

SKIP UNITS LIMITED

REPORT OF THE DIRECTORS

AND

FINANCIAL STATEMENTS

- year ended -

31ST MAY 1998



SKIP UNITS LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST MAY 1998

C O N T E N T S

	Page
Company particulars	1
Report of the directors	2/3
Auditors' report	4
Financial statements	
Profit and loss account	5
Balance sheet	6
Cashflow statement	7
Notes on the financial statements	8/17

SKIP UNITS LIMITED

(Registered in England No: 3068281)

DIRECTORS

A Muirhead
A Powis
D Singer
R Wake
G Jennings (Resigned 31.10.97)
J Palmer (Appointed 1.03.98)

SECRETARY

R Wake

REGISTERED OFFICE

Sinfin Lane Industrial Estate
DERBY
DE24 9GL

AUDITORS

Smith Cooper & Partners
Majority House
Lodge Lane
DERBY
DE1 3HB

BANKERS

Midland Bank plc
Business Banking Centre
1 St James Court
Friar Gate
DERBY
DE1 1BT

SKIP UNITS LIMITED
REPORT OF THE DIRECTORS
YEAR ENDED 31ST MAY 1998

The directors present their annual report and audited financial statements for the year ended 31st May 1998.

PRINCIPAL ACTIVITY

The company's principal activity is the design, manufacture and retailing of waste disposal containers and demountable vehicle bodies.

REVIEW OF BUSINESS

A summary of the results of the year's trading is given on page 5 of the financial statements. The directors consider the result for the year to be satisfactory.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Company law requires the directors to prepare statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue to operate.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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.

DIVIDEND

During the year the directors declared a preference share dividend of £0.08 (1997: £0.079) per share in respect of A preference shares, £0.10 per share in respect of B preference shares, £0.079 per share in respect of preferred ordinary shares and £0.08 per share in respect of ordinary shares to be paid from the profit for the year.

DIRECTORS' INTERESTS

The directors' who have held office during the year are listed on page 1. Their interest in the share capital of the company is as follows:

	Ordinary Shares	
	1998	1997
A Muirhead	45,000	45,000
D Singer	15,000	15,000
A Powis	10,000	10,000

SKIP UNITS LIMITED
REPORT TO THE DIRECTORS - CONTINUED
YEAR ENDED 31ST MAY 1998

GROUP FINANCIAL STATEMENTS

The directors have taken advantage of the exemptions available to medium sized groups in not preparing group financial statements

FIXED ASSETS

The movements in fixed assets during the year are summarised in notes 8 and 9 to the financial statements.

AUDITORS

In accordance with Section 385(2) of the Companies Act 1985 a resolution proposing the re-appointment of Smith Cooper & Partners as auditors to the company will be put to the annual general meeting.

The directors have taken advantage of the special exemptions conferred by Part VII of the Companies Act 1985 and have done so on the grounds that, in their opinion, the company is entitled to those exemptions as a medium size company.

7th August 1998

By Order of the Board



R WAKE
Secretary

SKIP UNITS LIMITED
AUDITORS' REPORT TO SKIP UNITS LIMITED
PURSUANT OF SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 5 to 17 together with the financial statements of Skip Units Limited prepared under section 226 of the Companies Act 1985 for the year ended 31st May 1998.

Respective responsibilities of directors and auditors


The directors are responsible for preparing the abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to deliver abbreviated accounts and whether the abbreviated accounts have been properly prepared in accordance with that section.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the audited financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts have been properly prepared from those financial statements.
The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled under sections 246 and 247 of the Companies Act 1985 to deliver abbreviated accounts prepared in accordance with Section 246A of that Act, in respect of the year ended 31st May 1998 and the abbreviated accounts on pages 5 to 17 have been properly prepared in accordance with that section.



SMITH COOPER & PARTNERS
Registered Auditors
Chartered Accountants

DERBY: 7th August 1998

SKIP UNITS LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST MAY 1998

PROFIT AND LOSS ACCOUNT

	Note	1998	1997
GROSS PROFIT		1,136,997	1,012,724
Net operating expenses		865,937	792,552
		<hr/>	<hr/>
OPERATING PROFIT	3	271,060	220,172
Interest payable and similar charges	4	45,370	38,283
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		225,690	181,889
TAXATION	7	54,818	27,212
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		170,872	154,677
DIVIDENDS	18	98,533	103,998
		<hr/>	<hr/>
PROFIT RETAINED FOR THE YEAR		<u>£ 72,339</u>	<u>£ 50,679</u>

The company has no acquisitions or discontinued activities during the year and no recognised gains or losses for the year other than the profit stated above of £170,872.

The notes on pages 8 to 17 form part of these financial statements.

SKIP UNITS LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST MAY 1998

BALANCE SHEET

FIXED ASSETS	Note	1998	1997
Intangible assets	1&8	763,504	808,419
Tangible assets	1&9	900,206	905,956
Investments	10	2,100	2,100
		<hr/>	<hr/>
		1,665,810	1,716,475
CURRENT ASSETS			
Stocks and work in progress	1&11	98,912	122,302
Debtors	12	1,035,297	792,299
Cash at bank and in hand		<u>104,637</u>	<u>124,143</u>
		1,238,846	1,038,744
CREDITORS: Amounts falling due within one year	13	<u>1,098,098</u>	<u>938,267</u>
NET CURRENT ASSETS		140,748	100,477
		<hr/>	<hr/>
		1,806,558	1,816,952
CREDITORS: Amounts falling due after more than one year	14	324,498	407,231
		<hr/>	<hr/>
		£1,482,060	£1,409,721
CAPITAL AND RESERVES		<hr/>	<hr/>
Called up share capital			
- including non-equity interests	16	1,120,000	1,120,000
Profit and loss account	19	362,060	289,721
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	17	£1,482,060	£1,409,721
		<hr/>	<hr/>

The directors have taken advantage of the special exemptions conferred by Part VII of the Companies Act 1985 and have done so on the grounds that, in their opinion, the company is entitled to those exemptions as a medium sized company.

The financial statements were approved by the Board on 7th August 1998


A MUIRHEAD
DIRECTOR

The notes on pages 8 to 17 form part of these financial statements

SKIP UNITS LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST MAY 1998

CASHFLOW STATEMENT

	Note	1998	1997
NET CASH INFLOW FROM OPERATING ACTIVITIES	20a	276,676	357,218
RETURNS ON INVESTMENTS & SERVICING OF FINANCE			
Interest paid	(45,370)	(38,283)	
Preference dividend paid	(96,666)	(142,036)	(96,534)
			(134,817)
TAXATION			
Corporation tax paid		(55,185)	(141,732)
CAPITAL EXPENDITURE & FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets	(24,570)	(36,338)	
Proceeds on disposal of fixed assets	<u>6,950</u>	(17,620)	<u>12,300</u>
			(24,038)
EQUITY DIVIDENDS PAID		(1,867)	(7,464)
FINANCING			
Amounts borrowed	21,082	14,700	
Repayment of amounts borrowed	(100,556)	(62,443)	
		(79,474)	(47,743)
		—	—
NET CASH OUTFLOW	20b	£(19,506)	£ 1,424
		—	—

SKIP UNITS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MAY 1998

1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards. The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, modified to reflect the revaluation of certain fixed assets.

TANGIBLE FIXED ASSETS

Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful lives on the following basis:

Freehold Property	2% per annum straight line on the revalued amount
Plant & Machinery	10% - 20% per annum straight line on cost
Motor vehicles	25% per annum straight line on cost
Fixtures & Fittings	10% per annum straight line on cost

DEFERRED TAXATION

Deferred taxation is provided on the liability method to take account of timing differences. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may crystallise.

FOREIGN EXCHANGE

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the translation. Balances at the year end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date.

LEASING

Tangible fixed assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations net of future finance charges are included in creditors.

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

STOCKS AND WORK IN PROGRESS

Stock and work in progress is valued at the lower of cost, being net invoice value or cost of production to date, and net realisable value.

SKIP UNITS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MAY 1998

1. ACCOUNTING POLICIES - CONTINUED

GOODWILL

Purchased goodwill on acquisitions is capitalised and amortised over its useful economic life.

2. TURNOVER

Turnover represents invoiced sales of goods after deduction of discounts allowed and value added tax, where applicable.

Turnover arises entirely from the company's principal activity.

3. OPERATING PROFIT

The operating profit for the period, which all relate to continuing operations is stated after charging the following:

	1998	1997
Depreciation of tangible fixed assets held under finance lease agreements	12,946	5,505
Depreciation of owned tangible fixed assets	35,812	50,286
Auditors' remuneration	4,000	6,000
Profit on disposal of fixed assets	4,307	12,300
4. INTEREST	<hr/>	<hr/>
On bank loans, overdrafts and other loans repayable within 5 years	6,758	6,135
Hire purchase interest	2,656	1,591
On bank loans repayable after 5 years	<u>36,415</u>	<u>34,775</u>
	45,829	42,501
Interest received	(459)	(4,218)
	<hr/> £45,370	<hr/> £38,283
5. DIRECTORS' REMUNERATION	<hr/>	<hr/>
Remuneration of highest paid director for the year	£55,037	£55,138
Remuneration of the remaining directors, was within the following ranges:	<hr/>	<hr/>
£0 - £5,000	1	1
£30,001 - £35,000	-	-
£35,001 - £40,000	3	3
£40,001 - £45,000	-	-

SKIP UNITS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MAY 1998

6. STAFF COSTS 1998 1997

The average number of persons (including directors)
employed by the company was:

Production and sales	59	54
Management and administration	<u>6</u>	<u>7</u>
	65	61

The aggregate payroll costs of these persons were as follows:

Wages and salaries	1,469,022	1,250,588
Social security costs	132,617	114,291
Pension costs	<u>9,017</u>	<u>9,977</u>
	<u>£1,610,656</u>	<u>£1,374,856</u>

7. TAXATION

The taxation charge for the year comprises:

UK corporation tax @ 21% - current year	35,000	60,000
- previous years	<u>19,818</u>	<u>(32,788)</u>
	<u>£54,818</u>	<u>£27,212</u>

The company is a close company for taxation purposes

The movement on unprovided deferred taxation for the year
was as follows:

Accelerated capital allowances over corresponding depreciation	Nil	Nil
--	-----	-----

SKIP UNITS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MAY 1998

8. INTANGIBLE FIXED ASSETS

COST

At 1st June 1997 and at 31 May 1998

Goodwill

£898,241

AMORTISATION

At 1st June 1997

Charge for year

89,822

44,915

At 31st May 1998

£134,737

NET BOOK VALUE

At 31st May 1998

£763,504

At 31st May 1997

£808,419

Purchased goodwill is to be amortised over its estimated useful economic life over a period of 20 years.

SKIP UNITS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MAY 1998

9. TANGIBLE FIXED ASSETS

COST	Freehold Property	Motor Vehicles	Fixtures & Fittings	Plant & Machinery	TOTAL
At 1st June 1997	745,836	70,670	10,381	163,929	990,816
Additions	-	26,353	-	19,299	45,652
Disposals	-	(24,800)	-	-	(24,800)
At 31st May 1998	<u>£745,836</u>	<u>£72,223</u>	<u>£10,381</u>	<u>£183,228</u>	<u>£1,011,668</u>
DEPRECIATION					
At 1st June 1998	6,861	51,764	5,265	20,970	84,860
Charge for year	3,293	16,385	2,907	26,173	48,758
Eliminated on disposals	-	(22,156)	-	-	(22,156)
At 31st May 1998	<u>£10,154</u>	<u>£45,993</u>	<u>£8,172</u>	<u>£47,143</u>	<u>£111,462</u>
NET BOOK VALUE					
At 31st May 1998	<u>£735,682</u>	<u>£26,230</u>	<u>£2,209</u>	<u>£136,085</u>	<u>£900,206</u>
At 31st May 1997	<u>£738,975</u>	<u>£18,906</u>	<u>£5,116</u>	<u>£142,959</u>	<u>£905,956</u>
Included in the above are assets held under hire purchases contracts with a net book value of :					
At 31st May 1998	<u>£ -</u>	<u>£21,686</u>	<u>£ -</u>	<u>£69,015</u>	<u>£90,701</u>
At 31st May 1997	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>	<u>£77,025</u>	<u>£77,025</u>

There were no capital commitments authorised or contracted for at either year end

A valuation of the company's premises was carried out by Boxall, Brown & Jones on 31 July 1995. This valued the premises at £700,000 on the open market.

SKIP UNITS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MAY 1998

10. FIXED ASSET INVESTMENTS

**Subsidiary
Undertakings**

COST & NET BOOK VALUE

At 1st June 1997 and at 31st May 1998

£2,100

The company held 100% of the issued share capital of the following companies at the balance sheet date:

Name of Company	Country of Registration	Holding	Nature of Business
S U Predecessors Ltd	England shares of £1 each	2,000 ordinary	Dormant
Skip Units (Sales) Ltd	England	100 ordinary shares of £1 each	Dormant

The directors have not prepared group financial statements for Skip Units Limited group on the basis that it is eligible for exemption under the provisions of the Companies Act 1985 and qualifies for these exemptions as a medium size group.

Subsidiary undertakings not consolidated:	Capital & Reserves at 31.05.98	Profit/(Loss) for Year
SU Predecessors Ltd	-	Dormant
Skip Units (Sales) Ltd	100	Dormant

11. STOCKS

	1998	1997
Raw materials and consumables	59,540	86,753
Finished goods	21,042	29,222
Work in progress	<u>18,330</u>	<u>6,327</u>
	<u>£98,912</u>	<u>£122,302</u>

SKIP UNITS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MAY 1998

12. DEBTORS: Amounts falling due within one year	1998	1997
Trade debtors	975,227	732,824
Prepayments and accrued income	34,737	32,676
Other debtors	700	800
ACT recoverable	<u>24,633</u>	<u>25,999</u>
	<u>£1,035,297</u>	<u>£792,299</u>

13. CREDITORS: Amounts falling due within one year		
Bank overdraft and loan	73,619	34,412
Trade creditors	700,681	621,338
Taxation and social security	137,447	116,318
Corporation tax	59,633	60,000
Accruals	89,882	79,129
Amounts due to group undertakings	100	100
Finance lease obligations	24,521	14,755
ACT payable	<u>12,215</u>	<u>12,215</u>
	<u>£1,098,098</u>	<u>£938,267</u>

14. CREDITORS: Amounts falling due after more than one year		
Bank loan	314,941	388,901
Finance lease obligations	<u>9,557</u>	<u>18,330</u>
	<u>£324,498</u>	<u>£407,231</u>

The bank loan is being repaid via monthly instalments, having commenced on 28 September 1997.

Payable by instalments 2-5 years	294,504	137,648
Payable by instalments over 5 years	<u>94,056</u>	<u>285,665</u>
	<u>£388,560</u>	<u>£423,313</u>

SKIP UNITS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MAY 1998

15. SECURED LIABILITIES

Of amounts included in creditors, of which £73,619 falls due within one year, security has been given by the company in respect of the following liabilities:

	1998	1997
Hire purchase	34,078	33,085
Bank loan	<u>388,560</u>	<u>423,313</u>
	<u>£422,638</u>	<u>£456,398</u>

The hire purchase liability is secured against the individual assets purchased through the agreements.

The bank overdraft and loan are secured against an unscheduled mortgage debenture and a composite cross guarantee agreement involving the other members of the group.

16. CALLED UP SHARE CAPITAL

	1998	1997
Authorised, allotted, issued and fully paid		
70,000 Ordinary shares of £1 each	70,000	70,000
300,000 Redeemable A Preference shares of £1 each	300,000	300,000
726,667 Redeemable B Preference shares of £1 each	726,667	726,667
23,333 Preferred Ordinary share of £1 each	<u>23,333</u>	<u>23,333</u>
	<u>£1,120,000</u>	<u>£1,120,000</u>

Voting Rights

Votes per share

Ordinary £1 shares	1
Preferred ordinary £1 shares	1
Redeemable preference shares	0

Redeemable A preference shares rank first in the event of any winding up order on the company, followed by Redeemable B preference shares, preferred ordinary shares and finally ordinary shares.

Redeemable A preference share are to be redeemable by yearly instalments payable of £100,000 commencing on 30 September 1999. The company has the right to redeem these shares in multiples of £20,000 after giving one months notice to the shareholders.

Redeemable B preference shares are to be redeemed by instalments of £72,666 payable every six months commencing on 30 September 1999. The company has the right to redeem these shares in multiples of £40,000 after giving one months notice to the shareholders.

SKIP UNITS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MAY 1998

16. CALLED UP SHARE CAPITAL - CONTINUED

Dividend Rights

Redeemable A Preference shares - Fixed Cumulative at 8% per annum
Redeemable B Preference shares - Fixed Cumulative at 10% per annum
Preferred Ordinary shares - Fixed Cumulative at 8% per annum

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	Equity	Redeemable A Preference Non-equity	Redeemable B Preference Non-Equity
At 1st June 1997	383,054	1,026,667	1,409,721
Result for the financial year	74,206	96,666	170,872
Dividends paid	(1,867)	(96,666)	(98,533)
	<u>£455,393</u>	<u>£1,026,667</u>	<u>£1,482,060</u>

18. DIVIDENDS

	1998	1997
A Preference dividend paid on 300,000 shares @ £0.08 per share	24,000	23,967
B Preference dividend paid on 726,667 shares @ £0.10 per share	72,667	72,567
Preferred ordinary shares paid on 23,333 shares @ £0.079 per share	1,866	1,864
Ordinary shares paid on 70,000 shares @ £0.08 per share	-	5,600
	<u>£98,533</u>	<u>£103,998</u>

SKIP UNITS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MAY 1998

19. RESERVES

Profit & Loss Account

At 1st June 1997	289,721
Result for the year	<u>72,339</u>
At 31st May 1998	<u>£362,060</u>

20. NOTES TO THE CASHFLOW STATEMENT

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

	1998	1997
Operating profit	271,060	220,172
Depreciation	48,758	55,791
Amortisation	44,915	44,910
Profit on disposal of fixed assets	(4,307)	(12,300)
(Increase)/Decrease in stocks	23,390	(11,170)
(Increase)/Decrease in debtors	(175,082)	567,210
Increase/(Decrease) in creditors	<u>67,942</u>	<u>(507,395)</u>
	<u>£276,676</u>	<u>£357,218</u>

20b. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.6.97	Cashflows	At 31.5.98
Cash in hand and at bank	<u>£124,143</u>	<u>£(19,506)</u>	<u>£104,637</u>