ARTHUR ANDERSEN

Cleanaway Limited

Financial statements for the year ended 31 December 1999
together with directors' and auditors' reports

Registered number: 806128

Directors' report

For the year ended 31 December 1999

Financial statements

The directors present their report and financial statements for the year ended 31 December 1999.

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.

Principal activity

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 and future developments

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 £ 4,710,000 (1998: £10,860,000) were declared during the year of which £4,710,000 was paid in 1999 (1998: £4,550,000) no further dividend is proposed (1998: £2,100,000).

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:

A P R Dean	
P Everall	(resigned 29 October 1999)
I N Flynn	(appointed 25 October 1999)
C M Gilligan	
P A M Heath	(appointed 25 October 1999)
P Smith	(resigned 17 September 1999)
G R Westra	

Charitable donations

During the year the group made donations of £11,394 (1998: £15,434) 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.

Year 2000

The transition to the year 2000 has not had any significant impact on the group's business or costs.

Auditors

On 5 May 1998, in accordance with Section 386 of the Companies Act 1985, elective resolutions were passed, dispensing with the requirement to re-appoint auditors each year.

This report was approved by the Board on 26th September 2000

PGN Thompson

PGN Thompson
Secretary

The Drive
Warley
Brentwood
Essex
CM13 3BE

ARTHUR ANDERSEN

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 in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 1999 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.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors
20 Old Bailey
London EC4M 7AN

26 September 2000

Group profit and loss account

For the year ended 31 December 1999

	Notes	1999 £ 000	1998 As restated £ 000
Turnover		212,574	200,590
Consumable stores and repairs		(23,914)	(22,010)
Staff costs	2	(54,649)	(50,295)
Depreciation	2	(18,866)	(17,849)
Other operating charges		(88,499)	(83,282)
Operating profit		26,646	27,154
Interest payable and other financing costs	2	(7,766)	(7,579)
Profit on ordinary activities before taxation	2	18,880	19,575
Tax on profit on ordinary activities	4	(6,684)	(6,991)
Profit on ordinary activities after taxation		12,196	12,584
Dividends on equity shares			
- paid		(4,710)	(4,550)
- declared		-	(6,310)
- proposed		-	(2,100)
		(4,710)	(12,960)
Transfer to/(from) reserves		7,486	(376)
Retained losses brought forward		(17,504)	(17,128)
Retained losses carried forward		(10,018)	(17,504)

Turnover and operating profit are derived from continuing operations.

Statement of total recognised gains and losses

	1999 £ 000	1998 As restated £ 000
Profit for the financial year	7,486	(376)
Total recognised gains relating to the year	7,486	(376)
Prior year adjustment	(16,627)	-
Total losses recognised since last annual report and accounts	(9,141)	(376)

Group balance sheet

At 31 December 1999

	Notes	1999	1998 As restated
		£ 000	£ 000
Fixed assets			
Goodwill	6a	10,198	8,356
Tangible assets	7a	97,338	94,632
		107,536	102,988
Current assets			
Stocks		1,339	1,179
Debtors	9	66,084	58,154
Cash at bank and in hand		1,999	8
		69,422	59,341
Creditors: amounts falling due within one year			
Bank loans and overdrafts	10a	-	(342)
Other current liabilities	10b	(64,138)	(48,584)
		(64,138)	(48,926)
Net current assets		5,284	10,415
Total assets less current liabilities		112,820	113,403
Creditors: amounts falling due after more than one year			
Bank loans	10a	(71,000)	(81,000)
Provisions for liabilities and charges	13	(33,836)	(31,905)
Net assets		7,984	498
Capital and reserves			
Called up share capital (including non-equity interests)	14	15,531	15,531
Share premium account		704	704
Revaluation reserve		1,340	1,340
Other reserves		427	427
Profit and loss account	15	(10,018)	(17,504)
Shareholders' funds		7,984	498

The financial statements on pages 5 to 22 were approved by the Board on 26.9.00.

Company balance sheet

At 31 December 1999

	Notes	1999	1998
			As restated
		£ 000	£ 000
Fixed assets			
Goodwill	6b	8,859	7,984
Tangible assets	7b	97,335	94,607
Investments	8	2,562	1,966
		108,756	104,557
Current assets			
Stocks		1,338	1,179
Debtors	9	66,829	59,027
Cash at bank and in hand		1,999	8
		70,166	60,214
Creditors: amounts falling due within one year			
Bank loans and overdrafts	10a	-	(342)
Other current liabilities	10b	(65,579)	(50,525)
		(65,579)	(50,867)
Net current assets		4,587	9,347
Total assets less current liabilities		113,343	113,904
Creditors: amounts falling due after more than one year			
Bank loans	10a	(71,000)	(81,000)
Provisions for liabilities and charges	13	(33,836)	(31,905)
Net assets		8,507	999
Capital and reserves			
Called up share capital (including non-equity interests)	14	15,531	15,531
Share premium account		704	704
Revaluation reserve		1,340	1,340
Profit and loss account	15	(9,068)	(16,576)
Shareholders' funds		8,507	999

The financial statements on pages 5 to 22 were approved by the Board on 26.9.00.

CM Gilligan
Director

Group cash flow statement

For the year ended 31 December 1999

	Notes	1999 £ 000	1998 As restated £ 000
Net cash inflow from operating activities	17	42,527	28,682
Returns on investments and servicing of finance	18	(5,728)	(5,451)
Taxation		(5,418)	(4,099)
Capital expenditure and financial investment	18	(22,238)	(31,232)
Equity dividends paid		(13,120)	(5,315)
Cash outflow before management of liquid resources and financing		(3,977)	(17,415)
New loans		16,310	17,000
Repayment of loans		(10,000)	-
Capital element of finance lease rental payments		-	(56)
Increase/(decrease) in cash in the year		2,333	(471)

Reconciliation of net cash flow to movements in net debt

	Notes	1999 £ 000	1998 As restated £ 000
Increase/(decrease) in cash in the period		2,333	(471)
Cash inflow from increase in debt and lease financing		(6,310)	(16,944)
Movement in net debt in the year		(3,977)	(17,415)
Net debt at 1 January	19	(91,534)	(74,119)
Net debt at 31 December	19	(95,511)	(91,534)

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 7, 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) Goodwill

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. Goodwill is written off over a period not exceeding its useful economic life (see note 6).

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	6.67% - 33.33%

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.

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

Profit on ordinary activities before taxation is stated after charging:

	1999 £ 000	1998 £ 000
Directors' emoluments (note 3)	773	788
Auditors' remuneration:		
- as auditors	80	80
- non-audit work	125	61
Operating lease rentals:		
- plant and machinery	3,629	3,901
- other	1,356	1,421
	4,985	5,322
Depreciation and depletion of assets:		
Freehold land and buildings	1,110	866
Leasehold land and buildings:		
- over fifty years	225	218
- under fifty years	1,188	1,151
Plant, machinery and vehicles:		
- under finance leases	-	39
- other	14,861	13,968
Goodwill	1,482	1,607
	18,866	17,849
Interest payable and other financing costs:		
- on bank borrowings repayable within five years	4,327	2,625
- short-term loans	604	2,681
- other loans	1,118	755
-discount unwinding on environmental provisions	1,717	1,518
	7,766	7,579

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

2 Profit on ordinary activities before taxation (continued)

	1999 £ 000	1998 £ 000
Group		
Staff costs		
Wages and salaries	48,223	44,340
Social security costs	4,197	3,994
Other pension costs	2,229	1,961
	54,649	50,295

	1999 Number	1998 Number
Average number of employees	2,222	2,184

3 Directors' emoluments

Remuneration

	1999 £000	1998 £000
Emoluments	773	788

Pensions

The number of directors who were members of pension schemes was as follows:

	1999 £000	1998 £000
Defined benefit schemes	7	5

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director.

	1999 £000	1998 £000
Emoluments	303	333

The accrued pension entitlement under a defined benefit scheme of the highest paid director at 31 December 1999 was £19,320 (1998 : £15,260). No lump sum entitlement exists.

4 Taxation

	1999 £ 000	1998 £ 000
United Kingdom corporation tax at 30 % (1998: 31%)	6,020	5,775
Transfer to deferred taxation	606	1,186
Adjustments in respect of prior years		
- Corporation tax	(722)	-
- Deferred tax	780	30
	6,684	6,991

5 Prior year adjustment

The group policy for providing for aftercare and restoration costs on landfill sites was changed during the year. As a result of introducing FRS12, the company has provided for aftercare costs this year whereas in prior years, no such provision was made. Furthermore, the basis of calculating the site restoration provision was changed.

The directors consider that the new policy provides a fairer presentation of the result and the financial position of the group. The comparative figures in the primary statements and notes have been restated to reflect the new policy.

The effects of the change in policy are summarised below:

	1999 £ 000	1998 £ 000
Decrease in other operating charges	1,051	1,138
Increase in interest payable	(1,717)	(1,518)
Decrease in profit for the year	(666)	(380)
Increase in provisions	-	(21,215)
Decrease in corporation tax creditor	-	4,588
Decrease in net assets	-	(16,627)

6 Goodwill

(a) Group

	Goodwill £ 000
Cost	
1 January 1999	16,767
Additions (note 20)	3,324
31 December 1999	20,091
Accumulated depreciation	
1 January 1999	8,411
Charge for the year	1,482
31 December 1999	9,893
Net book amount 31 December 1999	10,198
31 December 1998	8,356

The cost of goodwill is amortised over the following periods:

	1999 £ 000	1998 £ 000
Five years or less	8,007	7,878
Ten years	11,623	8,889
Twenty years	461	-
	20,091	16,767

(b) Company

	Goodwill £ 000
Cost	
1 January 1999	15,630
Additions (note 20)	2,278
31 December 1999	17,908
Accumulated depreciation	
1 January 1999	7,646
Charge for the year	1,403
31 December 1999	9,049
Net book amount 31 December 1999	8,859
31 December 1998	7,984

6 Goodwill (continued)

The cost of goodwill is amortised over the following periods:

	1999 £ 000	1998 £ 000
Five years or less	7,652	7,523
Ten years	9,795	8,107
Twenty years	461	-
	17,908	15,630

7 Tangible assets

	Land and buildings freehold £ 000	Land and buildings leasehold over 50 years £ 000	Land and buildings leasehold under 50 years £ 000	Plant, machinery and vehicles £ 000	Total £ 000
(a) Group					
Cost or valuation					
1 January 1999	24,213	3,882	24,124	158,282	210,501
Additions	221	307	5,957	15,727	22,212
Disposals	(1,706)	-	-	(6,589)	(8,295)
31 December 1999	22,728	4,189	30,081	167,420	224,418
Accumulated depreciation					
1 January 1999	5,541	1,699	13,224	95,405	115,869
Disposals	(252)	-	-	(5,921)	(6,173)
Charge for the year	1,110	225	1,188	14,861	17,384
31 December 1999	6,399	1,924	14,412	104,345	127,080
Net book amount					
31 December 1999	16,329	2,265	15,669	63,075	97,338
31 December 1998	18,672	2,183	10,900	62,877	94,632

Included in plant and machinery are assets with a net book value of £Nil (1998: £97,000) held under finance leases.

Freehold includes land and buildings stated at 1971 valuation of £1,700,000 (1998: £1,700,000) with a net book value of £1,378,000 (1998: £1,378,000).

Freehold land of £3,350,792 (1998: £4,415,000) is not depreciated.

7 Tangible assets (continued)

	Land and buildings freehold £ 000	Land and buildings leasehold over 50 years £ 000	Land and buildings leasehold under 50 years £ 000	Plant, machinery and vehicles £ 000	Total £ 000
(b) Company					
Cost or valuation					
1 January 1999	24,213	3,882	24,124	158,100	210,319
Additions	221	307	5,957	15,729	22,214
Disposals	(1,706)	-	-	(6,559)	(8,265)
31 December 1999	22,728	4,189	30,081	167,270	224,268
Accumulated depreciation					
1 January 1999	5,920	1,699	12,845	95,248	115,712
Disposals	(252)	-	-	(5,891)	(6,143)
Charge for the year	1,110	225	1,188	14,841	17,364
31 December 1999	6,778	1,924	14,033	104,198	126,933
Net book amount					
31 December 1999	15,950	2,265	16,048	63,072	97,335
31 December 1998	18,293	2,183	11,279	62,852	94,607

Included in plant and machinery are assets with a net book value of £Nil (1998: £97,000) held under finance leases.

Freehold includes land and buildings stated at 1971 valuation of £ 1,700,000 (1998: £1,700,000) with a net book value of £1,378,000 (1998: £1,378,000).

Freehold land of £3,350,792 (1998: £4,415,000) is not depreciated.

8 Investments

Shares in subsidiary undertakings

	£000
1 January 1999	3,305
Additions at cost (note 20)	1,125
Eliminated during the year	(529)
31 December 1999	3,901
Provision at 1 January 1999 and 31 December 1999	(1,339)
Net book amount	
31 December 1999	2,562
31 December 1998	1,966

The company's principal subsidiary undertakings at 31 December 1999 were as follows:

Subsidiary undertaking	**Share of equity held by the company**
Clean World Limited	100%
West Midlands Waste Management Limited	100%

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

9 Debtors

	Group		Company	
	1999 £ 000	1998 £ 000	1999 £ 000	1998 £ 000
Trade debtors	41,644	38,838	41,644	38,838
Other debtors	4,561	1,472	4,510	1,472
Prepayments and accrued income	19,845	17,810	19,845	17,810
Amounts owed by subsidiary undertakings	-	-	796	873
Amounts due from parent company	34	34	34	34
	66,084	58,154	66,829	59,027

Prepayments include £ 13,209,090 (1998: £14,594,000) recoverable after more than one year.

10 Creditors

a) Bank loans and overdrafts

All bank loans are repayable between 2000 and 2002 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.

b) Other current liabilities

	Group		Company	
	1999 £ 000	1998 £ 000	1999 £ 000	1998 £ 000
Trade creditors	4,617	5,253	4,617	5,253
Amounts owed to subsidiary undertakings	-	-	1,442	1,941
Other creditors	1,641	1,362	1,641	1,362
Corporation tax	1,000	1,120	1,000	1,120
Other taxes and social security	6,506	2,868	6,506	2,868
Unpaid dividend	4	8,414	4	8,414
Accruals and deferred income	23,860	19,367	23,859	19,367
Other loans	26,510	10,200	26,510	10,200
	64,138	48,584	65,579	50,525

11 Pension costs

The group operates four 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 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 1997 for two schemes and 6 April 1998 for the other two. The actuarial methods used were the attained age method for one of the schemes valued at 6 April 1997 and the projected unit method for the other three.

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. 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 £ 2,229,017 (1998: £1,961,308).

The total market value of the schemes' assets was approximately £67,235,000 (1998: £52,490,000) 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.

12 Deferred taxation

a) Group and company

Potential deferred tax is analysed as follows:

	1999 £ 000	1998 As restated £ 000
Accelerated capital allowances	5,672	5,066
Other timing differences	(4,890)	(5,670)
	782	(604)

13 Provisions for liabilities and charges

a) Group and company

	Deferred taxation £ 000	Pension £ 000	Aftercare £ 000	Site restoration £ 000	Total £ 000
1 January 1999	1,934	894	-	7,862	10,690
Prior year adjustment (see Note 5)	(2,538)	-	20,121	3,632	21,215
1 January 1999 restated	(604)	894	20,121	11,494	31,905
Expenditure during year	-	-	(829)	(1,394)	(2,223)
Increase/(decrease) in provision	1,386	(583)	1,638	1,713	4,154
31 December 1999	782	311	20,930	11,813	33,836

14 Called up share capital

	1999 £000	1998 £000
Authorised		
93,268,594 ordinary shares of 20p each	18,654	18,654
6,731,406 deferred shares of 20p each	1,346	1,346
	20,000	20,000
Allotted and fully paid		
70,923,140 ordinary shares of 20p each	14,185	14,185
6,731,406 deferred shares of 20p each	1,346	1,346
	15,531	15,531

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.

15 Reserves

	Group £000	Company £000
Profit and loss account		
1 January 1999 - as previously stated	877	51
Prior year adjustment	(16,627)	(16,627)
1 January 1999 - as restated	(17,504)	(16,576)
Profit for the financial year before dividends	12,196	12,218
Dividends	(4,710)	(4,710)
31 December 1999	(10,018)	(9,068)

As permitted by section 230 of the Companies Act, the company has taken advantage of the exemption from the requirement to publish a separate profit and loss account. The company's profit on ordinary activities after taxation was £12,218,000 (1998: £13,011,000).

16 Reconciliation of movements in group shareholders' funds

	1999 £000	1998 £000
Profit for the financial year	12,196	12,964
Dividends	(4,710)	(12,960)
Increase/(decrease) in shareholders' funds	7,486	4
Shareholders' funds at 1 January as previously stated	498	17,121
Prior year adjustment (see Note 5)	-	(16,627)
Shareholders' funds at 1 January as restated	498	494
Shareholders' funds at 31 December	7,984	498

17 Reconciliation of operating profit to operating cash flows

	1999 £ 000	1998 As restated £ 000
Operating profit	26,646	27,154
Discount unwinding on environmental provisions	(1,717)	(1,518)
Depreciation charges	18,866	17,849
Profit on sale of fixed assets	(1,176)	(409)
(Increase)/decrease in stocks	(160)	216
Increase in debtors	(7,930)	(6,345)
Increase/(decrease) in creditors	7,453	(9,488)
Increase in other provisions	545	1,223
Net cash inflow from operating activities	42,527	28,682

18 Analysis of cash flows for headings netted in the cash flow statement

	1999 £ 000	1998 £ 000
Returns on investments and servicing of finance		
Interest paid	(5,728)	(5,451)
Net cash outflow from returns on investments and servicing of finance	(5,728)	(5,451)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(22,212)	(31,130)
Purchase of intangible fixed assets	(3,324)	(592)
Sale of plant and machinery	3,298	490
Net cash outflow from capital expenditure and financial investment	(22,238)	(31,232)

19 Analysis and reconciliation of net debt

	At 1 January 1999 £ 000	Cash flow 1999 £ 000	At 31 December 1999 £ 000
Cash in hand and at bank	8	1,991	1,999
Overdrafts	(342)	342	-
Debt due after 1 year	(81,000)	10,000	(71,000)
Debt due within 1 year	(10,200)	(16,310)	(26,510)
Total	(91,534)	(3,977)	(95,511)

20 Acquisitions

Acquisition of business

During the year the company acquired the entire issued share capital of West Midlands Waste Management for a consideration comprising £615,000 of cash and £ 510,000 by issue of loan notes. Details of the net assets acquired are set out below. The directors consider these balances to be the fair value of the net assets.

	1999 £ 000
Tangible fixed assets	114
Debtors	209
Creditors due in less than one year	(244)
Net assets acquired	79
Goodwill	1,046
Consideration	1,125

During the year the group acquired several unincorporated businesses for a total consideration of £ 4,195,000 (1998: £817,000). Net assets acquired were £1,917,000 (1998: £225,000) and the goodwill arising of £2,278,000 (1998: £592,000) has been treated as an intangible fixed asset and is being written off over its estimated useful economic life.

21 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.

22 Financial commitments

Operating leases

The company is committed to the following payments in 2000 under operating leases which:

	Land and buildings £ 000	Others £ 000	Total £ 000
Expire within one year	194	31	225
Expire within two to five years	301	501	802
Expire after more than five years	1,584	-	1,584
	2,079	532	2,611

23 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 £1,094,000 (1998: £3,063,000).

24 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 as 90% or more of the voting rights of the company are controlled within the group.

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
Loan interest payable	2,176	559
Management fee payable	388	312

At 1 January 1999, 31 December 1999 and between those dates the group had outstanding borrowings from GKN plc and Brambles Industries Limited in equal amounts totalling a minimum of £10,200,000 and a maximum of £26,510,000. In addition, during the year the group borrowed up to a further £30,000,000 from GKN plc. This loan was repaid before the balance sheet date and subsequently renewed in January 2000.