



Cleanaway Limited

Accounts 31 December 1997
together with directors' and auditors' reports

Registered number: 806128



Directors' report

For the year ended 31 December 1997

Financial statements

The directors present their report and financial statements for the year ended 31 December 1997.

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 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 £13,633,000 (1996: £7,815,000) were declared and paid during the year and a further dividend of £765,000 (1996: £1,670,000) 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:

DW Benjafield	(resigned 26 August 1997)
R Care	(resigned 26 August 1997)
APR Dean	
P Everall	
CM Gilligan	
A Jones	(resigned 26 August 1997)
DS McGregor	(resigned 26 August 1997)
P Smith	
GR Westra	

Charitable donations

During the year the group made donations of £21,349 (1996: £18,531) 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

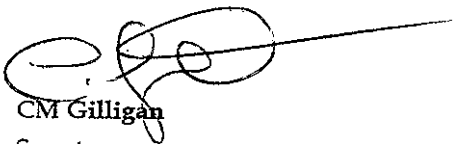
Through appropriate regular formal and informal communication, the group continued to provide employees with information regarding the financial, economic and other factors affecting its performance. Where decisions were reached which directly affected employees, the group developed the approach of advising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

Directors' report (continued)

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Arthur Andersen be re-appointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 27 October 1998.



CM Gilligan
Secretary

The Drive
Warley
Brentwood
Essex

London

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 1997 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
Chartered Accountants and Registered Auditors
20 Old Bailey
London EC4M 7AN

27 October 1998

Group profit and loss account

For the year ended 31 December 1997

	Notes	1997 £ 000	1996 £ 000
Turnover		186,237	147,011
Consumable stores and repairs		(21,189)	(17,489)
Staff costs	2	(44,952)	(39,043)
Depreciation	2	(16,015)	(14,795)
Other operating charges		<u>(81,152)</u>	<u>(57,203)</u>
Operating profit		22,929	18,481
Interest payable	2	<u>(4,244)</u>	<u>(3,562)</u>
Profit on ordinary activities before taxation	2	18,685	14,919
Tax on profit on ordinary activities	4	<u>(6,603)</u>	<u>(5,439)</u>
Profit on ordinary activities after taxation		<u>12,082</u>	<u>9,480</u>
Dividends on equity shares			
- paid		(13,633)	(7,815)
- proposed		<u>(765)</u>	<u>(1,670)</u>
		<u>(14,398)</u>	<u>(9,485)</u>
Transfer from reserves		(2,316)	(5)
Retained profits brought forward		<u>1,435</u>	<u>1,440</u>
Retained (losses)/profits carried forward		<u>(881)</u>	<u>1,435</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 1997

	Notes	1997 £ 000	1996 £ 000
Fixed assets			
Goodwill	5a	9,371	3,260
Tangible assets	6a	<u>79,825</u>	<u>68,948</u>
		<u>89,196</u>	<u>72,208</u>
Current assets			
Stocks		1,395	1,335
Debtors	8	51,809	44,603
Cash at bank and in hand		<u>137</u>	<u>14</u>
		53,341	45,952
Creditors: amounts falling due within one year			
Bank loans and overdrafts	9a	-	(363)
Other current liabilities	9b	<u>(50,785)</u>	<u>(44,166)</u>
		<u>(50,785)</u>	<u>(44,529)</u>
Net current assets		<u>2,556</u>	<u>1,423</u>
Total assets less current liabilities		91,752	73,631
Creditors: amounts falling due after more than one year			
Bank loans	9a	(66,000)	(47,000)
Other creditors		-	(58)
Provisions for liabilities and charges	12	<u>(8,631)</u>	<u>(7,136)</u>
Net assets		<u>17,121</u>	<u>19,437</u>
Capital and reserves			
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>(881)</u>	<u>1,435</u>
Shareholders' funds		<u>17,121</u>	<u>19,437</u>


The financial statements on pages 5 to 22 were approved by the Board on 27 October 1998.

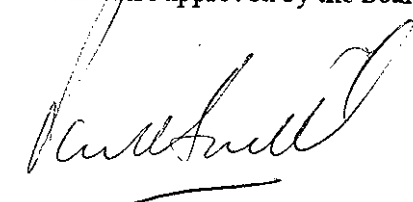
Company balance sheet

At 31 December 1997

	Notes	1997 £ 000	1996 £ 000
Fixed assets			
Goodwill	5b	8,921	2,731
Tangible assets	6b	79,764	68,843
Investments	7	1,966	1,966
		<u>90,651</u>	<u>73,540</u>
Current assets			
Stocks		1,394	1,335
Debtors	8	52,749	45,744
Cash at bank and in hand		137	14
		<u>54,280</u>	<u>47,093</u>
Creditors: amounts falling due within one year			
Bank loans and overdrafts	9a	-	(363)
Other current liabilities	9b	(52,725)	(46,107)
		<u>(52,725)</u>	<u>(46,470)</u>
Net current assets		<u>1,555</u>	<u>623</u>
Total assets less current liabilities		<u>92,206</u>	<u>74,163</u>
Creditors: amounts falling due after more than one year			
Bank loans	9a	(66,000)	(47,000)
Other creditors		-	(58)
Provisions for liabilities and charges	12	(8,631)	(7,136)
Net assets		<u>17,575</u>	<u>19,969</u>
Capital and reserves			
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
Shareholders' funds		<u>17,575</u>	<u>19,969</u>

The financial statements on pages 5 to 22 were approved by the Board on 27 October 1998.


CM Gilligan
Director


P.R. Smith
Director

Group cash flow statement

For the year ended 31 December 1997

	Notes	1997 £ 000	1996 £ 000
Cash flow from operating activities	16	33,535	36,766
Returns on investments and servicing of finance	17	(4,055)	(4,089)
Taxation		(6,131)	(4,696)
Capital expenditure and financial investment	17	(32,191)	(19,365)
Equity dividends paid		<u>(15,303)</u>	<u>(8,765)</u>
Cash outflow before use of liquid resources and financing		(24,145)	(149)
Capital element of finance lease rental payments		<u>(69)</u>	<u>(66)</u>
Decrease in cash in the period		<u>(24,214)</u>	<u>(215)</u>
 Reconciliation of net cash flow to movements in net debt			
Decrease in cash in the period		(24,214)	(215)
Cash outflow from decrease in debt and lease financing		<u>69</u>	<u>66</u>
Movement in net debt in the period		(24,145)	(149)
Net debt at 1 January	18	<u>(49,974)</u>	<u>(49,825)</u>
Net debt at 31 December	18	<u>(74,119)</u>	<u>(49,974)</u>

Notes to the financial statements

For the year ended 31 December 1997

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) *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 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	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.

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:

	1997 £ 000	1996 £ 000
Directors' emoluments (note 3)	834	760
Auditors' remuneration:		
- as auditors	78	78
- non-audit work	7	11
	<hr/>	<hr/>
Operating lease rentals:		
- plant and machinery	4,248	3,268
- other	1,261	1,289
	<hr/>	<hr/>
	5,509	4,557
	<hr/>	<hr/>
Depreciation and depletion of assets:		
Freehold land and buildings	653	397
Leasehold, land and buildings:		
- over fifty years	449	244
- under fifty years	1,435	1,403
Plant, machinery and vehicles:		
- under finance leases	44	47
- other	12,128	11,897
Goodwill	1,306	807
	<hr/>	<hr/>
	16,015	14,795
	<hr/>	<hr/>
Interest payable:		
- on bank borrowings repayable within five years	1,722	1,396
- short-term loans	2,153	1,966
- other loans	369	200
	<hr/>	<hr/>
	4,244	3,562
	<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*

	1997 £ 000`	1996 £ 000`
Group		
Staff costs		
Wages and salaries	39,849	34,712
Social security costs	2,970	2,463
Other pension costs	2,133	1,868
	<u>44,952</u>	<u>39,043</u>
	1997 Number	1996 Number
Average number of employees	<u>2,042</u>	<u>1,775</u>

3 Directors' emoluments

Remuneration

	1997 £000	1996 £000
Emoluments	<u>834</u>	<u>760</u>

Pensions

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

	1997 £000	1996 £000
Money purchase schemes	-	-
Defined benefit schemes	<u>9</u>	<u>11</u>
	<u>9</u>	<u>11</u>

Notes to the financial statements (continued)

3 Directors' emoluments (continued)

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid directors in 1997 and 1996. These two amounts are not in respect of the same director.

	1997 £000	1996 £000
Emoluments	<u>208</u>	<u>133</u>

The accrued pension entitlement under a defined benefit scheme of the highest paid director at 31 December 1997 was £11,860 (1996 - £8,420). No lump sum entitlement exists.

4 Taxation

	1997 £ 000	1996 £ 000
United Kingdom corporation tax at 31.5% (1996: 33%)	5,945	5,455
Transfer to deferred taxation	632	-
Adjustments in respect of prior years		
- Corporation tax	(60)	(16)
- Deferred tax	<u>86</u>	<u>-</u>
	<u>6,603</u>	<u>5,439</u>

Notes to the financial statements (continued)

5 Goodwill

	Goodwill £ 000
(a) Group	
Cost	
1 January 1997	8,758
Additions (note 19)	7,417
31 December 1997	16,175
Accumulated depreciation	
1 January 1997	5,498
Charge for the year	1,306
31 December 1997	6,804
Net book amount 31 December 1997	9,371
31 December 1996	3,260

The cost of goodwill is amortised over the following periods:

	1997 £ 000	1996 £ 000
Five years or less	7,768	6,992
Ten years	8,407	1,766
	16,175	8,758

(b) Company

	Goodwill £ 000
Cost	
1 January 1997	7,621
Additions (note 19)	7,417
31 December 1997	15,038
Accumulated depreciation	
1 January 1997	4,890
Charge for the year	1,227
31 December 1997	6,117
Net book amount 31 December 1997	8,921
31 December 1996	2,731

Notes to the financial statements (continued)

5 Goodwill (continued)

The cost of goodwill is amortised over the following periods:

	1997 £ 000	1996 £ 000
Five years or less	7,413	5,855
Ten years	7,625	1,766
	<u>15,038</u>	<u>7,621</u>

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
(a) Group					
Cost or valuation					
1 January 1997	10,775	3,589	21,228	125,947	161,539
Additions	2,593	105	2,249	20,891	25,838
Disposals	(84)	(38)	-	(4,255)	(4,377)
Reclassifications	-	-	-	-	-
31 December 1997	<u>13,284</u>	<u>3,656</u>	<u>23,477</u>	<u>142,583</u>	<u>183,000</u>
Accumulated depreciation					
1 January 1997	4,040	1,044	10,638	76,869	92,591
Disposals	(18)	(12)	-	(4,095)	(4,125)
Charge for the year	653	449	1,435	12,172	14,709
Reclassifications	-	-	-	-	-
31 December 1997	<u>4,675</u>	<u>1,481</u>	<u>12,073</u>	<u>84,946</u>	<u>103,175</u>
Net book amount					
31 December 1997	<u>8,609</u>	<u>2,175</u>	<u>11,404</u>	<u>57,637</u>	<u>79,825</u>
31 December 1996	<u>6,735</u>	<u>2,545</u>	<u>10,590</u>	<u>49,078</u>	<u>68,948</u>

Included in plant and machinery are assets with a net book value of £136,000 (1996: £178,000) held under finance leases.

Freehold includes land and buildings stated at 1971 valuation of £1,700,000 (1996: £1,700,000) with a net book value of £1,392,000 (1996: £1,407,000).

Freehold land of £4,415,000 (1996: £4,449,000) 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) Company					
Cost or valuation					
1 January 1997	10,775	3,589	21,228	125,711	161,303
Additions	2,593	105	2,249	20,891	25,838
Disposals	(84)	(38)	-	(4,255)	(4,377)
Transferred from group company	-	-	-	23	23
Reclassification	-	-	-	-	-
31 December 1997	13,284	3,656	23,477	142,370	182,787
Accumulated depreciation					
1 January 1997	4,040	1,044	10,638	76,738	92,460
Disposals	(18)	(12)	-	(4,095)	(4,125)
Transferred from group company	-	-	-	25	25
Charge for the year	1,032	449	1,056	12,126	14,663
Reclassification	-	-	-	-	-
31 December 1997	5,054	1,481	11,694	84,794	103,023
Net book amount					
31 December 1997	8,230	2,175	11,783	57,576	79,764
31 December 1996	6,735	2,545	10,590	48,973	68,843

Included in plant and machinery are assets with a net book value of £136,000 (1996: £178,000) held under finance leases.

Freehold includes land and buildings stated at 1971 valuation of £1,700,000 (1996: £1,700,000) with a net book value of £1,392,000 (1996: £1,407,000).

Freehold land of £4,415,000 (1996: £4,449,000) is not depreciated.

Notes to the financial statements (continued)

7 Investments

	£000
Shares in subsidiary undertakings - cost	
1 January 1997 and 31 December 1997	<u>3,305</u>
Provisions	
1 January 1997 and 31 December 1997	<u>1,339</u>
Net book value	
1 January 1997 and 31 December 1997	<u>1,966</u>

The company's principal subsidiary undertaking at 31 December 1997 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	
	1997	1996	1997	1996
	£ 000	£ 000	£ 000	£ 000
Trade debtors	43,018	36,141	43,018	36,141
Other debtors	1,184	764	1,184	764
Prepayments and accrued income	7,573	7,620	7,573	7,620
Amounts owed by subsidiary undertakings	-	-	940	1,141
Amounts due from parent company	<u>34</u>	<u>78</u>	<u>34</u>	<u>78</u>
	<u>51,809</u>	<u>44,603</u>	<u>52,749</u>	<u>45,744</u>

Prepayments include £4,002,000 (1996: £4,495,000) 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	
	1997	1996	1997	1996
	£ 000	£ 000	£ 000	£ 000
(b) Other current liabilities				
Trade creditors	8,582	5,741	8,582	5,741
Amounts owed to subsidiary undertakings	-	-	1,941	1,941
Other creditors	987	1,154	987	1,154
Corporation tax	4,032	4,278	4,032	4,278
Other taxes and social security	4,220	7,728	4,220	7,728
Unpaid dividend	769	1,674	769	1,674
Accruals and deferred income	23,995	21,091	23,994	21,091
Other loans	8,200	2,500	8,200	2,500
	<u>50,785</u>	<u>44,166</u>	<u>52,725</u>	<u>46,107</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 £2,132,750 (1996: £1,868,444).

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 (1996: £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:

	1997 £ 000	1996 £ 000
Accelerated capital allowances	4,361	3,817
Other timing differences	(3,643)	(3,817)
	<u>718</u>	<u>-</u>

12 Provision for liabilities and charges

Group and company	Deferred taxation £ 000	Pension £ 000	Site restoration £ 000	Total £ 000
1 January 1997	-	1,859	5,277	7,136
Expenditure during year	-	-	(797)	(797)
(Decrease)/increase in provision	<u>718</u>	<u>(364)</u>	<u>1,938</u>	<u>2,292</u>
31 December 1997	<u>718</u>	<u>1,495</u>	<u>6,418</u>	<u>8,631</u>

Notes to the financial statements (continued)

13 Called up share capital

	1997 £000	1996 £000
93,268,594 ordinary shares of 20p each	18,654	18,654
6,731,406 deferred shares of 20p each	1,346	1,346
	<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	1,346	1,346
	<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
Profit and loss account – company	
1 January 1997	2,394
Profit for the financial year before dividends	12,004
Dividends	(14,398)
31 December 1997	<u>-</u>

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 £12,004,000 (1996: £9,314,000).

15 Reconciliation of movements in group shareholders' funds

	1997 £ 000	1996 £ 000
Profit for the financial year	12,082	9,480
Dividends	(14,398)	(9,485)
Decrease in shareholders' funds	(2,316)	(5)
Shareholders' funds at 1 January	19,437	19,442
Shareholders' funds at 31 December	<u>17,121</u>	<u>19,437</u>

Notes to the financial statements (continued)

16 Reconciliation of operating profit to operating cash flows

	1997 £ 000	1996 £ 000
Operating profit	22,929	18,481
Depreciation charges	16,015	14,795
Profit on sale of fixed assets	(444)	(458)
Increase in stocks	(60)	(343)
Increase in debtors	(7,206)	(7,371)
Increase in creditors	1,524	11,194
Increase in other provisions	777	468
Net cash inflow from operating activities	33,535	36,766

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

	1997 £ 000	1996 £ 000
Returns on investments and servicing of finance		
Interest paid	(4,055)	(4,089)
Net cash outflow for returns on investments and servicing of finance	(4,055)	(4,089)

Capital expenditure and financial investment

Purchase of tangible fixed assets	(25,470)	(18,821)
Purchase of intangible fixed assets	(7,417)	(1,226)
Sale of plant and machinery	696	682
Net cash outflow for capital expenditure and financial investment.	(32,191)	(19,365)

18 Analysis of net debt

	At 1 January 1997 £ 000	Cash flow 1997 £ 000	At 31 December 1997 £ 000
Cash in hand and at bank	14	123	137
Overdrafts	(363)	363	-
Debt due after 1 year	(47,000)	(19,000)	(66,000)
Debt due within 1 year	(2,500)	(5,700)	(8,200)
Finance leases	(125)	69	(56)
Total	(49,974)	(24,145)	(74,119)

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 £9,384,000 (1996: £2,885,000). Net assets acquired were £1,967,000 (1996: £1,659,000) and the goodwill arising of £7,417,000 (1996: £1,226,000) 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

	1997	1996
	£ 000	£ 000

Finance leases

Included within creditors are the following amounts:

Due within one year	56	67
Due within two to five years	-	58
	<u>56</u>	<u>125</u>

Operating leases

The company is committed to the following payments in 1998 under operating leases which:

	Land and buildings £ 000	Others £ 000	Total £ 000
Expire within one year	42	65	107
Expire within two to five years	285	277	562
Expire after more than five years	1,103	-	1,103
	<u>1,430</u>	<u>342</u>	<u>1,772</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 £4,734,000 (1996: £3,066,000).

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 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	Joint £000
Management fee receivable	-	-	(444)
Loan interest payable	2,317	184	-
Management fee payable	292	292	-

At 1 January 1997, 31 December 1997 and between those dates the group had outstanding borrowings from GKN plc and Brambles Industries Limited in equal amounts totalling a minimum of £2,500,000 and a maximum of £10,100,000. 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 1998.