUSTRIAL SERVICES LIMITED
**NOTES TO THE ACCOUNTS
Year ended 31 October 2002**
19 PENSION SCHEMES

The company operates a defined contribution scheme for a director. The company paid £38,020 (2001 : £39,020) to the scheme during the year. No amount is outstanding to the pension scheme at the year end (2001 : £nil).

The company 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 £6,267 (2001 : £7,116). There were no amounts outstanding to the pension scheme at the year end (2001 : £nil).

20 RELATED PARTY TRANSACTIONS

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

Adrian Taylor £72 (2001: £72), maximum amount outstanding during the year £72. (2001: £72).

Kevin Taylor £3,760 (2001: £3,760), maximum amount outstanding during the year £3,760 (2001: £3,760).

Investments 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 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 10.

Sales of £122,751 (2001 : £111,722) and purchases of £807,474 (2001 : £771,049) were made with Easter Hatton Environmental (Waste Away) Limited, of which £89,115 (2001 : £158,851) remained due to Easter Hatton Environmental (Waste Away) Limited at the year end.

21 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	2,177,303	2,537,995
Depreciation and amortisation charge	490,391	688,506
Net loss / (profit) on sale of tangible fixed assets	2,076	(4,296)
Decrease / (increase) in debtors	191,922	(749,081)
Increase / (decrease) in creditors	905,625	(16,158)
Increase in provisions	10,756	-
Net cash inflow from operating activities	<u>3,778,073</u>	<u>2,456,966</u>

TAYLORS INDUSTRIAL SERVICES LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 October 2002
22 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2002	2001
	£	£
Returns on investments and servicing of finance		
Interest received	29,321	3,927
Interest paid	(2,429)	(27,971)
Dividends received	23,538	172,865
Interest element of finance lease rental payments	(7,365)	-
	<u>43,065</u>	<u>148,821</u>
Taxation		
Corporation tax paid	<u>(858,491)</u>	<u>(598,615)</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(685,046)	(1,155,940)
Receipts from sales of tangible fixed assets	16,240	26,840
Purchase of trade investment	(101,833)	-
	<u>(770,639)</u>	<u>(1,129,100)</u>
Financing		
Capital element of finance lease rentals	<u>(24,197)</u>	<u>(14,733)</u>

23 ANALYSIS OF NET (DEBT) / FUNDS

	At 1 November 2001 £	Cash flow £	Other non-cash changes £	At 31 October 2002 £
Cash at bank and in hand	1,458	1,974,941	-	1,976,399
Overdrafts	(192,870)	192,870	-	-
		<u>2,167,811</u>		
Finance leases	(3,923)	24,197	(125,261)	(104,987)
Total	<u>(195,335)</u>	<u>2,192,008</u>	<u>(125,261)</u>	<u>1,871,412</u>