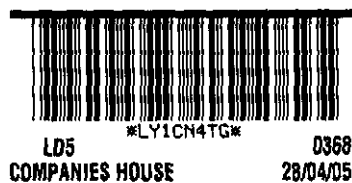


Cleanaway Limited

Annual Report and Financial Statements
Year ended 30 June 2004

Registered Number: 806128



Cleanaway Limited

Directors' report for the year ended 30 June 2004

The directors present their report and the audited financial statements for the year ended 30 June 2004.

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.

During the year the company increased its share capital by £50 million by issuing an additional 250 million shares of 20p each.

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 £816,000 (2003: £3,000,000) was declared and paid during the period. No final dividend is proposed for 2004 (2003: nil).

Directors and their interests

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

GR Westra	
CM Gilligan	
P Morton	(resigned 30 November 2003)
K Gardner	
SG Huxley	(resigned 31 December 2003)
L Kennedy	
G Mallett	(appointed 28 January 2004)
M Engsted	(appointed 18 February 2004)

B Mitchell was appointed a director of the company on 29 July 2004. PM Levett and J White were appointed directors of the company on 5 October 2004. On 8 December 2004 GR Westra and CM Gilligan resigned as directors of the company. On 13 December 2004 G Mallett resigned as a director of the company. D Gerrard was appointed a director of the company on 17 December 2004. JL Laurent was appointed a director on 24 December 2004. On 5 January 2005 K Gardner resigned as a director of the company.

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

Cleanaway Limited

Directors' report for the year ended 30 June 2004 (Continued)

Brambles Employee Option Plan

The Brambles Employee Option Plan includes the Standard Scheme (formerly known as the Premium Scheme) and the Qualifying Scheme. The exercise of options is subject to certain performance conditions being met.

Senior executives may be granted annual awards of options under the Brambles 2001 Executive Share Option Plan to acquire shares in Brambles Industries plc ("BIP") and Brambles Industries Limited ("BIL") at a future date at an exercise price fixed at the time of the grant. The exercise of options is subject to certain performance conditions being met.

Senior executives may also be granted annual awards under the Brambles 2001 Executive Performance Share Plan, consisting of a right to acquire shares in BIP and BIL at a future date, for no payment. The vesting of awards is subject to certain performance conditions being met.

Further details relating to these Plans are set out in the Remuneration Report of the Annual Review 2004 of Brambles Industries plc. Details of options and performance share rights granted during the period for the other directors in office at 30 June 2004 are listed below:

The interests of GR Westra in the share capital of BIP and BIL are disclosed in the financial statements of Cleanaway Holdings Limited.

Grant Date	Balance 1 July 2003 Number	Exercise Price	Granted in year Number	Exercised or lapsed in year Number	Balance 30 June 2004 Number	Exercise Period
CM Gilligan						
Options						
BIP Shares						
19 Dec 01	34,468	£3.21	-	-	34,468	Dec04 to Dec07
05 Sep 02	46,900	£2.33	-	-	46,900	Sep05 to Sep08
10 Sep 03	-	£1.72	135,392	-	135,392	Sep06 to Sep09
BIL Shares						
31 Mar 99	5,926	A\$9.56	-	-	5,926	Mar01 to Sep04
19 Dec 01	34,468	A\$9.63	-	-	34,468	Dec04 to Dec07
05 Sep 02	46,900	A\$7.08	-	-	46,900	Sep05 to Sep08
10 Sep 03	-	A\$4.75	135,392	-	135,392	Sep06 to Sep09
Share Rights						
BIP Shares						
19 Dec 01	10,093	-	-	-	10,093	Dec04 to Dec07
05 Sep 02	14,807	-	-	-	14,807	Sep05 to Sep08
10 Sep 03	-	-	33,848	-	33,848	Sep06 to Sep09
BIL Shares						
19 Dec 01	10,093	-	-	-	10,093	Dec04 to Dec07
05 Sep 02	14,807	-	-	-	14,807	Sep05 to Sep08
10 Sep 03	-	-	33,848	-	33,848	Sep06 to Sep09

Cleanaway Limited

Directors' report for the year ended 30 June 2004 (Continued)

Grant Date	Balance 1 July 2003 Number	Exercise Price	Granted in year Number	Exercised or lapsed in year Number	Balance 30 June 2004 Number	Exercise Period
K Gardner						
Options						
BIP Shares						
19 Dec 01	31,915	£3.21	-	-	31,915	Dec04 to Dec07
05 Sep 02	44,861	£2.33	-	-	44,861	Sep05 to Sep08
10 Sep 03	-	£1.72	79,430	-	79,430	Sep06 to Sep09
BIL Shares						
19 Dec 01	31,915	A\$9.63	-	-	31,915	Dec04 to Dec07
05 Sep 02	44,861	A\$7.08	-	-	44,861	Sep05 to Sep08
10 Sep 03	-	A\$4.75	79,430	-	79,430	Sep06 to Sep09
Share Rights						
BIP Shares						
19 Dec 01	9,346	-	-	-	9,346	Dec04 to Dec07
05 Sep 02	14,163	-	-	-	14,163	Sep05 to Sep08
10 Sep 03	-	-	19,858	-	19,858	Sep06 to Sep09
BIL Shares						
19 Dec 01	9,346	-	-	-	9,346	Dec04 to Dec07
05 Sep 02	14,163	-	-	-	14,163	Sep05 to Sep08
10 Sep 03	-	-	19,858	-	19,858	Sep06 to Sep09
L Kennedy						
Options						
BIP Shares						
06 Mar 03	60,185	£1.49	-	-	60,185	Mar06 to Mar09
10 Sep 03	-	£1.72	115,640	-	115,640	Sep06 to Sep09
BIL Shares						
06 Mar 03	60,185	A\$4.32	-	-	60,185	Mar06 to Mar09
10 Sep 03	-	A\$4.75	115,640	-	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
BIL Shares						
06 Mar 03	21,812	-	-	-	21,812	Mar06 to Mar09
10 Sep 03	-	-	28,910	-	28,910	Sep06 to Sep09

Cleanaway Limited

Directors' report for the year ended 30 June 2004 (Continued)

Grant Date	Balance 1 July 2003 Number	Exercise Price	Granted in year Number	Exercised or lapsed in year Number	Balance 30 June 2004 Number	Exercise Period
GJ Mallett						
Options						
BIL Shares						
18 Jan 02	32,000	A\$10.41	-	-	32,000	Jan04 to Jul07
26 Jun 02	1,162	A\$9.08			1,162	Jun05 to Dec05
06 Mar 03	46,888	A\$4.32	-	-	46,888	Mar06 to Mar09
10 Sep 03	-	A\$4.75	54,072	-	54,072	Sep06 to Sep09
Share Rights						
BIL Shares						
06 Mar 03	15,520	-	-	-	15,520	Mar06 to Mar09
10 Sep 03	-	-	14,116	-	14,116	Sep06 to Sep09
M Engsted						
Options						
BIP Shares						
04 Mar 04	-	£2.11	37,500	-	37,500	Mar07 to Mar10
BIL Shares						
04 Mar 04	-	A\$5.31	37,500	-	37,500	Mar07 to Mar10
Share Rights						
BIP Shares						
04 Mar 04	-	-	9,953	-	9,953	Mar 07 to Mar10
BIL Shares						
04 Mar 04	-	-	9,953	-	9,953	Mar 07 to Mar10

Charitable donations

During the year the group made donations of £31,001 (2003: £27,140) to charities. The group made no political donations in the period (2003: nil).

Cleanaway Limited

Directors' report for the year ended 30 June 2004 (Continued)

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 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 63 days (2003: 61 days) of purchases for the group.

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.

Cleanaway Limited

Directors' report for the year ended 30 June 2004 (Continued)

Directors' responsibilities (Continued)


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 2004 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

31 January 2005

The Drive
Warley
Brentwood
Essex
CM13 3BE

Independent auditors' report to the members of Cleanaway Limited

We have audited the financial statements which comprise the consolidated profit and loss account, the balance sheets 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 pages 5 and 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 2004 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
Chartered Accountants and Registered Auditors
London

31 January 2005

Cleanaway Limited

Consolidated Profit and Loss Account for the year ended 30 June 2004

	Note	2004			2003		
		Continuing Operations £'000	Discontinued Operations £'000	Total £'000	Continuing Operations £'000	Discontinued Operations £'000	Total £'000
Turnover							
(including share of joint venture)		471,363	-	471,363	457,283	46,431	503,714
Less: Share of turnover of joint venture		(9,785)	-	(9,785)	(9,075)	-	(9,075)
Group Turnover		<u>461,578</u>	<u>-</u>	<u>461,578</u>	<u>448,208</u>	<u>46,431</u>	<u>494,639</u>
Operating profit before exceptionals		19,930	-	19,930	21,971	1,423	23,394
Exceptional income	5	2,190	-	2,190	-	-	-
Exceptional reorganisation costs	5	(1,540)	-	(1,540)	(840)	-	(840)
Group operating profit		<u>20,580</u>	<u>-</u>	<u>20,580</u>	<u>21,131</u>	<u>1,423</u>	<u>22,554</u>
Share of operating (loss) / profit in joint venture	2	(20)	-	(20)	968	-	968
Total operating profit		<u>20,560</u>	<u>-</u>	<u>20,560</u>	<u>22,099</u>	<u>1,423</u>	<u>23,522</u>
Profit/ (loss) on disposal of a business operation	5			265			(3,602)
Interest receivable and similar income	6			74			210
Interest payable and similar charges	7			(13,417)			(13,692)
- Group				(55)			(133)
- Joint venture				(13,398)			(13,615)
Net interest payable							
Profit on ordinary activities before taxation	4			7,427			6,305
Tax on profit on ordinary activities	9			(4,571)			(4,924)
Profit on ordinary activities after taxation				2,856			1,381
Dividends on equity share capital	10			(816)			(3,000)
Retained profit/(loss) for the financial year				<u>2,040</u>			<u>(1,619)</u>

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.

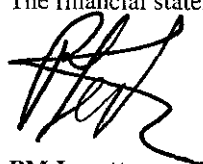
There are no material differences between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents.

Cleanaway Limited

Consolidated Balance Sheet as at 30 June 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Intangible assets	11	53,077	56,821
Tangible assets	12	168,500	173,090
Interests in joint venture	13		
Share of gross assets		7,482	7,197
Share of gross liabilities		(5,652)	(5,072)
		1,830	2,125
		223,407	232,036
Current assets			
Stocks	14	2,685	2,382
Fixed assets held for resale	14	2,178	-
Debtors due within one year	15	91,520	104,925
Debtors due after one year	15	8,902	9,326
Cash at bank and in hand		1,822	5,317
		107,107	121,950
Creditors: amounts falling due within one year	16	(85,353)	(101,323)
Net current assets		21,754	20,627
Total assets less current liabilities		245,161	252,663
Creditors: amounts falling due after more than one year	17	(104,540)	(164,305)
Provisions for liabilities and charges	18	(43,408)	(43,185)
Net assets		97,213	45,173
Capital and reserves			
Called up share capital	19	89,531	39,531
Share premium		704	704
Revaluation reserve		1,340	1,340
Other reserves		427	427
Profit and loss account	20	5,211	3,171
Total shareholders' funds	21	97,213	45,173
Shareholders' funds may be analysed as:			
- equity interests		95,867	43,827
- non-equity interests		1,346	1,346
		97,213	45,173

The financial statements on pages 8 to 36 were approved by the Board on 31 January 2005.



PM Levett
Director

Cleanaway Limited

Company Balance Sheet as at 30 June 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Intangible assets	11	14,497	14,770
Tangible assets	12	144,464	147,618
Investments	13	51,207	52,625
		<u>210,168</u>	<u>215,013</u>
Current assets			
Stocks	14	1,848	1,606
Fixed asset held for resale	14	2,178	-
Debtors due within one year	15	78,915	91,210
Debtors due after one year	15	8,673	8,420
Cash at bank and in hand		-	1,643
		<u>91,614</u>	<u>102,879</u>
Creditors: amounts falling due within one year	16	(70,637)	(81,271)
Net current assets		<u>20,977</u>	<u>21,608</u>
Total assets less current liabilities		<u>231,145</u>	<u>236,621</u>
Creditors: amounts falling due after more than one year	17	(92,368)	(151,820)
Provisions for liabilities and charges	18	(43,280)	(42,891)
Net assets		<u>95,497</u>	<u>41,910</u>
Capital and reserves			
Called up share capital	19	89,531	39,531
Share premium		704	704
Revaluation reserve		1,340	1,340
Profit and loss account	20	3,922	335
Total shareholders' funds		<u>95,497</u>	<u>41,910</u>
Shareholders' funds may be analysed as:			
- equity interests		94,151	40,564
- non-equity interests		1,346	1,346
		<u>95,497</u>	<u>41,910</u>

The financial statements on pages 8 to 36 were approved by the Board on 31 January 2005.



PM Levett
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 2004. The disclosures required are presented in note 23.

In accordance with the requirements of FRS 18 "Accounting Policies", the directors have reviewed the accounting policies currently adopted by the group and consider them to be the most appropriate against the objectives of relevance, reliability, comparability and understandability.

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 recognized 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.

Cleanaway Limited

Notes To The Financial Statements

1 Accounting Policies (Continued)

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.

g) Airspace Accounting

The group adopts an airspace basis of accounting for the assets and liabilities in respect of landfill sites 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%

i) Taxation

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

Deferred tax is fully 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 fully 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 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 policies. The group estimates its expected total claims payable at the balance sheet date and full provision is made for the net present value of group's unavoidable insurance costs.

o) Investments

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

p) Stocks

Stocks 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 transportation, 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

	2004 £'000	2003 £'000
Operating profit before management fees	1,023	968
Management fees paid to Cleanaway Group	(1,043)	-
Operating (loss) / profit from joint venture operation	(20)	968

The group has recognised the operating profit of its joint venture in accordance with contractual arrangements. The group has a 50% shareholding in AWG Cleanaway Limited, which changed its name from Morrison Serviceteam Limited on 1 August 2003.

Cleanaway Limited

Notes To The Financial Statements

3 Operating costs

	2004			2003		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Change in stocks of finished goods and work in progress	(303)	-	(303)	781	1,267	2,048
Other operating income	-	-	-	-	-	-
Raw materials and consumables	60,268	-	60,268	54,302	11,001	65,303
Other external charges	175,710	-	175,710	180,990	10,160	191,150
Staff costs (Note 8)	167,920	-	167,920	152,812	21,816	174,628
Depreciation of tangible fixed assets	33,542	-	33,542	33,015	764	33,779
Amortisation of goodwill	4,511	-	4,511	4,337	-	4,337
	38,053	-	38,053	37,352	764	38,116
Total operating costs	441,648	-	441,648	426,237	45,008	471,245

4 Profit on ordinary activities before taxation

Profit before taxation is stated after charging / (crediting):

	2004 £'000	2003 £'000
Staff costs (note 8)	167,920	174,628
Directors' emoluments (note 8)	1,864	1,746
Auditors' remuneration for the Group		
- as auditors (of which parent company was £180,000 (2003: £120,000))	180	167
- non-audit work	78	79
Operating lease charges:		
- plant and machinery	2,881	1,501
- other	4,513	4,120
Depreciation of tangible fixed assets:		
- owned assets	30,158	29,443
- landfill restoration assets	593	944
- assets held under finance leases and hire purchase contracts	2,791	3,392
Amortisation of goodwill	4,511	4,337
Loss on disposal of fixed assets	1,089	2,867

Cleanaway Limited

Notes To The Financial Statements

5 Exceptional items

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 as a current asset for resale within the next 12 months.

A reorganisation process was initiated in 2003 and was continued in 2004. The costs of £1,540,000 (2003: £840,000) principally comprised redundancy costs.

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. The exceptional item in 2003 is the loss realised on the sale of £3,602,000.

6 Interest receivable and similar income

	2004 £'000	2003 £'000
Bank interest receivable	74	210

7 Interest payable and similar charges

	2004 £'000	2003 £'000
Group		
Interest payable on bank borrowings repayable within five years	564	820
Interest payable on short-term loans from Brambles	-	666
Interest payable on other loans from Brambles	9,753	9,556
Interest payable on Loan Notes	255	361
Interest payable on hire purchase and finance lease contracts	503	775
Other interest payable	732	-
Discount unwinding on landfill provisions	1,610	1,514
	13,417	13,692
Joint venture		
Interest payable on bank borrowings repayable within five years	55	133
	13,472	13,825

Short-term loans consist of short term funding from subsidiaries of Brambles Industries plc and Brambles Industries Limited repayable on demand.

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

	2004	2003
	£'000	£'000

Group

Staff costs

Wages and salaries	145,690	152,621
Social security costs	12,630	12,976
Other pension costs	9,600	9,031
	<u>167,920</u>	<u>174,628</u>

	2004	2003
	Number	Number

Group

Average number of employees:

Operational staff	5,988	6,752
Administration and management	1,633	1,676
	<u>7,621</u>	<u>8,428</u>

Directors' information

	2004	2003
	£'000	£'000

Directors:

Aggregate emoluments	1,743	1,635
Compensation for loss of office	121	111
	<u>1,864</u>	<u>1,746</u>

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

	2004	2003
	Number	Number
Defined benefit schemes	<u>7</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:

	2004	2003
	£'000	£'000
Aggregate emoluments	778	547

Included in the aggregate emoluments of the highest paid director are pension contributions of £231,000 (2003: £202,000). The accrued annual pension entitlement under a defined benefit scheme of the highest paid director at 30 June 2004 was £75,250 (2003: £55,575). No lump sum entitlement exists.

9 Tax on the profit for the year

	2004	2003
	£'000	£'000
Current tax		
United Kingdom corporation tax at 30% (2003: 30%)	4,413	4,408
Adjustment in respect of prior period	1,387	(1,057)
Share of joint venture corporation tax liability	220	(121)
	6,020	3,230
Deferred tax		
Origination and reversal of timing differences	95	820
Adjustment in respect of prior period	(1,544)	828
Share of joint venture deferred tax liability	-	46
	4,571	4,924
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:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	7,427	6,305
Profit on ordinary activities multiplied by the standard rate in the UK 30% (2003: 30%)	2,228	1,892
Factors affecting the charge:		
Capital allowances in excess of / (less than) depreciation	82	(530)
Other timing differences	383	284
Amortisation of goodwill	1,353	1,301
Disposal of goodwill	-	1,052
Other net expenses not deductible for tax purposes	587	322
Utilisation of tax losses brought forward	-	(34)
Adjustments to tax charge in respect of prior periods	1,387	(1,057)
Total actual amount of current tax	6,020	3,230

10 Dividends

	2004 £'000	2003 £'000
Equity – ordinary		
Interim paid - 0.18p per share (2003: 1.57p per share)	816	3,000

Cleanaway Limited

Notes To The Financial Statements

11 Intangible assets

<i>Goodwill</i>	Group	Company
	£'000	£'000
Cost		
At 1 July 2003	78,646	29,719
Additions (note 22)	767	644
Transfer from investment in subsidiaries (note 13)	-	1,418
At 30 June 2004	79,413	31,781
Accumulated depreciation		
At 1 July 2003	21,825	14,949
Charge for the period	4,511	2,335
At 30 June 2004	26,336	17,284
Net book amount		
At 30 June 2004	53,077	14,497
At 30 June 2003	56,821	14,770

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	Group	Company	Company
	2004	2003	2004	2003
Group	£'000	£'000	£'000	£'000
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	56,237	13,527	11,465
	79,413	78,646	31,781	29,719

Cleanaway Limited

Notes To The Financial Statements

12 Tangible assets

	Land and buildings			Landfill restoration asset	Plant, machinery and vehicles	Total
	Freehold land and buildings	Leasehold buildings	Landfill sites			
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
Cost or valuation						
At 1 July 2003	20,373	14,769	50,851	7,678	240,339	334,010
Additions	511	2,703	3,419	-	26,507	33,140
Reclassification to current asset	(1,031)	-	-	-	-	(1,031)
Disposals	(4,862)	(2,407)	(1,394)	(420)	(23,494)	(32,577)
At 30 June 2004	14,991	15,065	52,876	7,258	243,352	333,542
Accumulated depreciation						
At 1 July 2003	6,967	7,905	20,129	2,191	123,728	160,920
Charge for the year	573	1,033	4,853	593	26,490	33,542
Disposals	(3,599)	(2,196)	(1,325)	-	(22,300)	(29,420)
At 30 June 2004	3,941	6,742	23,657	2,784	127,918	165,042
Net book value						
At 30 June 2004	11,050	8,323	29,219	4,474	115,434	168,500
At 30 June 2003	13,406	6,864	30,722	5,487	116,611	173,090

Included in plant and machinery are assets with a net book value of £4,493,000 (2003: £7,284,000) held under finance lease and hire purchase contracts. Depreciation for the year was £2,791,000 (2003: £3,392,000).

Freehold land of £1,583,000 (2003: £4,666,000) is not depreciated.

Leasehold buildings include assets held under leases of less than 50 years with a net book value of £5,718,000 (2003: £31,694,000, of which £27,088,000 has been reclassified as landfill site assets in 2004). Depreciation for the year on assets held under leases of less than 50 years was £728,000 (2003: £1,636,000)

Group	2004	2003
Analysis of land and buildings at cost or valuation	£'000	£'000
At cost	13,291	18,673
At valuation	1,700	1,700
	14,991	20,373

In 2004, £1,031,000 of freehold land and buildings was reclassified as current assets.

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 (2003: £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 restoration asset	Plant, machinery and vehicles	Total
	Freehold	Leasehold	Landfill			
	land and buildings £'000	buildings £'000	sites £'000			
Cost or valuation						
At 1 July 2003	15,783	13,519	50,851	7,678	219,405	307,236
Additions	194	2,645	3,419	-	21,627	27,885
Reclassification to current asset	(1,031)	-	-	-	-	(1,031)
Transfers from group companies	-	-	-	-	642	642
Disposals	(4,862)	(2,209)	(1,394)	(420)	(19,864)	(28,749)
At 30 June 2004	10,084	13,955	52,876	7,258	221,810	305,983
Accumulated depreciation						
At 1 July 2003	6,489	7,848	20,129	2,191	122,961	159,618
Charge for the year	482	795	4,853	593	21,365	28,088
Transfers from group companies	-	-	-	-	(61)	(61)
Disposals	(3,599)	(2,147)	(1,325)	-	(19,055)	(26,126)
At 30 June 2004	3,372	6,496	23,657	2,784	125,210	161,519
Net book value						
At 30 June 2004	6,712	7,459	29,219	4,474	96,600	144,464
At 30 June 2003	9,294	5,671	30,722	5,487	96,444	147,618

Freehold land of £1,583,000 (2003: £4,666,000) is not depreciated.

Leasehold buildings include assets held under leases of less than 50 years with a net book value of £5,020,000 (2003: £30,152,000, of which £27,088,000 has been reclassified as landfill site assets in 2004). Depreciation for the year on assets held under leases of less than 50 years was £490,000 (2003: £1,597,000)

Cleanaway Limited

Notes To The Financial Statements

12 Tangible assets (Continued)

Company	2004	2003
Analysis of freehold land and buildings at cost or valuation	£'000	£'000
At cost	8,384	14,083
At valuation	1,700	1,700
	<u>10,084</u>	<u>15,783</u>

In 2004, £1,031,000 of freehold land and buildings was reclassified as current assets.

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 (2003: £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	2004	2003
	£'000	£'000
Shares in subsidiary undertakings at cost brought forward	52,625	56,770
Transfers to Purchased Goodwill (note 11)	(1,418)	-
Impairment	-	(4,145)
	<u>51,207</u>	<u>52,625</u>

Share in subsidiary undertakings at cost carried forward

In 2003, following the disposal of some of the underlying businesses, the directors considered the value of the investment held by the company in Serviceteam Holdings Limited to be impaired. Therefore an impairment of £4,145,000 was recorded on a value in use basis.

The trade, assets and business of the subsidiary companies has been transferred to Cleanaway Limited for nil consideration. The directors consider that the cost of these businesses to Cleanaway Limited has ceased to be the cost of the shares in each subsidiary and instead they should be treated as unincorporated businesses. Consequently the difference between acquisition cost and fair value of net assets retained in the subsidiaries has been transferred to goodwill.

All of the subsidiaries are consolidated using the acquisition method of accounting. 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.

Cleanaway Limited

Notes To The Financial Statements

13 Investments (Continued)

The company's principal subsidiary undertakings at 30 June 2004 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%
AWG Cleanaway Limited (formerly Morrison Serviceteam Limited)		50%
Recall Shredding Limited		100%

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

	2004	2003
	£'000	£'000
Investment in Joint Venture brought forward	2,125	1,215
(Loss) / profit after taxation	(295)	910
Investment in Joint Venture carried forward	1,830	2,125
Analysis of profit and loss account		
Turnover	9,785	9,075
(Loss) / profit before taxation	(75)	835
Taxation	(220)	75
Analysis of balance sheet		
Fixed Assets	1,741	1,489
Current Assets	4,768	4,524
Debtors due after one year	973	1,184
Creditors due within one year	(5,245)	(4,820)
Creditors due after one year or more	(361)	(206)
Deferred tax provision	(46)	(46)

The group's share of capital commitments of joint ventures at 30 June 2004 was £nil (2003: £nil).

Cleanaway Limited

Notes To The Financial Statements

14 Stock and current assets held for resale

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Stock - Finished goods	2,685	2,382	1,848	1,606
Current assets held for resale	2,178	-	2,178	-

As explained in note 5, the current 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	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Trade debtors	81,616	89,662	63,989	63,391
Amounts owed by parent company	-	134	-	134
Amounts owed by subsidiary undertakings	-	-	6,209	14,163
Amounts owed by fellow group companies of the shareholders	467	2,046	467	2,027
Other debtors	3,093	3,494	2,827	2,997
Corporation tax	405	-	-	-
Prepayments and accrued income	5,939	9,589	5,423	8,498
	91,520	104,925	78,915	91,210

Amounts receivable after one year:

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Other debtors	7,658	8,420	7,658	8,420
Deferred taxation (see note 18)	1,244	906	1,015	-
	8,902	9,326	8,673	8,420

Cleanaway Limited

Notes To The Financial Statements

16 Creditors : Amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Loan Notes	-	7,368	-	7,368
Bank loans and overdrafts	5,336	4,663	2,009	-
Amounts payable under finance leases and hire purchase contracts (Note 17)	960	3,120	-	-
Trade creditors	35,376	45,235	32,329	41,437
Amounts owed to immediate parent company	1,141	-	1,141	-
Amount owed to subsidiary undertakings	-	-	615	1,270
Amounts owed to Brambles companies	490	1,861	490	1,861
Amounts owed to fellow group companies of Brambles	769	2,065	58	-
Corporation tax	-	790	546	1,401
Other taxes and social security	13,872	14,457	11,838	13,825
Other creditors	10,005	3,611	8,914	3,611
Accruals and deferred income	17,404	18,153	12,697	10,498
	85,353	101,323	70,637	81,271

The bank overdraft relates to a subsidiary company. The facility is secured by way of guarantees provided by fellow subsidiary companies as well as a charge over the assets of that company.

The Loan Notes received interest at 0.2% above the LIBOR 6 month settlement rate and were redeemed on 25 April 2004.

17 Creditors : Amounts falling due after more than one year

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Amounts payable under finance lease and hire purchase contracts	2,426	3,327	-	-
Amounts owed to Brambles companies	102,114	160,978	92,368	151,820
	104,540	164,305	92,368	151,820

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	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Within one year	960	3,120	-	-
Between one and two years	1,064	2,144	-	-
Between two and five years	1,362	1,152	-	-
After five years	-	31	-	-
	3,386	6,447	-	-

18 Provisions for liabilities and charges

Group	Deferred taxation £'000	Contract losses £'000	Employers liability £'000	Aftercare £'000	Site restoration £'000	Total £'000
At 1 July 2003	1,239	65	-	20,544	21,337	43,185
Transfer from debtors (note 15)	(906)	-	-	-	-	(906)
Charged/(credited) to the profit and loss account	(1,449)	(65)	1,500	1,140	-	1,126
Discount unwinding charge	-	-	-	863	747	1,610
Utilised during the year	-	-	-	(1,147)	(1,704)	(2,851)
Transfer to debtors (note 15)	1,244	-	-	-	-	1,244
At 30 June 2004	128	-	1,500	21,400	20,380	43,408

The provision for contract losses relates to the foreseeable losses on individual contracts as calculated in accordance with Accounting Policy 1(m).

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).

During the year the group changed its insurance arrangements. 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 2003	1,010	-	20,544	21,337	42,891
Charged/(credited) to the profit and loss account	(2,025)	1,500	1,140	-	615
Discount unwinding charge	-	-	863	747	1,610
Utilised during the year	-	-	(1,147)	(1,704)	(2,851)
Transfer to debtors (note 15)	1,015	-	-	-	1,015
At 30 June 2004	-	1,500	21,400	20,380	43,280

The amounts of deferred taxation are set out below. There is no unprovided deferred taxation and deferred tax assets have not been discounted.

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Provision for deferred tax				
Deferred tax liability				
Accelerated capital allowances	128	9,014	-	8,745
Other timing differences	-	(7,775)	-	(7,735)
	128	1,239	-	1,010
Deferred tax asset				
Accelerated capital allowances	6,833	(570)	6,858	-
Other timing differences	(8,077)	(336)	(7,873)	-
	(1,244)	(906)	(1,015)	-
Total provision for deferred tax	(1,116)	333	(1,015)	1,010

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 2003	193,268,594	38,654	190,923,140	38,185
Increased during the year	250,000,000	50,000	250,000,000	50,000
At 30 June 2004	443,268,594	88,654	440,923,140	88,185
<i>Deferred shares of 20p each</i>				
At 1 July 2003 and 30 June 2004	6,731,406	1,346	6,731,406	1,346
<i>Total share capital</i>				
At 30 June 2004		90,000		89,531
At 30 June 2003		40,000		39,531

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.

20 Profit and loss account

	Group	Company
	£'000	£'000
At 1 July 2003	3,171	335
Profit for the period before dividends	2,856	4,403
Dividends	(816)	(816)
At 30 June 2004	5,211	3,922

21 Reconciliation of movements in group shareholder's funds

	2004	2003
	£'000	£'000
Profit for the financial period	2,856	1,381
Dividends	(816)	(3,000)
	2,040	(1,619)
Increase in issued share capital	50,000	-
Increase in shareholders' funds	52,040	(1,619)
Opening shareholders' funds	45,173	46,792
Closing shareholders' funds	97,213	45,173

Cleanaway Limited

Notes To The Financial Statements

21 Reconciliation of movements in group shareholder's funds (Continued)

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 £4,403,000 (2003: £2,700,000).

22 Acquisitions

A summary of the acquisitions made in the year is as follows:

	Group £'000	Company £'000
Fair value of net assets acquired	103	103
Goodwill	767	644
Consideration - Cash	870	747

During the year the group acquired various unincorporated businesses for a total consideration of £870,000. Fair value and book value of the net assets acquired was £103,000 and the goodwill arising of £767,000 has been treated as an intangible fixed asset, and is being written off over its estimated useful life of twenty years.

During the year the company acquired various unincorporated businesses for a total consideration of £747,000. Fair value and book value of the net assets acquired was £103,000 and the goodwill arising of £644,000 has been treated as an intangible fixed asset, and is being written off over its estimated useful life of twenty years.

During the year £7,368,000 of deferred consideration was paid in respect of acquisitions made in previous periods.

Cleanaway Limited

Notes To The Financial Statements

23 Pension costs

23a SSAP 24 disclosures

Defined benefit schemes

The group operates a number of defined benefit schemes. The majority of these schemes are self administered and the scheme's assets are held independently of the Group's finances.

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 £8,342,000 (2003: £5,665,000).

A net prepayment of £1,373,000 (2003: £2,796,000) 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. The results of the most recent valuations of the significant funded schemes were:

	Cleanaway Limited	Lambeth Serviceteam	Serviceteam Limited
	Pension Schemes	Pension Scheme	Pension Scheme
Date of last valuation	5 April 2003	5 April 2003	5 April 2003
Market Value of investments (£'000)	63,720	8,133	4,443
Method used	Projected unit	Projected unit	Projected unit
Main assumptions			
Pre Retirement investment return	7.10%	7.10%	7.10%
Post Retirement investment return	5.25%	5.25%	5.25%
Compensation	3.75%	3.75%	3.75%
Inflation	2.50%	2.50%	2.50%
Pension increase	2.50%	2.50%	2.50%
Level of funding	72%	70%	64%

The two Cleanaway pension schemes have deficits on current funding levels of 70% and 74% 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.

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 £1,258,000 (2003: £3,366,000). A net creditor of £134,000 (2003: nil) 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

23 Pension costs (Continued)

23b 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.

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

Assumptions	2004	2003	2002
Rate of increase in pensionable salaries	4.25%	3.75%	4.00%
Rate of increase in pensions	3.00%	2.50%	2.70%
Discount rate	5.75%	5.25%	5.90%
Inflation assumption	3.00%	2.50%	2.70%
Return on equities	7.30%	7.30%	7.30%
Return on bonds	5.00%	5.00%	5.00%
Return on property	7.30%	7.30%	7.30%
Return on cash	4.50%	4.00%	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 2004 and 30 June 2003 would have been as follows:

	2004 £'000	2003 £'000
Operating Profit		
Current service cost	(5,706)	(5,793)
Settlements and curtailments	95	-
Past service costs	-	(102)
Total operating charge	(5,611)	(5,895)
Other Finance Income / Liabilities		
Expected return on pension scheme assets	5,860	5,858
Interest on pension scheme liabilities	(7,306)	(6,702)
	(1,446)	(844)
Statement of Total Recognised Gains and Losses		
Difference between actual and expected return on scheme assets	4,845	(7,649)
Experience gains arising on scheme liabilities	(6,916)	319
Effects of changes in assumptions underlying the present value of the scheme liabilities	(3,197)	(13,213)
Actuarial loss recognised	(5,268)	(20,543)

Cleanaway Limited

Notes To The Financial Statements

23 Pension costs (Continued)

The value of the assets and the expected rates of return of each Scheme as at 30 June 2004, 30 June 2003 and 30 June 2002 were:

	Expected long term rate of return			Value		
	2004	2003	2002	2004	2003	2002
	%	%	%	£'000	£'000	£'000
Equities	7.30	7.30	7.30	70,557	58,675	61,053
Bonds	5.00	5.00	5.00	22,900	21,932	17,228
Property	7.30	7.30	7.30	4,461	3,337	866
Cash	4.50	4.00	3.75	658	685	592
Insurance bonds	4.80	4.50	4.50	4,366	3,868	2,564
Total market value of assets				102,942	88,497	82,303
Present value of scheme liabilities				(156,559)	(137,097)	(111,101)
Deficit in the scheme				(53,617)	(48,600)	(28,798)
Related deferred tax asset @ 30%				16,085	14,580	8,639
Net pension liability				(37,532)	(34,020)	(20,159)

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

	2004	2003
	£'000	£'000
Movement in deficit during the year		
Deficit in schemes brought forward	(48,600)	(28,798)
Movement in the period		
Current service cost	(5,706)	(5,793)
Contributions	7,308	7,480
Past service costs	-	(102)
Settlements and curtailments	95	-
Other financial income	(1,446)	(844)
Actuarial loss	(5,268)	(20,543)
Deficit in schemes carried forward	(53,617)	(48,600)

Cleanaway Limited

Notes To The Financial Statements

23 Pension costs (Continued)

If FRS 17 has been adopted in these financial statements, the Group's net assets and profit and loss reserve as at 30 June 2004 and 30 June 2003 would have been as follows:

	2004	2003
	£'000	£'000
Net Assets		
Net assets excluding SSAP 24 pension asset	95,840	42,377
Net Pension liability	(37,532)	(34,020)
Net assets on FRS 17 basis	58,308	8,357
Reserves		
Profit and loss reserve excluding SSAP 24 pension asset	3,838	375
Pension reserve	(37,532)	(34,020)
Profit and loss reserve on FRS 17 basis	(33,694)	(33,645)
History of experience gains and losses	2004	2003
Difference between the expected and actual return on scheme assets		
Amount (£'000)	4,845	(7,649)
Percentage of scheme assets	5%	9%
Experience gains and losses on scheme liabilities		
Amount (£'000)	(6,916)	319
Percentage of present value of scheme liabilities	7%	0%
Total amount recognised in statement of total recognised gains and losses		
Amount (£'000)	(3,197)	(20,543)
Percentage of present value of scheme liabilities	3%	23%

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.

24 Contingent liabilities

The company and the group has issued performance guarantees in respect of a number of contracts entered into by its subsidiaries with local authorities, the amounts of which cannot be quantified.

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.

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Notes To The Financial Statements

25 Financial commitments

Operating leases

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

	Land and buildings £'000	Others £'000	2004 Total £'000	2003 Total £'000
Within one year	190	175	365	554
Within one to two years	209	6	215	336
Within two to five years	743	600	1,343	915
After more than five years	3,067	66	3,133	2,790
	4,209	847	5,056	4,595

26 Future capital expenditure

At 30 June 2004 the board of directors had approved, authorised and contracted capital expenditure for which no provision has been made in these financial statements of £8,617,000 (2003: £5,903,000).

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 £'000	Brambles Industries plc £'000
Loan interest payable	-	9,753
Management fee payable	1,675	550
Guarantee fees	241	241
	1,916	10,544

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Notes To The Financial Statements

27 Ultimate parent company and related party disclosures (Continued)

During the year, the maximum amount borrowed by the group from a subsidiary of Brambles Industries plc was £182,409,000 (2003: £177,393,000), of which £102,113,000 (2003: £160,978,000) was outstanding at 30 June 2004.

Cleanaway Holdings Limited is the only parent company to prepare group accounts for the year ended 30 June 2004 which include the company. Copies of these accounts are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.