

NICHOLLS & PEARCE (WASTE PAPER) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2002



NICHOLLS & PEARCE (WASTE PAPER) LIMITED

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NICHOLLS & PEARCE (WASTE PAPER) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH SEPTEMBER 2002

The directors present their report and the audited financial statements for the company for the year ended 30th September 2002.

Principal activities

The company's principal activity during the year was waste paper merchants.

Directors and their interests

The directors who held office during the year and their beneficial interests in the company's issued share capital are given below:

Name of director	Share type	At 30th September 2002	At 1st October 2001
M Nicholls	Ordinary Shares	764	694
Mrs P Nicholls	Ordinary Shares	326	326
Mrs D Nicholls (died 29 September 2001)	Ordinary Shares	--	70
S Nicholls	Ordinary Shares	90	90

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 and of the profit or loss for that year. 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;

Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

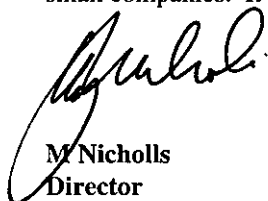
The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to re-appoint Dodd Harris Chartered Accountants and Registered Auditors as auditors will be put to the members at the Annual General Meeting.

Small company exemptions

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies. It was approved by the board on 2nd May 2003 and signed on its behalf.



M Nicholls
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NICHOLLS & PEARCE (WASTE PAPER) LIMITED

We have audited the financial statements of Nicholls & Pearce (Waste Paper) Limited for the year ended 30th September 2002 on pages 3 to 11. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out on page 6.

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 that 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, or 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 the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 30th September 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Dodd Harris
Chartered Accountants and Registered Auditors
35/37 Brent Street
London
NW4 2EF

Date: 2nd May 2003

Dodd Harris

NICHOLLS & PEARCE (WASTE PAPER) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH SEPTEMBER 2002

	Notes	2002 £	2001 <i>As restated</i> £
Turnover	2	1,461,815	1,582,565
Cost of sales		(1,023,290)	(1,066,261)
Gross profit		438,525	516,304
Administrative expenses		(470,917)	(511,668)
		(32,392)	4,636
Income from group undertaking		40,000	40,000
Operating profit	3	7,608	44,636
Interest receivable		36	327
Interest payable and similar charges		(31,476)	(25,393)
Loss/Profit on ordinary activities before taxation		(23,832)	19,570
Tax on loss/profit on ordinary activities	5	9,893	(27,961)
Loss for the financial year	15	(13,939)	(8,391)
Retained profit brought forward		364,771	373,162
Retained profit carried forward		350,832	364,771

NICHOLLS & PEARCE (WASTE PAPER) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 30TH SEPTEMBER 2002

	2002	2001
	£	<i>As restated</i> £
Statement of total recognised gains and losses		
Loss for the financial year as previously stated	(13,939)	(8,391)
Total recognised gains relating to the year	(13,939)	(8,391)
Prior year adjustment	(27,928)	-
Total gains recognised since the last annual report	(41,867)	(8,391)

NICHOLLS & PEARCE (WASTE PAPER) LIMITED

BALANCE SHEET

AS AT 30TH SEPTEMBER 2002

	Notes	£	2002 £	£	2001 £
Fixed assets					
Tangible assets	8		453,405		501,200
Investments	7		100		100
			<u>453,505</u>		<u>501,300</u>
Current assets					
Stocks		21,106		14,591	
Debtors	8	342,647		295,904	
Cash at bank and in hand		6,142		34,607	
			<u>369,895</u>	<u>345,102</u>	
Creditors: amounts falling due within one year	9	(310,388)		(243,154)	
Net current assets			<u>59,507</u>		<u>101,948</u>
Total assets less current liabilities			<u>513,012</u>		<u>603,248</u>
Creditors: amounts falling due after more than one year	10		(142,145)		(208,549)
Provisions for liabilities and charges					
Deferred taxation	12		(18,035)		(27,928)
			<u>352,832</u>		<u>366,771</u>
Capital and reserves					
Share capital	14		1,360		1,360
Capital redemption reserve	15		640		640
Profit and loss account	15		350,832		364,771
Shareholders' funds	16		<u>352,832</u>		<u>366,771</u>

These financial statements have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985 and the Financial Reporting Standard for Smaller Entities (effective June 2002), were approved by the board on 2 May 2003 and signed on its behalf.


M Nicholls
Director

NICHOLLS & PEARCE (WASTE PAPER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2002

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The company has taken advantage of the exemptions in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

Consolidation

The company and its subsidiary comprise a small group and has taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts. The accounts therefore present the information about the company as an individual undertaking and not about its group.

Turnover

Turnover comprises the value of sales excluding value added tax and trade discounts.

Tangible fixed assets and depreciation

Depreciation has been provided at the following rates in order to write down the cost or valuation, less estimated residual value, of all tangible fixed assets, with the exception of freehold land, over their expected useful lives:

Freehold buildings	- 4% on a straight line basis
Plant and machinery	- 15% on written down value
Motor vehicles	- 25% on written down value
Fixtures and fittings	- 15% on written down value

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

The charge for taxation takes into account taxation deferred as a result of timing differences between the treatment of certain items for taxation and accounting purposes. In general, deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred taxation is measured on a non-discounted basis at the average tax rates that would apply when the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date.

Contribution to pension funds

The company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year.

Hire purchase and leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet at their fair value and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

NICHOLLS & PEARCE (WASTE PAPER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2002

2 Turnover

The percentage of turnover attributable to overseas markets was 40% (2001: 43%).

3 Operating profit

The operating profit is stated after charging or crediting:

	2002	2001
	£	£
Depreciation of tangible fixed assets:		
-owned assets	39,253	44,458
-assets held under finance leases and hire purchase	33,428	38,331
Loss on disposal of fixed assets	325	1,586
Operating leases	10,078	7,880
Pension contributions	455	458
Auditors' remuneration	8,500	8,500

4 Directors' remuneration

	2002	2001
	£	£
Aggregate emoluments	138,705	143,382

Although no payments were made to the pension scheme during the year, there was retirement benefits accruing to directors in respect of money purchase pension schemes as follows:

Retirement benefits were accruing to directors under schemes as follows:-

Defined contribution pension schemes

Number	Number
3	3

5 Taxation

	2002	2001
	£	£
Based on the loss/profit for the year:		
UK corporation tax at nil (2001: 10%)	-	33
Deferred tax charge	(9,893)	27,928
	(9,893)	27,961

NICHOLLS & PEARCE (WASTE PAPER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2002

6 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Motor vehicles	Fixtures and fittings	Total
Cost	£	£	£	£	£
At 1st October 2001	222,957	744,522	210,592	16,327	1,194,398
Additions	-	21,200	21,710	-	42,910
Disposals	-	-	(50,910)	-	(50,910)
At 30th September 2002	222,957	765,722	181,392	16,327	1,186,398
Depreciation					
At 1st October 2001	88,288	461,479	131,353	12,078	693,198
Charge for the year	5,676	45,636	20,731	637	72,680
Disposals	-	-	(32,885)	-	(32,885)
At 30th September 2002	93,964	507,115	119,199	12,715	732,993
Net book value					
At 30th September 2002	128,993	258,607	62,193	3,612	453,405
<i>At 30th September 2001</i>	<i>134,669</i>	<i>283,043</i>	<i>79,239</i>	<i>4,249</i>	<i>501,200</i>

Assets held under finance leases and hire purchase originally cost £265,685 (2001: £260,526) and have a net book value of £137,925 (2001: £154,740). Depreciation charged for the year was £33,428 (2001: £38,331).

7 Fixed asset investments

	Shares in group undertakings £
Cost	
At 1st October 2001	100
At 30th September 2002	100

The investment above is in respect of the whole of the issued share capital of Lombard Recycling Limited, a company whose principal activity was the destruction of confidential waste paper.

For the year ended 30 September 2002 its profit (loss) before taxation was (£46,772) (2001 :£19,647)). As at 30 September 2002 its aggregate capital and reserves was £6,037 (2001 : £49,014).

NICHOLLS & PEARCE (WASTE PAPER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2002

8	Debtors	2002 £	2001 £
	Trade debtors	306,097	281,544
	Amounts owed by group undertakings and undertakings in which the company has a participating interest	15,232	-
	Other debtors	15,960	14,360
	Directors' loan accounts	5,358	-
		<u>342,647</u>	<u>295,904</u>

During the year the company provided a loan to M Nicholls, a director. The outstanding amounts at the beginning of year was nil and at the end of year was £5,358 and the maximum during the year was £5,358.

9	Creditors: amounts falling due within one year	2002 £	2001 £
	Bank loans and overdrafts	66,629	12,396
	Obligations under hire purchase and finance lease	74,977	53,961
	Trade creditors	24,486	12,560
	Amounts owed by group undertakings and undertakings in which the company has a participating interest	-	40,599
	Corporation tax	-	33
	Other taxes and social security	42,644	31,888
	Other creditors	101,652	91,717
		<u>310,388</u>	<u>243,154</u>

The bank loans and overdrafts and obligations under hire purchase and finance leases are secured.

10	Creditors: amounts falling due after more than one year	2002 £	2001 £
	Bank loans	103,450	116,628
	Obligations under hire purchase and finance lease	38,695	91,921
		<u>142,145</u>	<u>208,549</u>

The bank loans and overdrafts and obligations under hire purchase and finance leases are secured.

Bank loans outstanding at the year end amounted to £116,334 (2001: £129,024) and include instalments due after more than five years of £49,332 (2001: £61,248).

11 Operating lease commitments

At 30th September 2002 the company had annual commitments under non-cancellable operating leases as set out below:

	2002 £	2001 £
Operating leases which expire:		
Within one year	411	5,214
Between one and five years	4,370	4,370
After five years	30,000	22,000
	<u>34,781</u>	<u>31,584</u>

NICHOLLS & PEARCE (WASTE PAPER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2002

12 Deferred taxation

	£	£
At 1st October 2001	27,928	-
Movement in the year	(9,893)	27,928
At 30th September 2002	18,035	27,928

The company has applied the FRSSE (effective June 2002) for the first time in these financial statements. As a result, the accounting policy for deferred taxation has been changed and full provision has been made for timing differences arising from accelerated capital allowances, as opposed to the partial provision basis previously used. The application of the new policy has resulted in an increase in the deferred taxation charge in 2001 of £27,928 and this has been disclosed as a prior year adjustment.

13 Pension scheme

The company operates a defined contribution pension scheme for the benefit of the directors and employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

14 Share capital

	2002 £	2001 £
Authorised		
2,000 Ordinary shares of £1 each	2,000	2,000
Allotted		
1,360 Allotted, called up and fully paid ordinary shares of £1 each	1,360	1,360

15 Reserves

	Capital redemption reserve	Profit and loss account
	£	£
At 1st October 2000	640	373,162
Loss/Profit for the year	-	(8,391)
At 1st October 2001	640	364,771
Loss for the year	-	(13,939)
At 30th September 2002	640	350,832

NICHOLLS & PEARCE (WASTE PAPER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2002

16	Reconciliation of movement in shareholders' funds	2002	2001 <i>As Restated</i>
		£	£
	Loss for the financial year	(13,939)	(8,391)
	Decrease in the shareholders' funds	(13,939)	(8,391)
	Opening shareholders' funds		
	As previously stated	394,699	375,162
	Prior period adjustment	(27,928)	-
	As restated	366,771	375,162
	Closing shareholders' funds	352,832	366,771

The company has applied the FRSSE (effective June 2002) for the first time in these financial statements. As a result, the accounting policy for deferred taxation has been changed and full provision has been made for timing differences arising from accelerated capital allowances, as opposed to the partial provision basis previously used. The application of the new policy has resulted in an increase in the deferred taxation charge in 2001 of £27,928 and this has been disclosed as a prior year adjustment.

17 Related parties transactions

The company's subsidiary occupies premises owned by Nicholls & Pearce (Waste Paper) Ltd Pension Fund, under a ten year lease dated 9 December 1996. The lease was granted to Nicholls & Pearce (Waste Paper) Ltd and the rent payable is £30,000.

The pension fund also made a loan to the company and as at the year end an amount of £61,827 (2001: £61,968 was due in respect of this loan. Interest of £4,276 (2001: £5,063) was paid to the pension fund during the year.

During the year the company purchased goods and services of £124,918 (2001: £179,113) from its subsidiary. An administration charge of £40,000 (2001: £40,000) and £173,875 (2001: £171,408) in respect of wages, rent and expenses was received from its subsidiary.

As at the year end £15,232 was due from its subsidiary (2001: £40,599 was due to its subsidiary).

18 Ultimate controlling party

The company is controlled by M Nicholls, a director of the company by virtue of his ownership of 56% of the issued share capital in the company.

NICHOLLS & PEARCE (WASTE PAPER) LIMITED

MANAGEMENT PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH SEPTEMBER 2002

	2002		2001	
	£	£	£	£
Turnover		1,461,815		1,582,565
Cost of sales				
Opening stock	14,591		20,553	
Purchases	807,248		829,045	
Wire and baskets	16,786		20,863	
Freight charges	1,690		1,783	
Wages	204,081		208,608	
	<u>1,044,396</u>		<u>1,080,852</u>	
Closing stock	21,106		14,591	
		<u>1,023,290</u>		<u>1,066,261</u>
Gross profit		438,525		516,304
Less expenses				
Directors' remuneration	113,970		117,419	
Wages and salaries	27,095		27,830	
Pension costs	455		458	
National insurance	36,109		38,656	
Rates	10,859		10,884	
Light, heat and power	6,163		6,974	
Telephone	6,673		6,118	
Printing, postage and stationery	2,219		1,688	
Advertising	7,095		5,386	
Insurance	22,504		20,408	
Legal and professional fees	2,110		3,160	
Auditors' remuneration	8,500		8,500	
Hire of equipment	10,078		7,880	
Repairs and maintenance	26,598		38,894	
Motor and travelling expenses	93,648		109,256	
Bank charges	6,678		5,897	
Sundry expenses	17,157		17,885	
Depreciation	72,681		82,789	
Loss on sale of fixed assets	325		1,586	
		<u>470,917</u>		<u>511,668</u>
		(32,392)		4,636
Other income				
Administration fee	40,000		40,000	
Bank deposit interest	36		327	
		<u>40,036</u>		<u>40,327</u>
		7,644		44,963