

Cleanaway Limited

Annual Report and Financial Statements
Year ended 30 June 2005

Registered Number: 806128



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Cleanaway Limited

Directors' report for the year ended 30 June 2005

The directors present their report and the audited financial statements for the year ended 30 June 2005.

Principal activities

The principal activity of the company and the group continues to be the collection, recycling, 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 period and looks forward to continued expansion in waste management.

Results and dividends

The results for the group for the year are set out in the profit and loss account on page 8.

A dividend of £2,729,000 (2004: £816,000) was declared and paid during the period. No final dividend is proposed for 2005 (2004: nil).

Post Balance Sheet event

On 20 February 2006, Recall SDS (UK) Limited sold its trade and assets to Secure Destruction Limited for a consideration of £9.5 million. On 4 April 2006, the entire share capital of Recall SDS (UK) Limited was sold to Brambles Holdings (UK) Limited for a consideration of £1.

Directors and their interests

The directors who held office during the year are given below:

GR Westra	(resigned 8 December 2004)
CM Gilligan	(resigned 8 December 2004)
K Gardner	(resigned 5 January 2005)
L Kennedy	
G Mallett	(resigned 13 December 2004)
M Engsted	
B Mitchell	(appointed 29 July 2004)
PM Levett	(appointed 5 October 2004)
J White	(appointed 5 October 2004)
D Gerrard	(appointed 17 December 2004)
JL Laurent	(appointed 24 December 2004)

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

M Engsted resigned as a director of the company on 12 September 2005. On 20 January 2006, L Kennedy and J White resigned as directors of the company. On 16 January 2006, G Holt and A Sharp were appointed directors of the company.

Cleanaway Limited

Directors' report for the year ended 30 June 2005 (Continued)

Brambles Employee Option Plan

Performance based incentive arrangements are currently provided to senior executives by way of both short-term incentive and long term incentive plans. These plans were approved by Brambles' shareholders at the 2004 annual general meetings and replaced the previous long-term incentive plans approved by shareholders in 2001. Awards are normally granted within 42 days after the announcement by Brambles of its financial results for any period. Awards are to Share Units, which are a combination of shares in Brambles Industries Limited ("BIL") and Brambles Industries plc ("BIP"). In 2004, most Share Units awarded consisted of one BIL share and one BIP share.

Three types of award can normally be made under the 2004 plans:

- STI Share Awards – equity awards, the size of which is determined by prior year performance against specified targets and which vest subject to continued employment;
- Enhanced STI Awards – which are awarded at the same time as, and represent up to half the number of, Share Units subject to the corresponding STI Share Award, the vesting of which is subject to a performance condition; and
- LTI Awards – which are subject to long term incentives, vesting of which is subject to a performance condition.

In 2004 only, a special type of award was made (a Transitional STI Award) to ensure that certain employees were treated fairly in the transition from the old arrangements to the new. The size of STI Share Awards for the 2005 year under the above arrangements was driven by performance against Brambles' Value Added ("BVA") targets and personal objectives.

BVA is the value generated by a business over and above the cost of capital it uses to generate that value. Brambles' BVA for the year is denominated in sterling and defined under UK GAAP at June 2004 fixed exchange rates. It is calculated as comparable operating profit (profit before interest, tax, goodwill amortisation and exceptional items) less Average Capital Invested (calculated as a 13 month average of net assets before tax balances, dividend provisions, cash, borrowings and accrued interest but after adding back accumulated goodwill amortisation) multiplied by the Brambles' weighted average pre-tax cost of capital (currently 12%).

For the 2006 year, they will be driven primarily by performance against the year's BVA targets and, to a lesser extent, against performance against profit after tax before exceptional items and cash flow from operations targets, all set at fixed exchange rates, and the relevant individual's personal objectives.

The highest and lowest market price during the year ended 30 June 2005, and the market price as at 30 June 2005, for BIL and BIP shares is set out below:

In year ended 30 June 2005			At 30 June 2005
	Highest price	Lowest price	
BIL	A\$ 8.48 (10 March 2005)	A\$ 5.80 (12 August 2004)	A\$ 8.17
BIP	318.5p (13 April 2005)	206.25p (10 August 2004)	306p

The interests of GR Westra and JL Laurent in the share capital of Brambles Industries plc and Brambles Industries Limited are disclosed in the financial statements of Cleanaway Holdings Limited.

Cleanaway Limited

Directors' report for the year ended 30 June 2005 (Continued)

PM Levett, B Mitchell and J White had beneficial interests in 8,258, 28,904 and 44,320 ordinary shares of Brambles Industries Limited respectively.

Details of options and performance share rights granted during the period for the other directors in office at 30 June 2005 are listed below:

Grant Date	Balance 1 July 2004 Number	Exercise Price	Granted in year Number	Exercised or lapsed in year Number	Balance 30 June 2005 Number	Exercise Period
L Kennedy						
Options						
BIP Shares						
06 Mar 03	60,185	£1.49	-	-	60,185	Mar06 to Mar09
10 Sep 03	115,640	£1.72	-	-	115,640	Sep06 to Sep09
BIL Shares						
06 Mar 03	60,185	A\$4.32	-	-	60,185	Mar06 to Mar09
10 Sep 03	115,640	A\$4.75	-	-	115,640	Sep06 to Sep09
Share Rights						
BIP Shares						
06 Mar 03	21,812	-	-	-	21,812	Mar06 to Mar09
10 Sep 03	28,910	-	-	-	28,910	Sep06 to Sep09
08 Sep 04	-	-	24,940	-	24,940	Sep07 to Sep10
BIL Shares						
06 Mar 03	21,812	-	-	-	21,812	Mar06 to Mar09
10 Sep 03	28,910	-	-	-	28,910	Sep06 to Sep09
08 Sep 04	-	-	24,940	-	24,940	Sep07 to Sep10
M Engsted						
Options						
BIP Shares						
04 Mar 04	37,500	£2.11	-	-	37,500	Mar07 to Mar10
BIL Shares						
04 Mar 04	37,500	A\$5.31	-	-	37,500	Mar07 to Mar10
Share Rights						
BIP Shares						
04 Mar 04	9,953	-	-	-	9,953	Mar07 to Mar10
08 Sep 04	-	-	15,364	-	15,364	Sep07 to Sep10
BIL Shares						
04 Mar 04	9,953	-	-	-	9,953	Mar07 to Mar10
08 Sep 04	-	-	15,364	-	15,364	Sep07 to Sep10

Cleanaway Limited

Directors' report for the year ended 30 June 2005 (Continued)

Grant Date	Balance 5 October 2004 Number	Exercise Price	Granted in year Number	Exercised or lapsed in year Number	Balance 30 June 2005 Number	Exercise Period
PM Levett						
Options						
BIP Shares						
19 Dec 01	50,280	£3.21	-	-	50,280	Dec04 to Dec07
05 Sep 02	67,949	£2.33	-	-	67,949	Sep05 to Sep08
10 Sep 03	175,214	£1.72	-	-	175,214	Sep06 to Sep09
BIL Shares						
19 Dec 01	50,280	A\$9.63	-	-	50,280	Dec04 to Dec07
05 Sep 02	67,949	A\$7.08	-	-	67,949	Sep05 to Sep08
10 Sep 03	175,214	A\$4.75	-	-	175,214	Sep06 to Sep09
Share Rights						
BIP Shares						
19 Dec 01	14,724	-	-	-	14,724	Dec04 to Dec07
05 Sep 02	21,452	-	-	-	21,452	Sep05 to Sep08
10 Sep 03	43,803	-	-	-	43,803	Sep06 to Sep09
08 Sep 04	78,317	-	-	-	78,317	Sep07 to Sep10
BIL Shares						
19 Dec 01	14,724	-	-	-	14,724	Dec04 to Dec07
05 Sep 02	21,452	-	-	-	21,452	Sep05 to Sep08
10 Sep 03	43,803	-	-	-	43,803	Sep06 to Sep09
08 Sep 04	78,317	-	-	-	78,317	Sep07 to Sep10
J White						
Options						
BIL Shares						
19 Dec 01	25,404	A\$9.63	-	-	25,404	Dec04 to Dec07
05 Sep 02	37,644	A\$7.08	-	-	37,644	Sep05 to Sep08
10 Sep 03	60,934	A\$4.75	-	-	60,934	Sep06 to Sep09
Share Rights						
BIL Shares						
19 Dec 01	7,544	-	-	-	7,544	Dec04 to Dec07
05 Sep 02	10,262	-	-	-	10,262	Sep05 to Sep08
10 Sep 03	15,908	-	-	-	15,908	Sep06 to Sep09
08 Sep 04	18,596	-	-	-	18,596	Sep07 to Sep10

Cleanaway Limited

Directors' report for the year ended 30 June 2005 (Continued)

Grant Date	Balance 29 July 2004 Number	Exercise Price	Granted in year Number	Exercised or lapsed in year Number	Balance 30 June 2005 Number	Exercise Period
B Mitchell						
Options						
BIL Shares						
19 Dec 01	24,132	A\$9.63	-	-	24,132	Dec04 to Dec07
05 Sep 02	35,762	A\$7.08	-	-	35,762	Sep05 to Sep08
10 Sep 03	57,888	A\$4.75	-	-	57,888	Sep06 to Sep09
Share Rights						
BIL Shares						
19 Dec 01	7,168	-	-	-	7,168	Dec04 to Dec07
05 Sep 02	9,748	-	-	-	9,748	Sep05 to Sep08
10 Sep 03	15,112	-	-	-	15,112	Sep06 to Sep09
08 Sep 04	-	-	32,424	-	32,424	Sep07 to Sep10

Charitable donations

During the year the group made donations of £21,818 (2004: £31,001) to charities. The group made no political donations in the period (2004: nil).

Employees

Applications for employment from disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through in-house newsletters.

Policy and practice on payment of creditors

It is the group's policy in respect of suppliers to agree payment terms in advance of the supply of goods and services and to adhere to those payment terms. Trade creditors at the year end represented 67 days (2004: 63 days) of purchases for the group.

Cleanaway Limited

Directors' report for the year ended 30 June 2005 (Continued)

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 confirm that suitable accounting policies have been used and applied. They also confirm that reasonable and prudent judgements and estimates have been made in preparing statements for the period ended 30 June 2005 and that applicable accounting standards have been followed.

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.

Auditors

In accordance with section 386 of the Companies Act 1985, elective resolutions have been passed dispensing with the requirement to re-appoint auditors each year. PricewaterhouseCoopers LLP continue in their role as auditors of the company.

By order of the Board



PGN Thompson
Company Secretary

The Drive
Warley
Brentwood
Essex
CM13 3BE

28 April 2006

Independent auditors' report to the members of Cleanaway Limited

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

This report, including the opinion has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 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 or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit 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 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 affairs of the company and the group at 30 June 2005 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

28 April 2006

Cleanaway Limited

Consolidated Profit and Loss Account for the year ended 30 June 2005

		2005 £'000	2004 £'000
Turnover (including share of joint venture)	<i>Note 1e</i>	501,214	471,363
Less: Share of turnover of joint venture		(10,552)	(9,785)
Group Turnover		490,662	461,578
Operating profit before exceptional items		23,010	19,930
Exceptional income	5	-	2,190
Exceptional reorganisation costs	5	(3,705)	(1,540)
Group operating profit		19,305	20,580
Share of operating profit / (loss) in joint venture	2	755	(20)
Total operating profit		20,060	20,560
Profit on disposal of a business operation	5	-	265
Interest receivable and similar income	6	420	74
Interest payable and similar charges	7		
- Group		(9,818)	(13,417)
- Joint venture		(75)	(55)
Net interest payable		(9,473)	(13,398)
Profit on ordinary activities before taxation	4	10,587	7,427
Tax on profit on ordinary activities	9	(4,925)	(4,571)
Profit on ordinary activities after taxation		5,662	2,856
Dividends on equity share capital	10	(2,729)	(816)
Retained profit for the financial year		2,933	2,040

There are no recognised gains or losses other than those included in the profit and loss account. Therefore no separate statement of total recognised gains and losses has been presented.

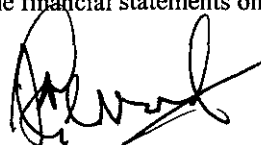
There are no material differences between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents.

Cleanaway Limited

Consolidated Balance Sheet as at 30 June 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	11	49,005	53,077
Tangible assets	12	165,683	168,500
Interests in joint venture	13		
Share of gross assets		9,442	7,482
Share of gross liabilities		(7,074)	(5,652)
		<u>2,368</u>	<u>1,830</u>
		217,056	223,407
Current assets			
Stocks	14	2,835	2,685
Fixed assets held for resale	14	2,244	2,178
Debtors due within one year	15	94,299	91,520
Debtors due after one year	15	10,056	8,902
Cash at bank and in hand		804	1,822
		<u>110,238</u>	<u>107,107</u>
Creditors: amounts falling due within one year	16	(99,135)	(85,353)
Net current assets		<u>11,103</u>	<u>21,754</u>
Total assets less current liabilities		<u>228,159</u>	<u>245,161</u>
Creditors: amounts falling due after more than one year	17	(83,768)	(104,540)
Provisions for liabilities and charges	18	(44,245)	(43,408)
Net assets		<u>100,146</u>	<u>97,213</u>
Capital and reserves			
Called up share capital	19	89,531	89,531
Share premium		704	704
Revaluation reserve		1,340	1,340
Other reserves		427	427
Profit and loss account	20	8,144	5,211
Total shareholders' funds	21	<u>100,146</u>	<u>97,213</u>
Shareholders' funds may be analysed as:			
- equity interests		98,800	95,867
- non-equity interests		1,346	1,346
		<u>100,146</u>	<u>97,213</u>

The financial statements on pages 8 to 35 were approved by the Board on 18 April 2006.



D Gerrard
Director

Cleanaway Limited

Company Balance Sheet as at 30 June 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	11	12,680	14,497
Tangible assets	12	145,383	144,464
Investments	13	51,207	51,207
		<u>209,270</u>	<u>210,168</u>
Current assets			
Stocks	14	2,145	1,848
Fixed assets held for resale	14	2,244	2,178
Debtors due within one year	15	78,649	78,915
Debtors due after one year	15	9,528	8,673
Cash at bank and in hand		-	-
		<u>92,566</u>	<u>91,614</u>
Creditors: amounts falling due within one year	16	(89,727)	(70,637)
Net current assets		<u>2,839</u>	<u>20,977</u>
Total assets less current liabilities		<u>212,109</u>	<u>231,145</u>
Creditors: amounts falling due after more than one year	17	(69,908)	(92,368)
Provisions for liabilities and charges	18	(44,245)	(43,280)
Net assets		<u>97,956</u>	<u>95,497</u>
Capital and reserves			
Called up share capital	19	89,531	89,531
Share premium		704	704
Revaluation reserve		1,340	1,340
Profit and loss account	20	6,381	3,922
Total shareholders' funds		<u>97,956</u>	<u>95,497</u>
Shareholders' funds may be analysed as:			
- equity interests		96,610	94,151
- non-equity interests		1,346	1,346
		<u>97,956</u>	<u>95,497</u>

The financial statements on pages 8 to 35 were approved by the Board on 28 April 2006.



D Gerrard
Director

Cleanaway Limited

Notes To The Financial Statements

1 Accounting Policies

a) Accounting convention and compliance with accounting standards

These financial statements have been prepared in accordance with the Companies Act 1985 and the following accounting policies.

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 12, and in accordance with applicable accounting standards.

b) Changes in accounting policies

Financial Reporting Standard ("FRS") 17 "Retirement Benefits" was issued in November 2000 but will not require full implementation for the group and company until the year ending 30 June 2006. Prior to this, phased transitional disclosures are required for the year ending 30 June 2005. The disclosures required are presented in note 22.

c) Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of Cleanaway Holdings Limited and is included in the consolidated financial statements of Cleanaway Holdings Limited which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Cleanaway Holdings group. For details of other related party transactions see note 27.

d) 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. Joint ventures are accounted for using gross equity accounting.

e) Turnover

Turnover represents the value of services provided, exclusive of value added tax and inclusive of landfill tax. Revenue is recognised when invoicing the customer following the provision of the service and/or under the terms of agreed contracts. All turnover derives from the group's principal activity within the UK.

f) 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 amortised on a straight line basis over its useful economic life, not exceeding twenty years.

Cleanaway Limited

Notes To The Financial Statements

1 Accounting Policies (Continued)

g) Airspace Accounting

The group adopts an airspace basis of accounting for the assets and liabilities in respect of landfill site expenditure set out below.

- Acquisition and commissioning costs, engineering works and discounted cost of the final site restoration
- Royalty payments to landowners
- Discounted cost of the post closure aftercare engineering works.

These costs are written off over the operational life of each site based upon the amount of void airspace consumed. The discounted cost of the final site restoration is capitalised as a fixed asset.

h) Tangible fixed assets

Apart from the fixed assets described in 1(g) above, 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	5% - 33.33%

The company and the group have taken advantage of the transitional provisions of FRS 15 and therefore the valuation undertaken in 1971 is deemed historical cost. Details of the valuation are set out in note 12.

i) Taxation

Corporation tax is provided on taxable profits at the current rate.

Deferred tax is provided in respect of timing differences that have originated but not reversed by the balance sheet date. These are based on average tax rates that are expected to apply at the time of the reversal, which will be the rates that have either been enacted, or substantially enacted, by the balance sheet date. No deferred tax is provided on permanent timing differences. Deferred tax assets are recognised in accordance with FRS 19. Deferred tax balances are not discounted.

Cleanaway Limited

Notes To The Financial Statements

1 Accounting Policies (Continued)

j) Site restoration and aftercare provisions

Provisions for environmental and landfill costs include provisions associated with the closure and post closure costs of landfill sites. The group estimates its total future requirements for closure costs and for post closure monitoring and maintenance of each site after the anticipated closure.

Site Restoration

Full provision is made for the net present value ("NPV") of the group's minimum unavoidable costs in relation to restoration liabilities at its landfill sites and this value is capitalised in fixed assets. The group continues to provide for the NPV of restoration costs over the life of its landfill sites, based upon the amount of airspace consumed.

Aftercare

Provision is made for the NPV of post closure costs based on the amount of airspace consumed in the period. Similar costs incurred during the operational life of the site are written off directly and not charged against the provision.

k) Pensions

The group operate a range of pension schemes. The pension cost of defined contribution schemes, including stakeholder pensions are charged to the profit and loss account as incurred. For defined benefit schemes, the pension cost charged to the profit and loss account is calculated by the actuary so as to spread the cost of the pension over the employees' working lives with the group.

l) Leases and hire purchase contracts

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

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

m) Provision for future losses on contracts

Individual contracts are entered into for fixed periods. Management assesses the performance of the contracts on a regular basis. If over the duration of a contract management assesses it to be loss-making, a provision is made for those estimated foreseeable losses as soon as they are identified. In determining the provisions necessary, due regard is given to the inherent uncertainties that exist in assessing future contract performance and the way in which such contracts are currently managed.

Cleanaway Limited

Notes To The Financial Statements

1 Accounting Policies (Continued)

n) Employers liability insurance

Provision for Employers liability insurance comprises the group liability to claims that are within the excess limits of its insurance policy. The group estimates its expected total claims payable at the balance sheet date and full provision is made for the net present value of the group's unavoidable employer liability insurance costs.

o) Investments

Fixed asset investments are stated at cost less any provision for impairment.

p) Stocks and fixed assets held for resale

Stocks and fixed assets held for resale are stated at the lower of cost and net realisable value.

q) Segmental reporting

The turnover and operating profits of the group are derived from the group's principal activity of collection, recycling, treatment and disposal of domestic, commercial and industrial waste. All turnover is derived from services provided in the UK.

2 Share of operating profit in joint venture

	2005 £'000	2004 £'000
Operating profit before management fees	755	1,023
Management fees paid to Cleanaway Group	-	(1,043)
Operating profit / (loss) from joint venture operation	755	(20)

The group has recognised the operating profit of its joint venture in accordance with contractual arrangements. The group has a 50% shareholding in Morrison Cleanaway Limited.

Cleanaway Limited

Notes To The Financial Statements

3 Operating costs

	2005 £'000	2004 £'000
Change in stocks of finished goods and work in progress	(150)	(303)
Raw materials and consumables	67,828	60,268
Other external charges	180,214	175,710
Staff costs (Note 8)	178,456	167,920
Depreciation of tangible fixed assets	37,232	33,542
Amortisation of goodwill	4,072	4,511
	41,304	38,053
Total operating costs	467,652	441,648

4 Profit on ordinary activities before taxation

Profit before taxation is stated after charging:

	2005 £'000	2004 £'000
Staff costs (note 8)	178,456	167,920
Directors' emoluments (note 8)	2,099	1,864
Auditors' remuneration for the Group		
- as auditors (of which parent company was £133,000 (2004: £165,000))	158	180
- non-audit work	59	78
Operating lease charges:		
- plant and machinery	2,856	2,881
- other	5,661	4,513
Depreciation of tangible fixed assets:		
- owned assets	34,785	30,158
- landfill restoration assets	560	593
- assets held under finance leases and hire purchase contracts	1,887	2,791
Amortisation of goodwill	4,072	4,511
Loss on disposal of fixed assets	105	1,089
Redundancy costs included in:		
- exceptional costs	2,264	1,264
- other external charges	683	149

Cleanaway Limited

Notes To The Financial Statements

5 Exceptional items

In 2005, as part of a restructuring the group closed its global head office. The costs of £3,705,000 principally comprised redundancy and office rental costs.

In 2004 a separate reorganisation process was completed. The costs of £1,540,000 principally comprised redundancy costs.

In 2004 the group exercised an option to purchase some land and buildings for immediate resale. Part of the land and buildings were sold in 2004 generating an exceptional profit on disposal of a current asset of £2,190,000. The remaining land and buildings have been classified within current assets as a fixed asset held for resale to be sold within the next 12 months.

In March 2003, the group sold the trade and assets of the Repairs and Maintenance businesses. Additional income of £265,000 was received in 2004 following agreement of the value of deferred consideration receivable from the purchasers.

6 Interest receivable and similar income

	2005	2004
	£'000	£'000
Bank interest receivable	239	74
Other interest receivable	181	-
	<u>420</u>	<u>74</u>

7 Interest payable and similar charges

	2005	2004
	£'000	£'000
Group		
Interest payable on bank borrowings repayable within five years	552	564
Interest payable on other loans from Brambles	7,286	9,753
Interest payable on Loan Notes	-	255
Interest payable on hire purchase and finance lease contracts	280	503
Other interest payable	113	732
Discount unwinding on landfill provisions (note 18)	<u>1,587</u>	<u>1,610</u>
	<u>9,818</u>	<u>13,417</u>
Joint venture		
Interest payable on bank borrowings repayable within five years	<u>75</u>	<u>55</u>
	<u>9,893</u>	<u>13,472</u>

Other loans comprise additional funding from a subsidiary of Brambles Industries plc repayable after one year.

Cleanaway Limited

Notes To The Financial Statements

8 Employees and directors

Employee information	2005 £'000	2004 £'000
Group		
Staff costs		
Wages and salaries	155,293	145,690
Social security costs	13,581	12,630
Other pension costs	9,582	9,600
	<u>178,456</u>	<u>167,920</u>

£2,947,000 of redundancy costs have also been incurred by the group during the year (2004: £1,413,000).

	2005 Number	2004 Number
Group		
Average number of employees:		
Operational staff	6,134	5,988
Administration and management	1,582	1,633
	<u>7,716</u>	<u>7,621</u>

Directors' information	2005 £'000	2004 £'000
Directors:		
Aggregate emoluments	1,986	1,743
Compensation for loss of office	113	121
	<u>2,099</u>	<u>1,864</u>

All directors' emoluments were paid by Cleanaway Limited. The cost of the services provided to Cleanaway by JL Laurent are borne by another Brambles company and recharged within a management fee.

Prior to their appointment as directors, B Mitchell and J White received loans from Brambles Industries Limited to facilitate the exercise of share options held under qualifying and standard schemes for non executives. The loans are interest free, repayable within 13 years or when the employee leaves the Brambles group and secured over the Brambles Industries Limited shares acquired. The amounts outstanding on these loans at 30 June 2005 were AUS\$103,020 and AUS\$7,546 for B Mitchell and J White respectively.

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

	2005 Number	2004 Number
Cleanaway defined benefit schemes	5	7
CHEP defined benefit schemes	1	-
	<u>6</u>	<u>7</u>

Cleanaway Limited

Notes To The Financial Statements

8 Employees and directors (Continued)

Highest-paid director

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

	2005 £'000	2004 £'000
Aggregate emoluments	<u>387</u>	<u>778</u>

Included in the aggregate emoluments of the highest paid director are pension contributions of £97,000 (2004: £231,000).

9 Tax on the profit for the year

	2005 £'000	2004 £'000
Current tax		
United Kingdom corporation tax at 30% (2004: 30%)	5,413	4,413
Adjustment in respect of prior period	639	1,387
Share of joint venture corporation tax liability		
- United Kingdom corporation tax at 30% (2004: 30%)	204	220
- Adjustment in respect of prior period	(62)	-
	<u>6,194</u>	<u>6,020</u>
Deferred tax		
Origination and reversal of timing differences	(213)	95
Adjustment in respect of prior period	(1,056)	(1,544)
	<u>4,925</u>	<u>4,571</u>
Tax on profit on ordinary activities		

Cleanaway Limited

Notes To The Financial Statements

9 Tax on the profit for the year (Continued)

The UK standard rate of corporation tax is 30%. The actual charge for the current and previous period differ from the standard rate for the reasons set out below:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	10,587	7,427
Profit on ordinary activities multiplied by the standard rate in the UK 30% (2004: 30%)	3,176	2,228
Factors affecting the charge:		
Capital allowances in excess of depreciation	703	82
Other timing differences	(364)	383
Amortisation of goodwill	1,215	1,353
Other net expenses not deductible for tax purposes	887	587
Adjustments to tax charge in respect of prior periods	577	1,387
Total actual amount of current tax	6,194	6,020

10 Dividends

Equity – ordinary	2005 £'000	2004 £'000
Interim paid - 0.62p per share (2004: 0.18p per share)	2,729	816

Cleanaway Limited

Notes To The Financial Statements

11 Intangible assets

Goodwill	Group £'000	Company £'000
Cost		
At 1 July 2004 and 30 June 2005	<u>79,413</u>	<u>31,781</u>
Accumulated depreciation		
At 1 July 2004	26,336	17,284
Charge for the period	<u>4,072</u>	<u>1,817</u>
At 30 June 2005	<u>30,408</u>	<u>19,101</u>
Net book amount		
At 30 June 2005	<u>49,005</u>	<u>12,680</u>
At 30 June 2004	<u>53,077</u>	<u>14,497</u>

Goodwill is amortised over its useful economic life which is assessed on each acquisition. The useful economic lives of the goodwill capitalised are as follows:

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Group				
Five years or less	8,659	8,659	8,303	8,303
Ten years	13,750	13,750	9,951	9,951
Twenty years	57,004	57,004	13,527	13,527
	<u>79,413</u>	<u>79,413</u>	<u>31,781</u>	<u>31,781</u>

Cleanaway Limited

Notes To The Financial Statements

12 Tangible assets

Group	Land and buildings			Landfill restoration asset	Plant, machinery and vehicles	Total
	Freehold land and buildings	Leasehold buildings	Landfill site assets			
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 July 2004	14,991	15,065	52,876	7,258	243,352	333,542
Reclassify opening balances	(3,171)	571	2,218	-	382	-
Additions	71	4,897	5,123	-	25,451	35,542
Reclassification to current asset	(27)	(40)	-	-	-	(67)
Disposals	-	(673)	-	(136)	(12,743)	(13,552)
At 30 June 2005	11,864	19,820	60,217	7,122	256,442	355,465
Accumulated depreciation						
At 1 July 2004	3,941	6,742	23,657	2,784	127,918	165,042
Reclassify opening balances	(2,109)	458	1,194	-	457	-
Charge for the year	601	1,172	5,702	560	29,197	37,232
Reclassification to current asset	(2)	-	-	-	-	(2)
Disposals	-	(423)	-	-	(12,067)	(12,490)
At 30 June 2005	2,431	7,949	30,553	3,344	145,505	189,782
Net book value						
At 30 June 2005	9,433	11,871	29,664	3,778	110,937	165,683
At 30 June 2004	11,050	8,323	29,219	4,474	115,434	168,500

Included in plant and machinery are assets with a net book value of £2,155,000 (2004: £4,493,000) held under finance lease and hire purchase contracts. Depreciation for the year was £1,887,000 (2004: £2,791,000).

Freehold land of £513,000 (2004: £2,033,000) is not depreciated. At 1 July 2004 £1,493,000 of freehold land was reclassified as Landfill site assets.

Leasehold buildings include assets held under leases of less than 50 years with a net book value of £9,707,000 (2004: £5,718,000). Depreciation for the year on assets held under leases of less than 50 years was £855,000 (2004: £728,000).

Group	2005	2004
Analysis of land and buildings at cost or valuation	£'000	£'000
At cost	12,816	12,892
At valuation	1,700	1,700
	14,516	14,592
Analysed		
Freehold land & buildings	11,864	14,991
Landfill site assets	2,652	-
	14,516	14,991

Cleanaway Limited

Notes To The Financial Statements

12 Tangible assets (Continued)

The freehold property of the group was revalued in 1971. The valuation was undertaken in accordance with the Appraisal and Valuation Model of the Royal Institute of Chartered Surveyors in the United Kingdom by a firm of independent chartered surveyors.

If the revalued assets were stated on a historic cost basis the net book value would be £nil (2004: £nil).

No deferred tax is provided on timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will be rolled over.

Company	Land and Buildings		Landfill site assets	Landfill restoration asset	Plant, machinery and vehicles	Total
	Freehold land and buildings	Leasehold buildings				
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 July 2004	10,084	13,955	52,876	7,258	221,810	305,983
Reclassify opening balances	(2,876)	224	2,218	-	434	-
Additions	53	4,737	5,123	-	22,057	31,970
Reclassification to current asset	(27)	(40)	-	-	-	(67)
Transfers from group companies	-	103	-	-	2,536	2,639
Disposals	-	(339)	-	(136)	(6,749)	(7,224)
At 30 June 2005	7,234	18,640	60,217	7,122	240,088	333,301
Accumulated depreciation						
At 1 July 2004	3,372	6,496	23,657	2,784	125,210	161,519
Reclassify opening balances	(1,205)	16	1,194	-	(5)	-
Charge for the year	460	1,012	5,702	560	23,138	30,872
Reclassification to current asset	(2)	-	-	-	-	(2)
Transfers from group companies	-	21	-	-	2,019	2,040
Disposals	-	(178)	-	-	(6,333)	(6,511)
At 30 June 2005	2,625	7,367	30,553	3,344	144,029	187,918
Net book value						
At 30 June 2005	4,609	11,273	29,664	3,778	96,059	145,383
At 30 June 2004	6,712	7,459	29,219	4,474	96,600	144,464

Freehold land of £63,000 (2004: £1,583,000) is not depreciated. At 1 July 2004 £1,493,000 of freehold land was reclassified as Landfill site assets.

Leasehold buildings include assets held under leases of less than 50 years with a net book value of £9,106,000 (2004: £5,020,000). Depreciation for the year on assets held under leases of less than 50 years was £695,000 (2004: £490,000).

Cleanaway Limited

Notes To The Financial Statements

12 Tangible assets (Continued)

Company	2005	2004
Analysis of freehold land and buildings at cost or valuation	£'000	£'000
At cost	8,186	8,384
At valuation	1,700	1,700
	<u>9,886</u>	<u>10,084</u>
Analysed		
Freehold land & buildings	7,234	10,084
Landfill site assets	2,652	-
	<u>9,886</u>	<u>10,084</u>

The freehold property of the company was revalued in 1971. The valuation was undertaken in accordance with the Appraisal and Valuation Model of the Royal Institute of Chartered Surveyors in the United Kingdom by a firm of independent chartered surveyors.

If the revalued assets were stated on a historic cost basis the net book value would be £nil (2004: £nil).

No deferred tax is provided on timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will be rolled over.

13 Investments

Company	
Shares in subsidiary undertakings at cost less impairment	£'000
At 1 July 2004 and 30 June 2005	<u>51,207</u>

All of the subsidiaries are consolidated using the acquisition method of accounting. The subsidiary companies are involved in the collection, recycling, treatment and disposal of waste, principally in the United Kingdom and are registered in England and Wales.

Cleanaway Limited

Notes To The Financial Statements

13 Investments (Continued)

The company's principal subsidiary undertakings at 30 June 2005 are as follows:

Subsidiary undertaking	Share of equity held by:	
	The company	Subsidiaries
Clean World Limited	100%	
G Walker and Son (Waste Disposal) Limited	100%	
Recall SDS (UK) Limited	100%	
Serviceteam Holdings Limited	100%	
Serviceteam Limited		100%
Lambeth Serviceteam Limited		100%
Norwich Serviceteam Limited		100%
Serviceteam Birmingham Limited		100%
Morrison Cleanaway Limited (formerly AWG Cleanaway Limited)		50%

The group's share of the joint venture's profits, gross assets and liabilities are accounted for in accordance with contractual arrangements. The accounts include the group's share of Morrison Cleanaway Limited, which is individually detailed below.

	2005	2004
	£'000	£'000
Investment in Joint Venture brought forward	1,830	2,125
Profit / (loss) after taxation	538	(295)
Investment in Joint Venture carried forward	2,368	1,830
Analysis of profit and loss account		
Turnover	10,552	9,785
Profit / (loss) before taxation	680	(75)
Taxation	(142)	(220)
Analysis of balance sheet		
Fixed Assets	1,980	1,741
Current Assets	6,799	4,768
Debtors due after one year	663	973
Creditors due within one year	(6,610)	(5,245)
Creditors due after one year or more	(418)	(361)
Deferred tax provision	(46)	(46)

The group's share of capital commitments of joint ventures at 30 June 2005 was £nil (2004: £nil). The group has provided a guarantee of £2,000,000 to the bankers of the joint venture.

Cleanaway Limited

Notes To The Financial Statements

14 Stock and fixed assets held for resale

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Stock - Finished goods	2,835	2,685	2,145	1,848
Fixed assets held for resale	2,244	2,178	2,244	2,178

As explained in note 5, the fixed assets held for resale comprise freehold land and buildings which are planned to be disposed of within the next twelve months.

15 Debtors

Amounts receivable within one year:

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Trade debtors	84,646	81,616	67,978	63,989
Amounts owed by subsidiary undertakings	-	-	2,288	6,209
Amounts owed by fellow group companies of the shareholders	707	467	642	467
Other debtors	2,477	3,093	2,358	2,827
Corporation tax	522	405	-	-
Prepayments and accrued income	5,947	5,939	5,383	5,423
	94,299	91,520	78,649	78,915

Interest is receivable on balances owed by non-dormant group companies. Interest is charged on non-trading balances at the prevailing group interest rates. All balances are unsecured and repayable on demand.

Amounts receivable after one year:

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Other debtors	7,671	7,658	7,671	7,658
Deferred taxation (see note 18)	2,385	1,244	1,857	1,015
	10,056	8,902	9,528	8,673

Cleanaway Limited

Notes To The Financial Statements

16 Creditors : Amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	1,450	5,336	784	2,009
Amounts payable under finance leases and hire purchase contracts (Note 17)	509	960	-	-
Trade creditors	42,695	35,376	39,671	32,329
Amounts owed to immediate parent company	5,087	1,141	5,087	1,141
Amount owed to subsidiary undertakings	-	-	2,059	615
Amounts owed to Brambles companies	1,362	490	1,362	490
Amounts owed to fellow group companies of Brambles	351	769	317	58
Corporation tax	-	-	868	546
Other taxes and social security	16,466	13,872	14,745	11,838
Other creditors	9,928	10,005	8,233	8,914
Accruals and deferred income	21,287	17,404	16,601	12,697
	99,135	85,353	89,727	70,637

The bank overdraft relates to a subsidiary company. The facility is secured by way of guarantees provided by fellow subsidiary companies.

Interest is payable on balances owed to non-dormant group companies. Interest is charged on non-trading balances at the prevailing group interest rates. All balances are unsecured and repayable on demand.

17 Creditors : Amounts falling due after more than one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Amounts payable under finance lease and hire purchase contracts	968	2,426	-	-
Amounts owed to Brambles companies	82,800	102,114	69,908	92,368
	83,768	104,540	69,908	92,368

The amounts owed to Brambles companies comprise a revolving loan facility from a subsidiary of Brambles Industries plc. This facility is repayable after one year.

Cleanaway Limited

Notes To The Financial Statements

17 Creditors : Amounts falling due after more than one year (Continued)

Amounts payable under finance leases and hire purchase contracts are further analysed as follows:

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Within one year	509	960	-	-
Between one and two years	652	1,064	-	-
Between two and five years	316	1,362	-	-
	1,477	3,386	-	-

18 Provisions for liabilities and charges

Group	Deferred taxation £'000	Employers liability £'000	Aftercare £'000	Site restoration £'000	Total £'000
At 1 July 2004	128	1,500	21,400	20,380	43,408
Transfer from debtors (note 15)	(1,244)	-	-	-	(1,244)
Charged/(credited) to the profit and loss account	(1,269)	1,450	850	-	1,031
Discount unwinding charge	-	-	874	713	1,587
Utilised during the year	-	-	(1,203)	(1,719)	(2,922)
Transfer to debtors (note 15)	2,385	-	-	-	2,385
At 30 June 2005	-	2,950	21,921	19,374	44,245

The Site Restoration provision relates to the environmental and landfill costs associated with the closure of landfill sites. It is estimated that the provisions will be used over the next 10 years. The Aftercare provision relates to the post closure costs of landfill sites, and it is estimated that the provision will be used over the next 40 years. Both provisions are calculated in accordance with Accounting Policy 1(j).

The provision for Employers liability costs is calculated in accordance with Accounting Policy 1(n).

Cleanaway Limited

Notes To The Financial Statements

18 Provisions for liabilities and charges (Continued)

Company	Deferred taxation £'000	Employers liability £'000	Aftercare £'000	Site restoration £'000	Total £'000
At 1 July 2004	-	1,500	21,400	20,380	43,280
Transfer from debtors (note 15)	(1,015)	-	-	-	(1,015)
Charged/(credited) to the profit and loss account	(842)	1,450	850	-	1,458
Discount unwinding charge	-	-	874	713	1,587
Utilised during the year	-	-	(1,203)	(1,719)	(2,922)
Transfer to debtors (note 15)	1,857	-	-	-	1,857
At 30 June 2005	-	2,950	21,921	19,374	44,245

The amounts of deferred taxation are set out below. Deferred tax assets have not been discounted.

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Provision for deferred tax				
Deferred tax liability				
Accelerated capital allowances	-	128	-	-
Other timing differences	-	-	-	-
	-	128	-	-
Deferred tax asset				
Accelerated capital allowances	6,082	6,833	6,200	6,858
Other timing differences	(8,467)	(8,077)	(8,057)	(7,873)
	(2,385)	(1,244)	(1,857)	(1,015)
Total provision for deferred tax	(2,385)	(1,116)	(1,857)	(1,015)
Unprovided deferred tax	275	-	275	-

Unprovided deferred tax arises on rolled over gains. There is currently no intention to sell the assets into which gains have been rolled, hence no deferred tax has been provided.

Cleanaway Limited

Notes To The Financial Statements

19 Called up share capital

Group & Company	Authorised		Allotted and fully paid	
	Number	£'000	Number	£'000
<i>Ordinary shares of 20p each</i>				
At 1 July 2004 and 30 June 2005	<u>443,268,594</u>	88,654	<u>440,923,140</u>	88,185
<i>Deferred shares of 20p each</i>				
At 1 July 2004 and 30 June 2005	<u>6,731,406</u>	1,346	<u>6,731,406</u>	1,346
<i>Total share capital</i>				
At 30 June 2004 and 30 June 2005		<u>90,000</u>		<u>89,531</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.

20 Profit and loss account

	Group	Company
	£'000	£'000
At 1 July 2004	5,211	3,922
Profit for the period before dividends	5,662	5,188
Dividends	<u>(2,729)</u>	<u>(2,729)</u>
At 30 June 2005	<u>8,144</u>	<u>6,381</u>

21 Reconciliation of movements in group shareholder's funds

	2005	2004
	£'000	£'000
Profit for the financial period	5,662	2,856
Dividends	<u>(2,729)</u>	<u>(816)</u>
	2,933	2,040
Increase in issued share capital	-	50,000
Increase in shareholders' funds	<u>2,933</u>	<u>52,040</u>
Opening shareholders' funds	97,213	45,173
Closing shareholders' funds	<u>100,146</u>	<u>97,213</u>

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 £5,188,000 (2004: £4,403,000).

Cleanaway Limited

Notes To The Financial Statements

22 Pension costs

22a SSAP 24 disclosures

Defined benefit schemes

The group operates four defined benefit final salary pension schemes that are closed to new hires. The majority of these schemes are self administered and the schemes' assets are held independently of the Group's finances. For municipal contracts, TUPE transferees who were members of local government pension schemes may be offered membership of the Cleanaway Serviceteam pension scheme.

Contributions are paid to all defined benefit schemes in accordance with the rates recommended by the schemes' actuaries based on the most recent actuarial valuations available. The total charge to the profit and loss account in the year in respect of defined benefit schemes was £7,726,000 (2004: £8,342,000). The charge has been based on the results of the April 2003 actuarial valuation for the period 1 July 2004 to 31 March 2005, and the results of the April 2005 actuarial valuation for the period 1 April 2005 to 30 June 2005.

A net prepayment of £1,556,000 (2004: £1,373,000) is included in the consolidated balance sheet in respect of the cumulative differences between contributions paid by the Group into these schemes and the charge to the profit and loss account. The actuarial valuations for SSAP 24 purposes determined pension costs using the projected unit method. Details of the April 2003 valuations have been disclosed in the 30 June 2004 financial statements.

The results of the most recent valuations of the four funded schemes were:

	Cleanaway Limited Pension Schemes	Lambeth Serviceteam Pension Scheme	Cleanaway Serviceteam Pension Scheme
Date of last valuation	5 April 2005	5 April 2005	5 April 2005
Market Value of investments	£88,261,000	£11,969,000	£8,784,000
Method used	Projected unit	Projected unit	Projected unit
Main assumptions			
Pre Retirement investment return	7.80%	7.80%	7.80%
Post Retirement investment return	5.10%	5.10%	5.10%
Compensation	4.15%	4.15%	4.15%
Inflation	2.90%	2.90%	2.90%
Pension increase	2.70%	2.70%	2.70%
Level of funding	86%	81%	91%

The two Cleanaway pension schemes have deficits on current funding levels of 84% and 90% respectively. These deficiencies together with the other deficiencies noted above are being rectified by an increase in the level of contributions made to the pension schemes based on actuarial advice to remove the deficit within 8 years.

Defined Contribution Schemes

In addition, the group operates a number of defined contribution schemes. The assets of these schemes are held in separately administered trusts or insurance policies. The cost of these in the period was £1,856,000 (2004: £1,258,000). A net creditor of £400,000 (2004: £134,000) is included in the consolidated balance sheet in respect of the cumulative differences between contributions paid by the Group into these schemes and the charge to the profit and loss account.

Cleanaway Limited

Notes To The Financial Statements

22 Pension costs (Continued)

22b Transitional FRS 17 disclosures

The additional disclosures required by FRS 17 during the transitional period for the defined benefit schemes are set out below. They are based on recent actuarial reviews undertaken by independent professionally qualified actuaries specially commissioned to take account of the requirements of FRS 17. Under the projected unit method the current service cost will increase as a proportion of pensionable salary, as the members approach retirement.

The main financial assumptions used in the FRS 17 valuations were as follows:

Assumptions	2005	2004	2003
Rate of increase in pensionable salaries	4.00%	4.25%	3.75%
Rate of increase in pensions	2.75%	3.00%	2.50%
Discount rate	5.00%	5.75%	5.25%
Inflation assumption	2.75%	3.00%	2.50%
Return on equities	7.50%	7.30%	7.30%
Return on bonds	5.00%	5.00%	5.00%
Return on property	7.50%	7.30%	7.30%
Return on cash	4.75%	4.50%	4.00%

If FRS 17 had been adopted in these financial statements, the amounts included within operating profit, other financial income and in the Statement of Total Recognised Gains and Losses for the year ending 30 June 2005 and 30 June 2004 would have been as follows:

	2005	2004
Operating Profit	£'000	£'000
Current service cost	(7,452)	(5,784)
Past service cost	(433)	(813)
Settlements and curtailments	(262)	95
Total operating charge	(8,147)	(6,502)
Other Finance Income / Liabilities		
Expected return on pension scheme assets	7,682	5,908
Interest on pension scheme liabilities	(9,638)	(7,366)
	(1,956)	(1,458)
Statement of Total Recognised Gains and Losses		
Difference between actual and expected return on scheme assets	6,571	4,881
Experience gains arising on scheme liabilities	11,931	(6,913)
Effects of changes in assumptions underlying the present value of the scheme liabilities	(18,494)	(3,197)
Actuarial gain/(loss) recognised	8	(5,229)

Cleanaway Limited

Notes To The Financial Statements

22 Pension costs (Continued)

The value of the assets and the expected rates of return of each Scheme as at 30 June 2005, 30 June 2004 and 30 June 2003 were:

	Expected long term rate of return			Value		
	2005	2004	2003	2005	2004	2003
	%	%	%	£'000	£'000	£'000
Equities	7.50	7.30	7.30	88,517	73,999	59,156
Bonds	5.00	5.00	5.00	34,371	23,485	22,014
Government Bonds	4.25	5.10	4.50	5,704	4,366	3,519
Property	7.50	7.30	7.30	1,485	4,773	3,384
Cash	4.75	4.50	4.00	2,288	886	699
Other	4.75	4.80	4.50	502	292	349
Total market value of assets				132,867	107,801	89,121
Present value of scheme liabilities				(189,238)	(162,693)	(138,194)
Deficit in the scheme				(56,371)	(54,892)	(49,073)
Related deferred tax asset @ 30%				16,911	16,468	14,722
Net pension liability				(39,460)	(38,424)	(34,351)

An analysis of the movement in the deficit is as follows:

	2005	2004
	£'000	£'000
Movement in deficit during the year		
Deficit in schemes brought forward	(54,892)	(49,073)
Movement in the period		
Current service cost	(7,452)	(5,784)
Past service cost	(433)	(813)
Settlements and curtailments	(262)	95
Contributions	8,616	7,370
Other financial income	(1,956)	(1,458)
Actuarial gain/(loss)	8	(5,229)
Deficit in schemes carried forward	(56,371)	(54,892)

Cleanaway Limited

Notes To The Financial Statements

22 Pension costs (Continued)

If FRS 17 had been adopted in these financial statements, the Group's net assets and profit and loss reserve as at 30 June 2005 and 30 June 2004 would have been as follows:

	2005	2004
	£'000	£'000
Net Assets		
Net assets excluding SSAP 24 pension asset	99,302	96,252
Net pension liability	(39,460)	(38,424)
Net assets on FRS 17 basis	59,842	57,828
Reserves		
Profit and loss reserve excluding SSAP 24 pension asset	7,300	4,250
Net pension liability	(39,460)	(38,424)
Profit and loss reserve on FRS 17 basis	(32,160)	(34,174)
History of experience gains and losses	2005	2004
		2003
Difference between the expected and actual return on scheme assets		
Amount (£'000)	6,571	4,881
Percentage of scheme assets	5%	5%
Experience gains and losses on scheme liabilities		
Amount (£'000)	11,931	(6,913)
Percentage of present value of scheme liabilities	6%	4%
Total amount recognised in statement of total recognised gains and losses		
Amount (£'000)	8	(5,229)
Percentage of present value of scheme liabilities	0%	3%

The Group has admitted body status into various pension schemes for former council employees who have transferred into the Group under TUPE transfer arrangements. Where the Group is able to identify its share of the underlying assets and liabilities of a scheme, the scheme is accounted for as a defined benefit scheme for FRS 17 purposes. Where the Group is unable to identify its share of the underlying assets and liabilities of a scheme the Group has accounted for them as defined contribution schemes for FRS 17 purposes.

The directors do not consider these schemes to be material in relation to the group's activities.

23 Contingent liabilities

In the normal course of business the company and the group have issued performance bonds in respect of a number of contracts entered into by the group with various bodies. These bodies include local authorities, government bodies (including the Environment Agency) and commercial suppliers. At 30 June 2005, the value of these totalled £63,989,000 (2004: £54,672,000)

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

Cleanaway Limited

Notes To The Financial Statements

23 Contingent liabilities (Continued)

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 determined.

The group has been contacted by the Environment Agency as a potential creditor under contaminated land regulations in relation to a landfill site closed in 1969, previously operated by a former subsidiary. It is not possible at this stage to determine whether the group has any liabilities in relation to this issue.

24 Financial commitments

Operating leases

The group has annual commitments under non-cancellable operating leases expiring:

	Land and buildings £'000	Others £'000	2005 Total £'000	2004 Total £'000
Within one year	136	856	992	365
Within one to two years	544	170	714	215
Within two to five years	1,141	447	1,588	1,343
After more than five years	2,493	50	2,543	3,133
	4,314	1,523	5,837	5,056

25 Capital commitments

At 30 June 2005 the board of directors had approved, authorised and contracted capital expenditure for which no provision has been made in these financial statements of £7,484,000 (2004: £8,617,000).

26 Post Balance Sheet event

On 20 February 2006, Recall SDS (UK) Limited sold its trade and assets to Secure Destruction Limited for a consideration of £9.5 million. On 4 April 2006, the entire share capital of Recall SDS (UK) Limited was sold to Brambles Holdings (UK) Limited for a consideration of £1.

Cleanaway Limited

Notes To The Financial Statements

27 Ultimate parent company and related party disclosures

Cleanaway Holdings Limited is the immediate parent company. Cleanaway Holdings Limited is jointly owned by subsidiaries of Brambles Industries plc and Brambles Industries Limited of Australia.

The following transactions have occurred during the year between the group and the above two shareholder companies, and companies under their control:

	Brambles Industries Limited		Brambles Industries plc	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Loan interest payable	-	-	7,286	9,753
Management fee payable	3,084	3,495	717	1,148
Insurance costs payable	720	-	1,101	-
Guarantee fees	196	241	196	241
Other costs	30	-	175	-
	<u>4,030</u>	<u>3,736</u>	<u>9,475</u>	<u>11,142</u>

Management fees were receivable from other Brambles group companies:

	2005	2004
	£'000	£'000
Company		
SKP GmbH (Cleanaway Germany)	2,514	3,334
Cleanaway Australia	904	1,702
Cleanaway Asia	206	192
	<u>3,624</u>	<u>5,228</u>

During the year, the maximum amount borrowed by the group from a subsidiary of Brambles Industries plc was £137,864,000 (2004: £182,409,000), of which £82,800,000 (2004: £102,114,000) was outstanding at 30 June 2005.

Cleanaway Holdings Limited is the only parent company to prepare group accounts for the year ended 30 June 2005 which include the company. Copies of these accounts are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.