

# Cleanaway Limited

Accounts 31 December 1996  
together with directors' and auditors' reports

Registered number: 806128



# Directors' report

For the year ended 31 December 1996

## Financial Statements

The directors present their report and financial statements for the year ended 31 December 1996.

## 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 group and of the profit or loss of the group 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

## Activities

The principal activity of the company and the group continues to be the transportation, treatment and disposal of domestic, commercial and industrial waste.

## Review of the business

The group has continued to trade satisfactorily during the year. The group looks forward to continued expansion in waste management.

## Results and dividends

The results of the group for the year are set out in the profit and loss account on page 5.

Dividends of £7,815,000 (1995: £5,848,000) were declared and paid during the year and a further dividend of £1,670,000 (1995: £950,000) is proposed.

## Directors' report (continued)

### Directors and their interests

#### Contracts

There were no contracts subsisting during or at the end of the year, either with the company or with any of its subsidiary undertakings, in which any director was, or is, materially interested.

#### Shares

No director had at any time during the year any beneficial interest in the shares of the company, its subsidiary undertakings or in the shares of its parent company, Cleanaway Holdings Limited.

The directors, all of whom served throughout the year except where stated, of the company were as follows:

PAM Heath	(resigned 10 December 1996)
DW Benjafield	
R Care	(appointed 19 June 1996)
APR Dean	
P Everall	
CM Gilligan	
A Jones	
DS McGregor	
P Smith	(appointed 10 December 1996)
RV Stent	(resigned 6 June 1996)
GR Westra	(appointed 10 December 1996)

### Charitable donations

During the year the group made donations of £ 18,531 (1995: £12,757) to charities.

### Disabled persons

It has been, and is, the group's policy to give full and fair consideration to the employment and development of disabled persons, having regard to their qualifications and abilities.

### Employee involvement

Through appropriate regular formal and informal communication, the group continued to provide employees with information regarding the financial, economic and other factors affecting its performance. Where decisions were reached which directly affected employees, the group developed the approach of advising and consulting them and their representatives.

## Directors' report (continued)

### Auditors

Since October 1994 our auditors, Binder Hamlyn, have been members of Andersen Worldwide. It is proposed that Arthur Andersen now be appointed auditors of the company. A resolution to this effect will be proposed at the Annual General Meeting.

This report was approved by the Board on 13 June 1997.

A handwritten signature in black ink, appearing to be 'CM Gilligan', with a long, sweeping horizontal stroke extending to the right.

CM Gilligan  
Secretary

The Drive  
Warley  
Brentwood  
Essex

# BINDER HAMLYN

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Andersen Worldwide

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20 Old Bailey  
London EC4M 7BH

## Auditors' report

To the shareholders of Cleanaway Limited

We have audited the financial statements on pages 5 to 22 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 9 and 10.

### Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

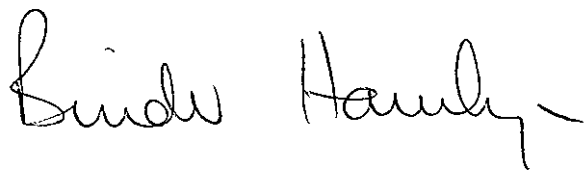
### Basis of opinion

We conducted our audit in accordance with 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 circumstances of the company and the group, 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 affairs of the company and of the group at 31 December 1996 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Binder Hamlyn

Chartered Accountants and Registered Auditors

13 June 1997

## Group profit and loss account

For the year ended 31 December 1996

	Notes	1996 £ 000	1995 £ 000
<b>Turnover</b>		147,011	130,877
Consumable stores and repairs		(17,489)	(16,213)
Staff costs	2	(39,043)	(38,287)
Depreciation	2	(14,795)	(14,142)
Other operating charges		<u>(57,203)</u>	<u>(47,819)</u>
<b>Operating profit</b>		18,481	14,416
Interest payable	2	<u>(3,562)</u>	<u>(3,513)</u>
<b>Profit on ordinary activities before taxation</b>	2	14,919	10,903
Tax on profit on ordinary activities	4	<u>(5,439)</u>	<u>(4,104)</u>
<b>Profit on ordinary activities after taxation</b>		<u>9,480</u>	<u>6,799</u>
Dividends on equity shares			
- paid		(7,815)	(5,848)
- proposed		<u>(1,670)</u>	<u>(950)</u>
		<u>(9,485)</u>	<u>(6,798)</u>
Transfer (from)/to reserves		(5)	1
Retained profits brought forward		<u>1,440</u>	<u>1,439</u>
<b>Retained profits carried forward</b>		<u>1,435</u>	<u>1,440</u>

### Statement of total recognised gains and losses

No gains or losses have been recognised in these financial statements other than those reflected in the profit and loss account.

Turnover and operating profit are derived from continuing operations.

# Group balance sheet

at 31 December 1996

	Notes	1996 £ 000	1995 £ 000
<b>Fixed assets</b>			
Intangible assets	5a	3,260	2,841
Tangible assets	6a	<u>68,948</u>	<u>64,370</u>
		72,208	67,211
<b>Current assets</b>			
Stocks		1,335	992
Debtors	8	44,603	37,232
Cash at bank and in hand		<u>14</u>	<u>14</u>
		45,952	38,238
<b>Creditors: amounts falling due within one year</b>			
Bank loans and overdrafts	9a	(363)	(148)
Other current liabilities	9b	<u>(44,166)</u>	<u>(32,067)</u>
		(44,587)	(32,215)
<b>Net current assets</b>		<u>1,365</u>	<u>6,023</u>
<b>Total assets less current liabilities</b>		73,573	73,234
<b>Creditors: amounts falling due after more than one year</b>			
Bank loans	9a	(47,000)	(47,000)
Other creditors		(58)	(124)
Provisions for liabilities and charges	12	<u>(7,136)</u>	<u>(6,668)</u>
<b>Net assets</b>		<u>19,437</u>	<u>19,442</u>
<b>Capital and reserves</b>			
Called up share capital (including non-equity interests)	13	15,531	15,531
Share premium account		704	704
Revaluation reserve		1,340	1,340
Other reserves		427	427
Profit and loss account		<u>1,435</u>	<u>1,440</u>
<b>Shareholders' funds</b>		<u>19,437</u>	<u>19,442</u>

The financial statements on pages 5 to 22 were approved by the Board on 13 June 1997.

# Company balance sheet

at 31 December 1996

	Notes	1996 £ 000	1995 £ 000
<b>Fixed assets</b>			
Intangible assets	5b	2,731	2,234
Tangible assets	6b	68,843	64,141
Investments	7	1,966	1,966
		<u>73,540</u>	<u>68,341</u>
<b>Current assets</b>			
Stocks		1,335	992
Debtors	8	45,744	38,742
Cash at bank and in hand		14	14
		<u>47,093</u>	<u>39,748</u>
<b>Creditors: amounts falling due within one year</b>			
Bank loans and overdrafts	9a	(363)	(148)
Other current liabilities	9b	(46,107)	(34,009)
		<u>(46,470)</u>	<u>(34,157)</u>
<b>Net current assets</b>		<u>623</u>	<u>5,591</u>
<b>Total assets less current liabilities</b>		<u>74,163</u>	<u>73,932</u>
<b>Creditors: amounts falling due after more than one year</b>			
Bank loans	9a	(47,000)	(47,000)
Other creditors		(58)	(124)
Provisions for liabilities and charges	12	(7,136)	(6,668)
<b>Net assets</b>		<u>19,969</u>	<u>20,140</u>
<b>Capital and reserves</b>			
Called up share capital (including non-equity interests)	13	15,531	15,531
Share premium account		704	704
Revaluation reserve		1,340	1,340
Profit and loss account	14	2,394	2,565
<b>Shareholders' funds</b>		<u>19,969</u>	<u>20,140</u>

The financial statements on pages 5 to 22 were approved by the Board on 13 June 1997.



CM Gilligan

Director



## Group cash flow statement

For the year ended 31 December 1996

	Notes	1996 £ 000	1995 £ 000
<b>Cash flow from operating activities</b>	16	36,766	24,637
Returns on investments and servicing of finance	17	(4,089)	(3,396)
Taxation		(4,696)	(7,337)
Capital expenditure and financial investment	17	(19,365)	(19,885)
Equity dividends paid		<u>(8,765)</u>	<u>(7,440)</u>
<b>Cash outflow before use of liquid resources and financing</b>		(149)	(13,421)
Capital element of finance lease rental payments		<u>(66)</u>	<u>(71)</u>
<b>Decrease in cash in the period</b>		<u>(215)</u>	<u>(13,492)</u>
<b>Reconciliation of net cash flow to movements in net debt</b>			
Decrease in cash in the period		(215)	(13,492)
Cash outflow from decrease in debt and lease financing		<u>66</u>	<u>71</u>
<b>Change in net debt resulting from cash flows</b>		(149)	(13,421)
New finance leases		<u>-</u>	<u>(258)</u>
<b>Movement in net debt in the period</b>		(149)	(13,679)
Net debt at 1 January	18	<u>(49,825)</u>	<u>(36,146)</u>
Net debt at 31 December	18	<u>(49,974)</u>	<u>(49,825)</u>

# Notes to the financial statements

For the year ended 31 December 1996

## 1 Accounting policies

### a) *Accounting convention and compliance with accounting standards*

As in previous years, the financial statements have been prepared under the historical cost convention, except to the extent that certain fixed assets are stated at valuation as shown in note 6, and in accordance with applicable accounting standards.

### b) *Consolidated financial statements*

When subsidiary undertakings are acquired during an accounting period, the consolidated profit and loss account includes the results from the date when control passes .

### c) *Turnover and landfill tax*

Turnover represents the value of services provided, exclusive of value added tax and inclusive of landfill tax.

### d) *Intangible fixed assets*

Goodwill arising on the acquisition of subsidiary undertakings and other business concerns is the excess of the consideration paid over the fair value of assets acquired. Such goodwill is written off over a period not exceeding its useful economic life (see note 5).

### e) *Tangible fixed assets*

Depreciation of fixed assets is provided on a straight-line basis to write the assets down to their estimated residual values over their estimated useful lives. Freehold and leasehold property interests are depreciated on the basis of the shorter of the site life or the length of the lease or site licence. Freehold land which does not relate to landfill operations is not depreciated. Other fixed assets are depreciated as follows:

Other freehold buildings	2%
Plant, machinery and vehicles	10% - 25%

### f) *Deferred taxation*

Provision is made for deferred taxation where it is thought reasonably probable that a liability will crystallise in the foreseeable future. The provision is calculated on the liability basis using the rates of corporation tax expected to apply on taxation deferred by accelerated capital allowances and other timing differences, less tax recoverable in future periods from other timing differences.

### g) *Site restoration provision*

Provision is made out of revenue to cover the future costs of restoration of landfill sites.

### h) *Pensions*

The pension cost charged to the profit and loss account is calculated by the actuary so as to spread the cost of pensions over the employees' working lives with the group.

# Notes to the financial statements (continued)

## 1 Accounting policies (continued)

### i) Leases

Rental payments under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

## 2 Profit on ordinary activities before taxation

is stated after charging:

	1996 £ 000	1995 £ 000
Directors' emoluments (note 3)	919	823
Auditors' remuneration:		
- as auditors	78	75
- non-audit work	11	3
	<hr/>	<hr/>
Operating lease rentals:		
- plant and machinery	3,268	3,080
- other	1,289	1,144
	<hr/>	<hr/>
	4,557	4,224
	<hr/>	<hr/>
Depreciation and depletion of assets:		
Freehold land and buildings	397	484
Leasehold, land and buildings:		
- over fifty years	244	122
- under fifty years	1,403	1,135
Plant, machinery and vehicles:		
- under finance leases	47	86
- other	11,897	11,588
Goodwill	807	727
	<hr/>	<hr/>
	14,795	14,142
	<hr/>	<hr/>
Interest payable:		
- on bank borrowings repayable within five years	1,396	1,381
- short-term loans	1,966	2,056
- other loans	200	76
	<hr/>	<hr/>
	3,562	3,513
	<hr/>	<hr/>

Short-term loans consist of short-term funding all drawn and repaid in the year.

## Notes to the financial statements (continued)

### 2 Profit on ordinary activities before taxation *continued*

	1996 £ 000	1995 £ 000
<b>Group</b>		
<b>Staff costs</b>		
Wages and salaries	34,712	33,996
Social security costs	2,463	2,481
Other pension costs	1,868	1,810
	<u>39,043</u>	<u>38,287</u>
	1996 Number	1995 Number
Average number of employees	<u>1,775</u>	<u>1,735</u>

### 3 Directors' emoluments

	1996 £ 000	1995 £ 000
Aggregate emoluments consisting of salaries and pension contributions	<u>919</u>	<u>823</u>
Emoluments of the highest paid director excluding pension contributions	<u>133</u>	<u>117</u>

#### Emoluments of the directors fell within the following bands:

	Number	Number
£5,001 - £10,000	1	-
£15,001 - £20,000	1	1
£25,001 - £30,000	1	1
£30,001 - £35,000	1	-
£45,001 - £50,000	-	1
£65,001 - £70,000	-	1
£70,001 - £75,000	-	3
£80,001 - £85,000	2	-
£85,001 - £90,000	1	1
£90,001 - £95,000	2	1
£105,001 - £110,000	1	-
£115,001 - £120,000	-	1
£130,001 - £135,000	1	-

## Notes to the financial statements (continued)

### 4 Taxation

	1996 £ 000	1995 £ 000
United Kingdom corporation tax at 33%	5,455	4,590
Transfer from deferred taxation	-	(359)
Adjustments in respect of prior years		
- Corporation tax	(16)	(109)
- Deferred tax	-	(18)
	<u>5,439</u>	<u>4,104</u>

### 5 Intangible assets

#### (a) Group

##### Cost

1 January 1996	7,532
Additions (note 19)	<u>1,226</u>
31 December 1996	<u>8,758</u>
<b>Accumulated depreciation</b>	
1 January 1996	4,691
Charge for the year	<u>807</u>
31 December 1996	<u>5,498</u>
Net book amount 31 December 1996	<u>3,260</u>
31 December 1995	<u>2,841</u>

The cost of goodwill is amortised over the following periods:

	1996 £ 000	1995 £ 000
Five years or less	6,992	5,766
Ten years	<u>1,766</u>	<u>1,766</u>
	<u>8,758</u>	<u>7,532</u>

## Notes to the financial statements (continued)

### 5 Intangible assets *continued*

#### (b) Company

	Goodwill £ 000
Cost	
1 January 1996	6,395
Additions (note 19)	<u>1,226</u>
31 December 1996	<u>7,621</u>
Accumulated depreciation	
1 January 1996	4,161
Charge for the year	<u>729</u>
31 December 1996	<u>4,890</u>
Net book amount 31 December 1996	<u>2,731</u>
31 December 1995	<u>2,234</u>

The cost of goodwill is amortised over the following periods:

	1996 £ 000	1995 £ 000
Five years or less	5,855	4,629
Ten years	<u>1,766</u>	<u>1,766</u>
	<u>7,621</u>	<u>6,395</u>

## Notes to the financial statements (continued)

### 6 Tangible assets

	Land and buildings freehold £ 000	Land and buildings leasehold over 50 yrs £ 000	Land and buildings leasehold under 50 yrs £ 000	Plant, machinery and vehicles £ 000	Total £ 000
<b>(a) Group</b>					
<b>Cost or valuation</b>					
1 January 1996	9,508	1,699	20,941	115,757	147,905
Additions	1,771	780	720	15,519	18,790
Disposals	-	-	(180)	(4,976)	(5,156)
Reclassifications	(504)	1,110	(253)	(353)	-
<b>31 December 1996</b>	<b>10,775</b>	<b>3,589</b>	<b>21,228</b>	<b>125,947</b>	<b>161,539</b>
<b>Accumulated depreciation</b>					
1 January 1996	3,696	684	9,474	69,681	83,535
Disposals	-	-	(176)	(4,756)	(4,932)
Charge for the year	397	244	1,403	11,944	13,988
Reclassifications	(53)	116	(63)	-	-
<b>31 December 1996</b>	<b>4,040</b>	<b>1,044</b>	<b>10,638</b>	<b>76,869</b>	<b>92,591</b>
<b>Net book amount</b>					
<b>31 December 1996</b>	<b>6,735</b>	<b>2,545</b>	<b>10,590</b>	<b>49,078</b>	<b>68,948</b>
<b>31 December 1995</b>	<b>5,812</b>	<b>1,015</b>	<b>11,467</b>	<b>46,076</b>	<b>64,370</b>

Included in plant and machinery are assets with a net book value of £178,000 (1995: £225,000) held under finance leases.

Freehold includes land and buildings stated at 1971 valuation of £1,700,000 (1995: £1,700,000) with a net book value of £1,407,000 (1995: £1,421,000).

Freehold land of £4,449,000 (1995: £3,087,000) is not depreciated.

## Notes to the financial statements (continued)

### 6 Tangible assets *continued*

	Land and buildings freehold £ 000	Land and buildings leasehold over 50 yrs £ 000	Land and buildings leasehold under 50 yrs £ 000	Plant machinery and vehicles £ 000	Total £ 000
<b>(b) Company</b>					
<b>Cost or valuation</b>					
1 January 1996	9,508	1,699	20,826	115,408	147,441
Additions	1,771	780	720	15,519	18,790
Disposals	-	-	(65)	(4,976)	(5,041)
Transferred from group company	-	-	-	113	113
Reclassification	(504)	1,110	(253)	(353)	-
<b>31 December 1996</b>	<b>10,775</b>	<b>3,589</b>	<b>21,228</b>	<b>125,711</b>	<b>161,303</b>
<b>Accumulated depreciation</b>					
1 January 1996	3,696	684	13,739	69,561	83,300
Disposals	-	-	(61)	(4,756)	(4,817)
Transferred from group company	-	-	-	47	47
Charge for the year	397	244	1,403	11,886	13,930
Reclassification	(53)	116	(63)	-	-
<b>31 December 1996</b>	<b>4,040</b>	<b>1,044</b>	<b>10,638</b>	<b>76,738</b>	<b>92,460</b>
<b>Net book amount</b>					
<b>31 December 1996</b>	<b>6,735</b>	<b>2,545</b>	<b>10,590</b>	<b>48,973</b>	<b>68,843</b>
<b>31 December 1995</b>	<b>5,812</b>	<b>1,015</b>	<b>11,467</b>	<b>45,847</b>	<b>64,141</b>

Included in plant and machinery are assets with a net book value of £178,000 (1995: £225,000) held under finance leases.

Freehold includes land and buildings stated at 1971 valuation of £1,700,000 (1995: £1,700,000) with a net book value of £1,407,000 (1995: £1,421,000).

Freehold land of £4,449,000 (1995: £4,449,000) is not depreciated.



## Notes to the financial statements (continued)

### 7 Investments

	£000
<b>Shares in subsidiary undertakings - cost</b>	
1 January 1996 and 31 December 1996	<u>3,305</u>
<b>Provisions</b>	
1 January 1996 and 31 December 1996	<u>1,339</u>
<b>Net book value</b>	
31 December 1995 and 31 December 1996	<u>1,966</u>

The company's principal subsidiary undertaking at 31 December 1996 was as follows:

Subsidiary undertaking	Share of equity held by the company
Clean World Limited	100%

The subsidiary company is involved in the collection, treatment and disposal of waste, principally in the United Kingdom and is registered in England and Wales.

### 8 Debtors

	Group		Company	
	1996 £ 000	1995 £ 000	1996 £ 000	1995 £ 000
Trade debtors	36,141	27,708	36,141	27,708
Other debtors	764	262	764	262
Prepayments and accrued income	7,620	9,184	7,620	9,184
Amounts owed by subsidiary undertakings	-	-	1,141	1,510
Amounts due from parent company	<u>78</u>	<u>78</u>	<u>78</u>	<u>78</u>
	<u>44,603</u>	<u>37,232</u>	<u>45,744</u>	<u>38,742</u>

Prepayments include £4,495,000 (1995: £4,530,000) recoverable after more than one year.

## Notes to the financial statements (continued)

### 9 Creditors

#### (a) Bank loans and overdrafts

All bank loans are repayable between 1998 and 2000 under committed facilities provided by the banks. In the absence of these facilities the loans would be repayable within one year. The loans are unsecured.

	Group		Company	
	1996	1995	1996	1995
	£ 000	£ 000	£ 000	£ 000
<b>(b) Other current liabilities</b>				
Trade creditors	5,741	5,914	5,741	5,914
Amounts owed to subsidiary undertakings	-	-	1,941	1,942
Other creditors	1,154	1,026	1,154	1,026
Corporation tax	4,278	3,535	4,278	3,535
Other taxes and social security	7,728	1,993	7,728	1,993
Unpaid dividend	1,674	954	1,674	954
Accruals and deferred income	21,091	16,145	21,091	16,145
Other loans	2,500	2,500	2,500	2,500
	<u>44,166</u>	<u>32,067</u>	<u>46,107</u>	<u>34,009</u>

### 10 Pension costs

The group operates a number of pension schemes providing benefits based on final pensionable pay. The pension schemes are set up under trust and the assets of the schemes are therefore held separately from those of the group.

The pension cost charged to the profit and loss account for the three main schemes is calculated by independent qualified actuaries so as to spread the cost of pensions over the employees' working lives with the group. The pension costs are based on an actuarial valuation which was completed with an effective date of 6 April 1994 for one scheme, and 6 April 1995 for the two remaining schemes, the actuarial methods used were the attained age and the projected unit method respectively. A further scheme was created in October 1994 which due to its recent inception has had no actuarial valuation.

The most significant assumptions, for their effect on the pension costs, are those relating to the rate of return on the investments of the schemes and the rate of increase in pay. It was assumed that, over the long term, the yield earned on investments would exceed the rates of pay increase by 2.5% per year and that dividend income will grow at the rate of 4.75% per annum. The schemes are funded using the assumptions and actuarial methods as described above.

The net pension cost for all four schemes charged to the profit and loss account for the year was £1,868,444 (1995: £1,809,587).

## Notes to the financial statements (continued)

### 10 Pension costs *continued*

The total market value of the three main schemes' assets was approximately £27,542,000 (1995: £27,542,000) at the valuation dates and the actuarial value of those assets represented approximately 98% of the benefits accrued for service to that date. None of the schemes had a material deficiency on a current funding level. As noted above the fourth scheme has not yet had a valuation.

### 11 Deferred taxation

#### Group and company

Potential deferred tax is analysed as follows:

	1996 £ 000	1995 £ 000
Accelerated capital allowances	3,817	3,927
Other timing differences	<u>(3,817)</u>	<u>(3,927)</u>
	<u>-</u>	<u>-</u>

### 12 Provision for liabilities and charges

	Pension £ 000	Site restoration £ 000	Total £ 000
Group and company			
1 January 1996	2,052	4,616	6,668
Expenditure during year	(2,061)	(1,165)	(1,165)
Further (decrease)/increase in provision	<u>1,868</u>	<u>1,826</u>	<u>1,633</u>
31 December 1996	<u>1,859</u>	<u>5,277</u>	<u>7,136</u>

## Notes to the financial statements (continued)

### 13 Called up share capital

	1996 £000	1995 £ 000
93,268,594 ordinary shares of 20p each	18,654	18,654
6,731,406 deferred shares of 20p each	<u>1,346</u>	<u>1,346</u>
	<u>20,000</u>	<u>20,000</u>

### Allotted and fully paid

70,923,140 ordinary shares of 20p each	14,185	14,185
6,731,406 deferred shares of 20p each	<u>1,346</u>	<u>1,346</u>
	<u>15,531</u>	<u>15,531</u>

The deferred shares are non-equity shares. The holders have no right to dividends or distributions except that on a winding up or capital reduction the holders are entitled to repayment of the nominal value but only after the holders of the ordinary shares have received their nominal value plus a further £50 million. All other shareholders' funds relate to equity interests.

### 14 Reserves

	£ 000
<b>Profit and loss account - company</b>	
1 January 1996	2,565
Retained profit for the financial year	<u>(171)</u>
31 December 1996	<u>2,394</u>

The company's profit on ordinary activities after taxation was £9,314,000 (1995: £6,839,000).

### 15 Reconciliation of movements in group shareholders' funds

	1996 £ 000	1995 £ 000
Profit for the financial year	9,480	6,799
Dividends	<u>(9,485)</u>	<u>(6,798)</u>
(Decrease)/increase in shareholders' funds	(5)	1
Shareholders' funds at 1 January	<u>19,442</u>	<u>19,441</u>
Shareholders' funds at 31 December	<u>19,437</u>	<u>19,442</u>

## Notes to the financial statements (continued)

### 16 Reconciliation of operating profit to operating cash flows

	1996 £ 000	1995 £ 000
Operating profit	18,481	14,416
Depreciation charges	14,795	14,142
Profit on sale of fixed assets	(458)	(260)
(Increase)/decrease in stocks	(343)	100
Increase in debtors	(7,371)	(3,398)
Increase/(decrease) in creditors	11,194	(847)
Increase in other provisions	468	484
<b>Net cash inflow from operating activities</b>	<b>36,766</b>	<b>24,637</b>

### 17 Analysis of cash flows for headings netted in the cash flow statement

	1996 £ 000	1995 £ 000
<b>Returns on investments and servicing of finance</b>		
Interest paid	(4,089)	(3,396)
<b>Net cash outflow for returns on investments and servicing of finance</b>	<b>(4,089)</b>	<b>(3,396)</b>

### Capital expenditure and financial investment

Purchase of tangible fixed assets	(18,821)	(19,489)
Purchase of intangible fixed assets	(1,226)	(948)
Sale of plant and machinery	682	552
<b>Net cash outflow for capital expenditure and financial investment.</b>	<b>(19,365)</b>	<b>(19,885)</b>

### 18 Analysis of net debt

	At 1 January 1996 £ 000	Cash flow £ 000	At 31 December 1996 £ 000
Cash in hand and at bank	14		14
Overdrafts	(148)	(215)	(363)
Debt due after 1 year	(47,000)	-	(47,000)
Debt due within 1 year	(2,500)	-	(2,500)
Finance leases	(191)	66	(125)
<b>Total</b>	<b>(49,825)</b>	<b>(149)</b>	<b>(49,974)</b>

## Notes to the financial statements (continued)

### 19 Acquisitions

#### Acquisition of business

During the year the group acquired several unincorporated businesses for a total consideration of £2,885,000 (1995: £1,357,800). Net assets acquired were £1,659,000 (1995: £410,000) and the goodwill arising of £1,226,000 (1995: £947,800) has been treated as an intangible fixed asset and is being written off over its estimated useful economic life.

### 20 Contingent liabilities

The group's activities have, for many years, included the operation of landfill sites for the purposes of waste disposal. It is Cleanaway's policy to operate, restore and monitor its sites in full compliance with relevant legislation. As a result of the group's involvement in these activities provision has been made for known restoration liabilities, but given the nature of landfill operations it cannot be totally excluded that contingent liabilities may exist, the amount of which cannot be quantified.

### 21 Financial commitments

#### Group and Company

1996	1995
£ 000	£ 000

#### Finance leases

Included within creditors are the following amounts:

Due within one year	67	67
Due within two to five years	58	124
	<u>125</u>	<u>191</u>

#### Operating leases

The company is committed to the following payments in 1997 under operating leases which:

	Land and buildings £ 000	Others £ 000	Total £ 000
Expire within one year	29	75	104
Expire within two to five years	239	384	623
Expire over five years	973	130	1,103
	<u>1,241</u>	<u>589</u>	<u>1,830</u>

### 22 Future capital expenditure

The Board of directors of Cleanaway Limited has approved authorised and contracted capital expenditure for which no provision has been made in these financial statements of £3,066,000 (1995: £3,017,000).

## Notes to the financial statements (continued)

### 23 Ultimate parent company and related party disclosures

The directors regard Cleanaway Holdings Limited, a company registered in England and Wales, as the ultimate parent company. Cleanaway Holdings Limited is jointly owned by subsidiary undertakings of GKN plc and Brambles Industries Limited of Australia.

Cleanaway Holdings Limited is the only parent company to prepare group accounts which include the company. Copies of those accounts are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

As permitted by Financial Reporting Standard 8 "Related Party Transactions", transactions with Cleanaway Holdings Limited have not been disclosed in these accounts.

The following material transactions have occurred during the year between the Group and the above two shareholders in Cleanaway Holdings Limited and companies under their control:

	GKN £000	Brambles £000	Joint £000
Management fee receivable	-	-	(193)
Loan interest payable	2,066	100	-
Management fee payable	280	280	-

At 1 January 1996, 31 December 1996 and between those dates the group had outstanding borrowings from GKN plc and Brambles Industries Limited in equal amounts totalling £2,500,000 (see note 9). In addition, during the year the group borrowed up to £30,000,000 from GKN plc. This loan was repaid before the balance sheet date and subsequently renewed in January 1997.